First Capital BANK

In association with BARCLAYS

Audited Abridged Financial Results

For the year ended 31 December 2018

Chairman's Statement

The Bank sustained a steady growth trajectory, posting a good set of results for the year. While the macro-economic environment improved in the fi half, the second half was notably more challenging, as foreign currency shortages and infl further constrained capacity to service cross border payments and the overall level of business. Through this period, management and staff continued to demonstrate commitment and dedication to serve clients.

The macroeconomic environment

The economic environment in the fi half of 2018 was associated with renewed confi as the Government embarked on the implementation of reforms to improve both public and private sector confi supported by a Foreign Policy that prioritised re-engagement with the international community.

The second half of the year was characterised by rising infl and further price distortions in the market as a consequence of imbalances in macroeconomic fundamentals. The Bank was acutely aware of the evolving credit risk environment and continued to adapt its lending processes to sustain a quality loan book whilst at the same time growing its capital base. Recent fi and monetary policy pronouncements are a welcome move in the right direction in order to restore stability and confi in the market.

Earnings

The Bank recorded a profi after tax of $24.3 million up 23% from the $19.8 million achieved in 2017 resulting in a basic earnings per share of 1.13 cents, up from 0.92 cents in 2017, driven mainly by higher interest income.

Capital and liquidity

The Banks' total capital grew by 28% to $111.4 million in 2018 from $86.9 million in 2017. Core capital closed the year at $107 million surpassing the 2020 minimum capital requirement of $100 million. The total Capital Adequacy Ratio ended the year at 25%, compared to the regulatory minimum of 12%, refl further capacity to grow assets. Similarly, the bank's liquidity ratio of 69% was well above the minimum requirement of 30%.

FCB 3264

Investment in the community

During the year ended 31 December 2018, the Bank continued its social investment programs mainly in partnership with the Boost Fellowship, Junior Achievement Zimbabwe, and the Zimbabwe Farmers Union. The Bank donated $100,000 through its various partnerships as part of its ongoing engagement strategy with key stakeholder. In addition, the Bank participated in the worldwide Global Money Week initiative putting up an exhibition, which attracted more than 2500 youths, under the theme 'The History of Money'. The Bank's staff volunteered over 1000 hours in mentorship and social programs in their local communities, with the combined reach for all programs was in excess of 9000 benefi

Governance

The Bank remains committed to the highest standards of corporate governance, over and above full compliance with the requirements of the Reserve Bank of Zimbabwe, the Deposit Protection Board, the Zimbabwe Stock Exchange and other regulators. The Board composition and structure of its committees continued to refl these aspirations.

During the year ended 31 December 2018, Messrs Anthony Mandiwanza, the former Chairman, and Canan Dube (Independent Non-Executive Directors), retired from the Board. The Bank will continue to cherish their wise counsel and thank them immensely for their contribution to the Board. The Bank and the Board wish them success in their new endeavours. The Board welcomed one new Independent Non-Executive Director, Patrick Devenish and another Non-Executive Director, Mike Twigger. At the executive level, the Bank appointed Ciaran McSharry as the Chief Finance Officer, who joined the Board in May 2018.

Appreciation

As the Bank continues through this transitional period, it requires above normal levels of commitment on the part of Board members, management and staff. Through this demanding period, colleagues have continued to discharge their duties diligently while striving continuously to serve customers and clients even better. The balance of focus between ensuring that the transition program is delivered on time and also sustaining growth continued to be a delicate one. For this collective effort I wish to express my sincere thanks and gratitude to my fellow Board members, management and staff across the Bank.

Going forward

I am pleased to advise that the transition program is progressing well, and investment in new and enhanced technology platforms is on track for delivery in the first half of 2019.

A key step in the transition from Barclays PLC, during the year under review was the shareholders' approval to change the Bank's name to First Capital Bank Limited, in July 2018 leading to the adoption of a core brand in October 2018.

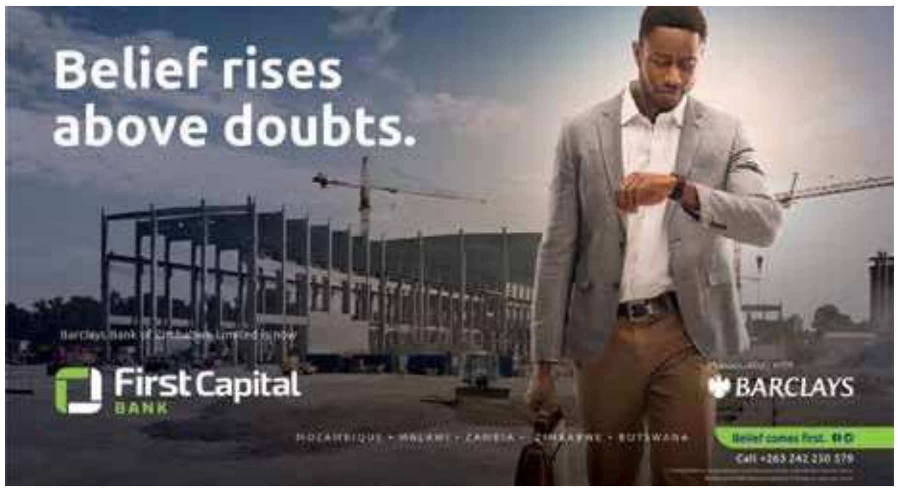
The Bank is very confident in its ability to deliver superior value to its customers and other stakeholders well into the future.

Dividend

The Bank recently announced the withdrawal of a Cautionary Statement in which it envisaged to restructure its balance sheet, a process which is still under review. While the Bank has surpassed the 2020 minimum capital requirement of $100 million, uncertainties in the economic environment still necessitate a more prudent approach on the Bank's capital base. As a result, the Board does not propose a dividend for the year ended 31 December 2018.

S. Mtsambiwa
Chairman

11 April 2019



Managing Director's Review of Operations

The macro-economic environment during the year was characterised by sustained trade and current account defi in the external sector and a fi defi . A distorted multi-tier pricing regime for goods and services prevailed. Infl soared up from the third quarter to close the year at 42.09% whilst interest rates remained relatively low.

The Bank's focus to adapt and remain effi underpins the sustainability of our business model into the future. Efforts and priorities during 2018, the fi full year of migrating from Barclays PLC into the FMBcapital Group, were focused on building the foundation to launch enhanced customer products and experience going forward.

Business highlights

During the year the Bank sustained and established new partnerships in areas of correspondent banking, lines of credit and technology solutions. Some of these, especially in the technology space will start to bear fruit as the bank implements its new channel offering during the fi half of 2019. The Bank also rebranded to First Capital Bank during the year. The new brand was received favourably by its customers and clients.

Within the Bank, a number of transitional projects were embarked on and closed the year on track. The main project relates to the migration of technology systems. This will be completed during 2019.

The Bank also sustained momentum on continuing activities. Commercial Banking business registered signifi growth in its client base in the quasi-public, agriculture and manufacturing sectors. The bank started to draw from synergies in the regional Group to develop new business and to provide solutions to shared clients or between independent clients in the region. Retail Banking sustained growth in the customer base, reaching new sub segments too.

Financial performance

Net interest income grew by 86% compared to prior year driven by growth in interest earning assets. Surplus liquidity was invested mainly in government securities to optimise return on assets, whilst efforts to grow customer assets also yielded a strong outcome. Gross loans and advances to customers grew by 72% from $117 million at the end of 2017 to $201 million as at 31 December 2018. Net interest income constituted 49% of total income compared to 30% for prior year. The loan to deposit ratio was raised to 36% from 26% a year earlier. The increase in impairment to $2.5 million for the year ended 31 December 2018 from $0.1 million for the prior year refl general provisions driven by growth in the loan book and other interest earning assets as well as the effect of aligning the provisioning approach to the new International Financial Reporting Standard 9 (IFRS9). The Bank continues to sustain disciplined lending practices especially considering the high credit risk environment currently prevailing in the market. The Bank's deposits grew by 25% over the period.

A cost to income ratio of 66% was registered for the year, being higher than prior year due to migration related costs incurred mainly in information technology projects and brand change.

The Bank sustained a strong liquidity position over the period. This, combined with a strong capital base will support planned growth going forward. The Bank's core capital closed the year at $107 million which is ahead of the $100 million regulatory minimum capital required by 2020.

Adverse audit opinion and compliance with IFRS

The Bank received an adverse audit opinion for 2018 financial results. This was due to the impact of the introduction of the new currency RTGS dollar as part of the February Monetary Policy Statement, combined with the impact of the separation of Nostro and RTGS accounts in October 2018. While under international accounting standards, accounting for the change in currency would have been with effect from 1 October 2018, S.I 33 of 2019 mandated that all accounts up to 22 February 2019 should be reported at the effective exchange rate of 1:1. As directed the legal requirement was followed in this regard resulting in an adverse audit opinion since compliance with International Accounting Standards was not fully achieved due to non-compliance with IAS21. Refer to note 1.4 for the detailed disclosure. A sensitivity analysis of the impact on the balance sheet has been included in note 38.

Enhanced products and services

New products were launched to enhance propositions across our targeted segments. The investment banking offering was reconfi The trade fi offering was strengthened through partnerships established during the year. Commercial asset fi lending was rolled out with some clients in the agriculture sector starting to benefi . Loyalty lending was introduced as a product targeted at small and medium size enterprises. Within the Retail space, the proposition for the diaspora segment was enhanced. A number of other enhancements were done to existing products, including the bill payment platforms.

The fl of transaction platforms and service channels continued to be a critical area of focus in the Bank's systems enhancement projects.

Sustained risk management

Enterprise Risk Management Frameworks have continued to be embedded to enhance the resilience of the Bank's systems and processes. Risk management teams and structures have also continued to be strengthened.

Treating Customers Fairly (TCF) is a principle the bank upholds within its Conduct Risk management processes. Across the business, this lens is used to identify areas of conduct risk in relation to customers, clients and the markets in which the bank operates. The Bank continues to prioritise and value enterprise risk management fundamentals.

Appreciation and looking forward

I would like to take this opportunity to appreciate the Board for its guidance and steer especially during this transitional period. I would also like to thank all colleagues at the Bank for their dedication over the past twelve months. The intensity of activities during the year could only succeed with such commitment and collaboration across all levels.

During the year 2019, we close a number of major transitional projects and we are sure to increase our focus on providing solutions to the Bank's customers and clients. This will also come with increased investment in our systems and processes to underpin sustainable growth into the future.

S. Matsekete
Managing Director

11 April 2019

First Capital BANK

In association with BARCLAYS

Audited Abridged Financial Results

For the year ended 31 December 2018

Corporate Governance Statement

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

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

Board responsibilities

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

Board Chairman and non-executive directors

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

Executive directors

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

Directors’ remuneration

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

Board diversity

The First Capital Bank Board recognises the importance of diversity and inclusion in its decision making processes. The board is made up of six independent non-executive directors, three non-executive directors and two executive directors. Three members of the board (27%) are female. The Board members have an array of experience in commercial and retail banking, accounting, legal, corporate finance, marketing, business administration, economics, human resources management and executive management.

Access to information

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

Share Dealings / Insider trading

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

Communication with stakeholders

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

Internal Audit

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

Declaration of interest

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

Ethics

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

Director induction and development

Board conformance and performance is enhanced through continuous learning. As part of its learning program, the Board has in place a comprehensive induction plan for on-boarding new directors. During the first half of the year 2018, two Board members Messrs P. Devenish and M. Twigger joined the Board and went through the induction programme. Further, as part of continuing director development, Board members will attended director training programs.

Board activities

The Board of Directors held five board meetings in the year 2018 being four quarterly meetings one of which incorporated a 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, 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 2018 is shown in the last part of this report.

Board and director evaluation

The Board conducts an annual evaluation process which assesses the performance and effectiveness of individual directors, the Board Chairman, Committees and overall performance of the Board. This process is facilitated by an external party to allow for objectivity. The evaluation process involves directors completing evaluation questionnaires and having one on one meetings with the facilitator. The results of the evaluation are collated, a report is produced and feedback provided to the Board. The Board also submits the evaluation report to the Reserve Bank of Zimbabwe. The Board conducted its evaluation for the year ended 2017 and a report was submitted to the RBZ. Board performance and evaluation was rated as strong by directors. Further, the Board is in the process of conducting evaluations for the year ended 31 December 2018 which report will be submitted to the Reserve Bank of Zimbabwe by 31 March 2019.

Board committees

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

Audit Committee

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

The committee is wholly comprised of independent non-executive directors. The members of the Committee as at 31 December 2018 were:-

B. Moyo (Chairman)
E. Fundira
T. Moyo

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.

Audited Abridged Financial Results

For the year ended 31 December 2018

Corporate Governance Statement

The Committee comprises one executive member and three non-executive directors. The members of the Committee as at 31 December 2018 were:-

E. Fundira (Chairperson)
H. Anadkat
S. N. Moyo
S. Matsekete

Loans Review Committee

This Committee has the overall responsibility for the complete review of the quality of the Bank's loan portfolio to ensure that the lending function conforms to sound lending policies and keeps the Board and management adequately informed on noted risks. It assists the Board with discharging its responsibility to review the quality of the Bank's loan portfolio. At every meeting, it reviews the quality of the loan portfolio with a view to ensuring compliance with the banking laws and regulations and all other applicable laws as well as internal policies.

The members of the Committee as at 31 December 2018 were:-

T. Moyo (Chairperson)
P. Devenish
M. Twigger

Human Resources and Nominations Committee

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

The members of the Committee as at 31 December 2018 were:-

P. Devenish (Chairman)
S. D. Mtsambiwa
S. N. Moyo
H. Anadkat
S. Matsekete

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.

As at 31 December 2018 members of the committee were:-

S. N. Moyo (Chairperson)
B. Moyo
D. Dikshit

Board Migration Committee

The Board set up a special Board Committee to oversee the migration of the Bank`s processes, products and systems, from the Barclays PLC platforms to the new platforms that the bank will be using going forward, following the successful conclusion of the Barclays PLC divestiture.

The Committee was made up of the following members as at 31 December 2018:-

B. Moyo (Chairperson)
T. Moyo
M. Twigger
D. Dikshit
S. Matsekete

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

Executive Committee (EXCO)

The Executive Committee is the operational management forum responsible for the delivery of the Bank's operational plans. The Executive Committee acts as a link between the Board and management and is responsible for implementation of operational plans, annual budgeting and periodic review of strategic plans, as well as identifi and management of key risks. The Executive Committee also reviews and approves guidelines for employee remuneration. The Executive Committee assists the Managing Director to manage the Bank, to guide and control the overall direction of the business of the Bank and acts as a medium of communication and co-ordination between business units and the Board. The Committee comprises of executive directors and senior management.

Assets and Liabilities Committee (ALCO)/Treasury Committee

The Treasury Committee is tasked with ensuring the achievement of sustainable and stable profits within a framework of acceptable financial risks and controls. The Treasury Committee ensures maximization of the value that can be generated from active management of the Bank's balance sheet and financial risk within agreed risk parameters. It manages the funding and investment of the Bank's balance sheet, liquidity and cash flow, as well as exposure of the Bank to interest rate, exchange rate, market and other related risks. It ensures that the Bank adopts the most appropriate strategy in terms of the mix of assets and liabilities given its expectation of the future and potential consequences of interest rate movements, liquidity constraints and foreign exchange exposure and capital adequacy. It also ensures that strategies conform to the Bank's risk appetite and level of exposure as determined by the Risk Management Committee. The Committee comprises executive directors and heads of functions key to the proper discharge of the Committee's responsibilities.

Board and committees attendance 2018

Main Board

Name	Total Meetings	Present	LOA**
S. D. Mtsambiwa	5	4	1
E. Fundira	5	3	2
B. Moyo	5	5	Nil
P. Devenish*	3	3	Nil
M. Twigger*	2	2	Nil
T. Moyo	5	4	1
S. N. Moyo	5	4	1
H. Anadkat	5	5	Nil
D. Dikshit	5	5	Nil
S. Matsekete	5	5	Nil
C. McSharry	3	3	Nil

Audit committee

Name	Total Meetings	Present	LOA**
B. Moyo	4	4	Nil
E. Fundira	4	3	1
T. Moyo	4	3	1

Human resources & nominations committee

Name	Total Meetings	Present	LOA**
P. Devenish	2	2	Nil
S. D. Mtsambiwa	4	4	Nil
S. N. Moyo	4	4	Nil
H. Anadkat	4	4	Nil
S. Matsekete	4	4	Nil

Credit committee

Name	Total Meetings	Present	LOA**
E. Fundira	16	16	Nil
H. Anadkat	16	11	5
S. N. Moyo	16	16	Nil
S. Matsekete	16	16	Nil

Loans review committee

Name	Total Meetings	Present	LOA**
T. Moyo	4	4	Nil
S. Matsekete	4	4	Nil
M. Twigger	2	2	Nil

Risk committee

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

Migration Committee

Name	Total Meetings	Present	LOA**
B. Moyo	8	8	Nil
T. Moyo	8	6	2
D. Dikshit	8	7	1
M. Twigger	5	5	Nil
S. Matsekete	8	8	Nil

* Mr Patrick Devenish and Mr Mike Twigger were appointed to the board with effect from 26 May 2018.
** LOA – Leave of absence granted.

Directors shareholding

The following is a schedule of the directors' shareholdings in the Bank as at 31 December 2018;

S. D. Mtsambiwa	Nil
E. Fundira	2 130
B. Moyo	Nil
S. N. Moyo	Nil
T. Moyo	Nil
H. Anadkat*	
D. Dikshit*	
P. Devenish	Nil
M. Twigger	Nil
S. Matsekete	10 000
C. McSharry	Nil

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

Annual financial statements

The Directors are responsible for the preparation and integrity of the financial results and related financial information contained in this report. The financial statements are prepared in accordance with generally accepted local and international accounting practices and they incorporate full and responsible disclosure to ensure that the information contained therein is both relevant and reliable. However compliance with International Financial Reporting Standards (IFRS), could not be fully achieved due to non-compliance with IAS21. Refer to note 1.4 for the detailed disclosure. These audited results have been prepared under the supervision of Ciaran McSharry (FCCA Registered Accountant No.1447680).

Compliance

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

By Order of the Board

V. Mutandwa
Company Secretary

11 April 2019

FCB 3264

First Capital BANK

In association with BARCLAYS

Audited Abridged Financial Results

For the year ended 31 December 2018

Statement of Comprehensive Income

for the year ended 31 December 2018

	Notes	2018 $000	2017 $000
Interest income	2	41 477	21 810
Interest expense	3	(1 430)	(305)
Net interest income		40 047	21 505
Net fee and commission income	4	27 468	32 411
Net trading income	5	11 835	16 142
Net investment income	6	1 402	1 016
Other income	7	940	432
Total non-interest income		**41 645**	**50 001**
Total income		**81 692**	**71 506**
Impairment losses on loans and advances	11	(2 461)	(102)
Net operating income		**79 231**	**71 404**
Staff costs	8	(25 408)	(24 195)
Infrastructure costs	9	(11 481)	(9 471)
Administration and general expenses	10	(17 197)	(12 750)
Operating expenses		**(54 086)**	**(46 416)**
Share of profit of joint venture		-	310
Profit before tax		**25 145**	**25 298**
Taxation	12	(823)	(5 508)
Profit for the year		**24 322**	**19 790**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on property revaluations		2 076	-
Deferred tax		(535)	-
Net gain on financial assets at FVOCI		2 126	3 084
Deferred Tax		(384)	(557)
Total other comprehensive gain for revaluation and equity securities		**3 283**	**2 527**
Items that will be classified subsequently to profit or loss			
Net gain on financial assets FVOCI - debt secutities		333	(16)
Deferred tax		(86)	4
Total other comprehensive income on debt securities		**247**	**(12)**
Total other comprehensive gain for the year, net of tax		**3 530**	**2 515**
Total comprehensive income for the year		**27 852**	**22 305**
Basic earnings per share (cents)		**1.13**	**0.92**
Diluted earnings per share (cents)		**1.13**	**0.92**

Statement of Cash Flows

for the year ended 31 December 2018

	Notes	2018 $000	2017 $000
Cash flow from operating activities			
Profit before income tax		**25 145**	**25 298**
Adjustments for non-cash items:			
Depreciation of property and equipment	9	2 516	2 523
Effect of fair value loss on investment property		-	(205)
Impairment loss on financial assets	11	2 567	102
Income from non-current asset held for sale	7	(335)	-
Profit on disposal of property and equipment	7	(263)	(104)
Interest accrual on financial assets		(12 140)	(4 100)
Staff loan prepayment amortisation		(57)	(44)
Share based payment expense		53	92
Net derivative assets		-	(2)
Cash flow from operating activities before changes in working capital		**17 486**	**23 560**
(Increase)/decrease in loans and advances to customers		(84 311)	28 231
Increase in other assets		(639)	(205)
Increase in deposits from customers		106 514	52 074
Increase in other liabilities		8 212	2 671
Income taxes paid		(1 979)	(5 881)
Transfer into restricted bank balances		(22 927)	(9 093)
Net cash generated in operating activities		**22 356**	**91 357**
Cash flow from investing activities			
Purchase of property and equipment	19	(10 479)	(2 040)
Proceeds from sale of property and equipment		322	175
Dividend received from investment securities		1 402	1 106
Interest received from investment securities		17 259	-
Purchase of investment securities		(470 422)	(135 443)
Proceeds from sale and maturities of investment securities		292 029	93 347
Net cash used in investing activities		**(169 889)**	**(42 855)**
Cash flows from financing activities			
Proceeds from issue of shares under a share based payment plan		44	71
Net cash generated from financing activities		**44**	**71**
Net (decrease)/increase in cash and cash equivalents		**(147 489)**	**48 573**
Cash and cash equivalents at the beginning of the year		260 709	212 136
Cash and cash equivalents at the end of the year	13.2	**113 220**	**260 709**

Statement of Financial Position

as at 31 December 2018

	Notes	2018 $000	2017 $000
Assets			
Cash and bank balances	13	150 707	278 570
Derivative financial instruments	14	-	4
Investment securities	15	289 001	5 235
Loans and receivables from banks	16	4 030	110 952
Loans and advances to customers	17	194 675	112 038
Other assets	18	8 553	7 578
Property and equipment	19	30 602	20 621
Investment properties	20	5 145	5 145
Non-current assets held for sale	21	14 829	14 829
Current tax assets		1 202	637
Total assets		**698 744**	**555 609**
Liabilities			
Derivative financial instruments	14	1	2
Deposits from banks	22	2 905	6 233
Deposits from customers	23	553 564	443 783
Provisions	24	3 163	2 376
Other liabilities	25	18 054	12 435
Deferred tax liabilities		2 748	2 465
Balances due to Group companies	34.5	1 806	-
Total liabilities		**582 241**	**467 294**
Capital and reserves			
Share capital	27	215	215
Share premium	27	23 837	23 764
Non-distributable reserves	27	7 785	7 785
Fair value through other comprehensive income reserve	27	4 926	2 930
Revaluation reserve	27	4 935	3 456
Impairment Reserve-FVOC financial assets	27	611	-
Share-based payment reserve	27	1 228	1 205
Retained income		72 966	48 960
Total equity		**116 503**	**88 315**
Total equity and liabilities		**698 744**	**555 609**

Statement of Changes in Equity

for the year ended 31 December 2018

	Share Capital $000	Share premium $000	Non-distributable reserve $000	Fair value through other comprehensive income Reserve $000	Revaluation reserve $000	Impairment reserve-FVOCI financial assets $000	Share-based payment reserve $000	Retained earnings $000	Total equity $000
Balance at 1 January 2018	**215**	**23 764**	**7 785**	**2 930**	**3 456**	-	**1 205**	**48 960**	**88 315**
Profit for the year	-	-	-	-	-	-	-	24 322	24 322
Other comprehensive income for the year	-	-	-	1 989	1 541	-	-	-	3 530
Total comprehensive income for the year	-	-	-	**1 989**	**1 541**	-	-	**24 322**	**27 852**
Recognition of share-based payments	-	-	-	-	-	-	53	-	53
Issue of ordinary shares under share-based payment plans	-	73	-	-	-	-	(30)	-	43
Gain on disposal of FVOCI	-	-	-	7	-	-	-	-	7
Realisation of revaluation reserve	-	-	-		(62)	-	-	62	-
Impairment on FVOCI financial assets	-	-	-	-	-	611	-	-	611
Effect of initial IFRS9 application	-	-	-	-	-	-	-	(509)	(509)
Tax effect on IFRS9 initial impact	-	-	-	-	-	-	-	131	131
Total net effect of IFRS9 (Note 1.6)	-	-	-	-	-	**611**	-	**(378)**	**233**
Balance at 31 December 2018	**215**	**23 837**	**7 785**	**4 926**	**4 935**	**611**	**1 228**	**72 966**	**116 503**
Note	27								

	Share Capital $000	Share premium $000	Non-distributable reserve $000	Available for sale reserve $000	Revaluation reserve $000	Impairment reserve-FVOCI financial assets $000	Share-based payment reserve $000	Retained earnings $000	Total equity $000
Balance at 1 January 2017	**215**	**23 642**	**7 785**	**415**	**3 519**	-	**1 164**	**28 453**	**65 193**
Profit for the year	-	-	-	-	-	-	-	19 790	19 790
Other comprehensive income for the year	-	-	-	2 515	-	-	-	-	2 515
Total comprehensive income for the year	-	-	-	**2 515**	-	-	-	**19 790**	**22 305**
Recognition of share-based payments	-	-	-	-	-	-	92	-	92
Realisation of revaluation reserve	-	-	-	-	(63)	-	-	63	-
Issue of ordinary shares under share-based payment plans	-	122	-	-	-	-	(51)	-	71
Contribution from Group towards compensation for loss of office	-	-	-	-	-	-	-	654	654
Balance at 31 December 2017	**215**	**23 764**	**7 785**	**2 930**	**3 456**	-	**1 205**	**48 960**	**88 315**

Audited Abridged Financial Results

For the year ended 31 December 2018

Notes to the Annual Financial Statements

for the year ended 31 December 2018

1. General information and accounting policies

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 First Capital Group incorporated in Mauritius. The Bank has a primary listing on the Zimbabwe Stock Exchange.

1.2. Basis of preparation

The Bank's audited abridged financial results are prepared and presented on the basis that they reflect the information necessary to be a fair summary of the audited annual financial statements from which they are derived. This includes financial results that agree with or can be recalculated from the related information in the audited financial statements and that contain the information necessary so as not to be misleading in the circumstances. The information contained in these financial results does not contain all the disclosures required by International Financial Reporting standards, the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Banking Act (Chapter 24:20), which are disclosed in the full annual financial statements from which this set of financial results were derived. For a better understanding of the Bank`s financial position, its financial performance and cash flows for the year, these financial results should be read in conjunction with the audited annual financial statements.

The full signed annual report can be obtained upon request from the company secretary at the registered office of the Bank

1.3. Basis of measurement

The audited fi results for the period have been prepared on the historical cost basis except for the following;

(i) Equity investments at fair value through other comprehensive income (FVOCI)
(ii) Investment property measured at fair value;
(iii) Derivative assets/liabilities measured at fair value;
(iv) Buildings are measured using the revaluation model. Revaluation is performed after every 3 years.
(v) Financial assets at fair value through other comprehensive income (Investment securities-debt)
(vi) Non-current assets held for sale (Investment in joint venture) measured at the lower of carrying amount and fair value less cost to sale.

1.4. Functional and presentation currency

These fi statements are presented in United States Dollars ($) which is the Bank's presentation currency. The United States Dollar ($) was the Bank's functional and presentation currency in the previous years.

Functional currency assessment

2017 Financial year assessment

In assessing the functional currency, the Bank used guidance from IAS21 which has primary and secondary factors in assessing functional currency. These are:

- The currency that mainly influences sales prices for goods and services;
- The currency of the competitive forces and regulations that mainly determine the sales prices of goods and services;
- The currency that mainly influences labour, material and other costs of providing goods or services;
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

The Bank concluded that the United States Dollar ($) was still the functional and presentation currency, this was in line with the guidance issued by PAAB.

2018 Financial year assessment

The Bank assessed its functional currency for the year ended 31 December 2018 continuing from the previous assessment done in 2017 using same IAS 21 primary and secondary indicators stated above

- The Bank concluded that a greater proportion of the interest income and non funded income was being priced and settled in Real Time Gross Settlement (RTGS) dollars and costs being largely determined and settled in RTGS dollars;
- Net receipts from operations were largely retained in RTGS dollars;
- A greater proportion of the Bank's assets and deposits were now predominantly denominated in RTGS dollars

The Bank also considered the following factors;

i) Separation of Nostro and RTGS balances

- The separation of these balance was effective from 1 October 2018, which meant that customers who had RTGS balances would not ordinarily be able to access foreign cash with effect from 1 October 2018, implying that the two were now different currencies.

ii) Substance over form of RTGS transactions

- Although the RTGS was a mode of settlement and not legally recognised as a currency the Bank considered the substance of the transactions done in RTGS, taking into account the significant disparity between the market perception of the relative value between the United States Dollar ($) and the RTGS dollar and concluded that the economic substance of these transactions over their legal form was that RTGS was a currency.

Based on the above considerations the Bank concluded that its functional currency had changed from United States Dollars ($) to RTGS dollars from 1 October 2018. However, as at 31 December 2018 the RTGS dollar had not been promulgated legally as a currency, the Bank adopted the United States dollar ($) as its functional currency. Statutory Instrument (S.I) 33 commissioned the RTGS dollar as a currency from 22 February and prescribed that all RTGS assets and liabilities before 22 February must be valued at 1:1 to the United States dollar ($) on and after 22 February. Therefore the Bank is using United States dollars ($) as the functional and presentation currency. Assets and liabilities were converted to United States Dollars ($) as at 31 December 2018 for reporting at the offi exchange rate of 1:1 to comply with local laws and regulations.

Statutory Instrument (S.I) 33 of 2019 & IAS21 requirements

Following the monetary policy on the 20th of February 2019, Statutory Instrument (S.I) 33 of 2019 was issued effective 22 February which introduced RTGS dollar as a currency and specified that all RTGS assets and liabilities which were effectively valued in United States Dollars ($) before the effective date shall be converted at 1:1 on and after the effective date.

IAS21:23&39 requires that assets and liabilities in foreign currency be converted at the closing market rate to the local currency/reporting currency and income and expense items be converted at the rate of the transaction date.

IAS21:26 also require that if exchangeability between two currencies is temporarily lacking the rate used to convert balances is the first subsequent rate at which exchanges could be made.

Non Compliance with IAS21

(S.I.) 33 prescribed that RTGS assets and liabilities in United States Dollars ($) before 22 February be converted at 1:1 hence the Bank applied this legal requirement when converting balances at year end to comply with local laws and regulations. As a result the Bank could not apply the requirements of IAS21 described above which required a market exchange rate to be applied when converting balances into reporting currency or use of first subsequent rate when exchange rate is temporarily lacking resulting in non-compliance with IAS21. Refer to note 38 for the disclosure of the impact of various exchange rates to the balance sheet

1.5. Audit opinion and key audit matters

These audited abridged financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2018, which have been audited by KMPG Chartered Accountants (Zimbabwe) and an adverse opinion has been issued thereon. The auditors report, which has an adverse opinion in respect of compliance with International Financial Reporting Standard 21 (Effects of Changes in Foreign Exchange Rates), is available for inspection at the Bank's registered address.

1.6 Accounting policies

The accounting policies applied in the preparation of the unaudited financial results are consistent with the most recent financial statements for the year ended 31 December 2017 except for the adoption of International Financial Reporting Standard 9 (IFRS9-Financial Instruments) and International Financial Reporting Standard 15 (IFRS15- Revenue from contracts with customers) detailed below.

Adoption of new and revised accounting standards

During the current year, the Bank has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on1 January 2018. The adoption of these new and revised standards and interpretations has resulted in material changes to the Bank's accounting policies.

The accounting policies applied in the preparation of the audited financial results are consistent with the most recent financial statements for the year ended 31 December 2017 except for the current adoption of International Financial Reporting Standard 9 (IFRS9-Financial Instruments) and International Financial Reporting Standard 15 (IFRS15- Revenue from contracts with customers) detailed below.

IFRS15- Revenue from contracts with customers adoption

IFRS15 establishes a framework for determining when and how much revenue is recognised. Under IFRS15, revenue is recognised when the customer obtains control of goods or services. It replaces International accounting standard 18 (IAS18-Revenue) and the related interpretations. There has been no significant change to the timing and value of revenue recognised from the existing policies. Therefore the Bank has adopted IFRS15 from the date of initial application with no restatement of 2017 financials.

IFRS9-Financial Instruments adoption

The Bank has adopted IFRS9 as issued by the International Accounting Standards Board (IASB) in July 2014 with effect from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The adoption of IFRS9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS9 also significantly amends other standards dealing with financial instruments such as IFRS7' Financial Instruments: Disclosures'.

The Bank did not early adopt IFRS9 in previous periods. As permitted by the transitional provisions of IFRS9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS7 disclosures have only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in prior year.

1.6.1. Effect of adopting IFRS 9 on the classification and measurement of Financial assets and liabilities

The following table explains the original measurement categories under IAS39 and the new measurement categories under IFRS9 for each class of the Bank's financial assets as at 1 January 2018. In addition it shows the reconciliation between the carrying amount at 31 December 2017 under IAS39 and the opening balance at 1 January 2018 under IFRS9.

The effect of adopting IFRS9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below. There were no movement of balances between asset classes.

Financial Instrument	IAS39 Classifi and Measurement	IFRS9 new classifi and measurement	IAS39 carrying amount at 31 December $000	Re -measurement (Impairment impact) $000	IFRS9 opening amount at 1 January 2018 $000
Loans and advances to customers	Loans and receivables (amortised cost)	Financial assets at amortised cost	112 038	419	112 457
Loans and receivables from banks (held for investment purposes)	Loans and receivables (amortised cost)	Financial assets at amortised cost	110 952	(928)	110 024
Investment securities (held for liquidity purposes)	Available-for-sale investments (FVOCI)	Financial assets at FVOCI	1 026	-	1 026
Investment securities (held for trading)	Held for trading (FVPL)	Financial assets at FVPL	-	-	-
Investment securities (equity investments)	Available-for-sale- investments (FVOCI)	Financial assets at FVOCI	4 209	-	4 209
Cash and bank balances	Loans and receivables (amortised cost)	Financial assets at amortised cost	278 570	-	278 570
Other assets	Loans and receivables (amortised cost)	Financial assets at amortised cost	7 578	-	7 578
Total			**514 373**	**(509)**	**513 864**

The adoption of IFRS9 has not had a significant effect on the Bank's accounting policies related to financial liabilities and derivative financial instruments; therefore IFRS9 largely retains the existing requirements in IAS39 for the classification and measurement of financial liabilities. However, the measurement of financial assets eliminates the previous IAS39 categories for financial assets held to maturity, loans and receivables and available for sale financial instruments.

The net impact of $508 738 was adjusted through retained earnings in the statement of changes in equity

Classification of Financial instruments

Under IFRS9, on initial recognition, a financial asset is classified as measured at:

i. Amortised cost
ii. Fair value through other comprehensive income (FVOCI) – debt investments
iii. Fair value through other comprehensive income (FVOCI)– equity investments
iv. or Fair value through Profit and Loss (FVTPL).

The classification of financial assets under IFRS9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The business models are explained as follows:

i) Hold to collect contractual cash-flow - Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash fl ws; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Hold to collect contractual cash-flow and selling - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

iii) Other business model - Equity investments (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Bank irrevocably elects to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

iv) Hold to sell - (FVTPL)

All fi assets not classifi as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets and debt instruments held for trading.

Financial assets and liabilities are initially measured at fair value and transaction costs that are directly attributable to their acquisition, if they are not fair value through profi and loss. Transaction costs for financial assets and liabilities carried at fair value through profi and loss are expensed in profi and loss

The following accounting policies apply to the subsequent measurement of financial assets.

Financial instrument	Business model	IFRS9 subsequent measurement
Loans and advances to customers	Hold to collect contractual cash-fl ws	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profi or loss. Any gain or loss on derecognition is recognised in profi or loss
Loans and receivables from banks (held for investment purposes)	Hold to collect contractual cash-fl ws	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange on derecognition is recognised in profi or loss.
Investment securities-debt (held for liquidity purposes)	Hold to collect contractual cash-fl ws and sell	These assets are subsequently measured at fair value. Interest income and impairment is recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Investment securities-equity	Other business model	These assets are subsequently measured at fair value. Dividends are recognised as income in profi or loss unless the dividend clearly are recognised in OCI and are never reclassifi to profi or loss.
Investment securities-debt (held for trading)	Hold to sell	These assets are subsequently measured at fair value. Net gains are recognised in profit or loss.

Impairment of financial assets

IFRS9 replaces the 'incurred loss' model in IAS39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS9, credit losses are recognised earlier than under IAS39. The financial assets at amortised cost consist of loans and advances, cash and cash equivalents and debt securities.

IFRS9 outlines a three stage model for impairment based on changes in credit quality since initial recognition as summarised below:

- Stage 1 - Financial instruments not credit impaired on initial recognition and are performing
- Stage 2 - If significant increase in credit risk is identified the asset is moved to stage 2
- Stage 3 - If the asset is credit impaired it is moved to stage 3.

Expected credit losses measurement(ECLs)

- ECLs are measured on either a 12 month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether the asset is considered credit impaired
- The Bank uses a portfolio based approach to calculation of ECLs. The portfolios are segmented into retail and corporate and further by product
- Refer to note 36.5 for the detailed ECL notes.

The impairment impact of initial application of the new provisioning model in transitioning from IAS 39 to IFRS9 is as shown below

	Impact of Impairment $000
Impairment balance for IAS39 at 31 December 2017	4 811
Financial assets at amortised cost - Loans and advances	(419)
Financial assets at amortised cost - Debt investments	928
Financial assets at FVOCI - Debt investments	-
Financial assets at FVOCI - Equity investments	-
Other assets	-
Cash and bank balances	-
Total IFRS9 opening balance at 1 January 2018	**5 320**

FCB 3264

First Capital BANK

In association with BARCLAYS

Audited Abridged Financial Results

For the year ended 31 December 2018

Notes to the Annual Financial Statements

for the year ended 31 December 2018

FCB 3264

2. Interest income

	2018 $000	2017 $000
Bank balances	76	87
Investment securities	25 368	6 666
Loans and advances to customers	16 033	15 057
Total interest income	**41 477**	**21 810**

3. Interest expense

Deposits from banks	-	(1)
Customer deposits	(1 430)	(304)
Total interest expense	**(1 430)**	**(305)**

4. Net fee and commission income

Fee and commission income		
Account activity fees/ledger fees	7 296	8 197
Insurance commission received	411	481
Commission received	13 875	14 030
Guarantees	835	167
Card based transaction fees	2 702	5 453
Cash withdrawal fees	2 850	4 197
Total fee and commission income	**27 969**	**32 525**
Fee and commission expense		
Guarantee expense	(350)	(114)
Other fees and commissions	(151)	-
Total fee and commission expense	**(501)**	**(114)**
Net fee and commission income	**27 468**	**32 411**

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

5. Net trading income

Net foreign exchange income	10 963	15 224
Trading income - Financial instruments	872	918
Net trading income	**11 835**	**16 142**

6. Net investment income

Dividend income	1 402	1 016
Net investment income	**1 402**	**1 016**

7. Other income

Gain on disposal of property and equipment	263	104
Rental income	342	328
Income from non-current asset held for sale	335	-
Total other income	**940**	**432**

8. Staff costs

Salaries and allowances	(22 249)	(20 168)
Social security costs	(206)	(197)
Pension costs: defi contribution plans	(2 158)	(2 014)
Directors' remuneration - for services as management	(742)	(839)
Directors' compensation for loss of offi funded by the Bank	-	(231)
funded by the Group	-	(654)
Share based payment plan	(53)	(92)
Total staff cost	**(25 408)**	**(24 195)**
Average number of employees during period	743	697

9. Infrastructure costs

	2018 $000	2017 $000
Repairs and maintenance	(1 813)	(1 442)
Migration costs - Technology	(1 734)	-
Other property costs	(2 075)	(2 139)
Security costs	(1 147)	(1 118)
Depreciation of property and equipment	(2 516)	(2 523)
Operating lease rentals	(2 196)	(2 249)
Total infrastructure costs	**(11 481)**	**(9 471)**

10. Administrative and general expenses

Auditors' remuneration:		
Audit related services	(260)	(196)
Review services	(23)	(35)
Total auditor related fees	**(283)**	**(231)**
Consultancy, legal and professional fees	(787)	(546)
Subscription, publications, stationery and communications	(4 787)	(4 460)
Marketing, advertising and sponsorship	(521)	(376)
Travel and accommodation	(983)	(757)
Entertainment	(66)	(29)
Cash transportation	(1 264)	(1 565)
Directors fees	(245)	(361)
Insurance costs	(2 232)	(2 079)
Migration cost - branding and other	(1 985)	-
Group recharges	(2 491)	-
Card operating expenses	(748)	(1 510)
Other administrative and general expenses	(805)	(836)
Total administrative and general expenses	**(17 197)**	**(12 750)**

11. Credit impairment losses

Stage1	(2 516)	-
Stage2	304	-
Stage3	(355)	-
Total	(2 567)	-
Identified	-	(689)
Unidentified	-	554
Total	(2 567)	(135)
Recoveries of loans and advances previously written off	106	(33)
Statement of comprehensive income charge	**(2 461)**	**(102)**

12. Income taxes

Income tax recognised in profit or loss		
Normal tax – current year	(1 414)	(5 505)
Deferred tax	591	(3)
Total income tax recognised in the current year	**(823)**	**(5 508)**

13. Cash balances and equivalents

13.1. Cash and bank balances

	2018 $000	2017 $000
Settlement balance with Central Bank	65 901	248 384
Statutory reserve balance with Central Bank	24 176	-
Money market assets	20 007	-
Cash on hand - foreign currency	17 918	15 785
Cash on hand - Bond notes and coins	4 224	-
Balances due from group companies	2	-
Balances with banks abroad	18 513	14 401
Cash and bank balances	**150 741**	**278 570**
Less: Expected Credit loss	(34)	-
Net cash and bank balances	**150 707**	**278 570**

13.2. Cash and cash equivalents-cash flow statement

	2018 $000	2017 $000
Total cash and bank balances	150 741	278 570
Restricted settlement balances with Central Bank	(7 349)	(7 342)
Statutory reserve balance with Central Bank	(24 176)	-
Restricted balances with banks abroad	(3 744)	(4 999)
Clearing balances due from banks	653	713
Bank balances due to group companies	-	-
Balances due to other banks	(2 905)	(6 233)
Total cash and cash equivalents – statement of cash flows	**113 220**	**260 709**

14. Derivative financial instruments

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

Carrying amount

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

Contract amount

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

	Notional contract amount $000	Carrying amount Assets $000	Carrying amount Liabilities $000
2018			
Foreign exchange derivatives			
Foreign exchange spot trades	745	-	1
Total foreign exchange derivatives	**745**	**-**	**1**
2017			
Foreign exchange derivatives			
Foreign exchange spot trades	-	-	-
Currency swap	2 190	4	2
Total foreign exchange derivatives	**2 190**	**4**	**2**

15. Investment securities

	2018 $000	2017 $000
Treasury bills and bonds	282 666	1 026
Equity securities	6 335	4 209
Balance at end of the year	**289 001**	**5 235**

Treasury bills and bonds classified as investment securities are held to collect contractual cash flows and sell if the need arises. They are measured at fair value.

Expected credit losses are accounted for through impairment reserve in equity. A total of $610 748 was recognised in the reserve as at 31 December 2018.

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

	2018 $000	2017 $000
Balance at beginning of the year	**5 235**	**34 104**
Additions	270 038	-
Accrued interest	11 733	15
Maturities	(464)	(31 953)
Changes in fair value	2 459	3 069
Balance at end of the year	**289 001**	**5 235**

16. Loans and receivables from banks

Treasury bills	3 384	110 239
Clearing balances due from banks	653	713
Total before expected credit losses	**4 037**	**110 952**
Less: Expected credit loss	(7)	-
Total carrying amount at year end	**4 030**	**110 952**

Treasury bills held for investment purpose are classified as financial assets at amortised cost. These financial assets are held to earn interest income over their tenor and to collect contractual cash flows.

17. Loans and advances to customers

	Retail Banking $000	Business Banking $000	Corporate and Investment Banking $000	Total $000
2018				
Personal and term loans	40 850	47 558	68 250	156 658
Mortgage loans	8 398	-	-	8 398
Overdrafts	283	3 336	32 860	36 479
Interest in suspense	-	(375)	-	(375)
Gross loans and advances to customers	**49 531**	**50 519**	**101 110**	**201 160**
Less: Expected credit losses				
Stage 1 - 12 month ECL	(607)	(1 423)	(2 686)	(4 716)
Stage 2 - Lifetime ECL not credit impaired	(25)	(7)	(511)	(543)
Stage 3 - Lifetime ECL credit impaired	(483)	(743)	-	(1 226)
Total	**(1 115)**	**(2 173)**	**(3 197)**	**(6 485)**
Net loans and advances to customers	**48 416**	**48 346**	**97 913**	**194 675**
2017				
Personal and term loans	40 485	11 594	28 013	80 092
Mortgages	8 028	-	-	8 028
Overdrafts	331	2 589	26 205	29 125
Interest in suspense	-	(375)	(21)	(396)
Gross loans and advances to customers	**48 844**	**13 808**	**54 197**	**116 849**
Less: allowance for impairment				
Identifi impairment	(1 603)	(453)	-	(2 056)
Unidentifi impairment	(786)	(626)	(1 343)	(2 755)
Total	**(2 389)**	**(1 079)**	**(1 343)**	**(4 811)**
Net loans and advances to customers	**46 455**	**12 729**	**52 854**	**112 038**

18. Other assets

	2018 $000	2017 $000
Prepayments and stationery	2 867	2 139
Card transactions	2 249	2 206
Other debtors	754	876
Income receivable from non-current asset held for sale	335	-
Staff loans market interest rate adjustment	2 348	2 357
	8 553	**7 578**
Current	6 702	5 535
Non-current	1 851	2 043
	8 553	**7 578**

Audited Abridged Financial Results

For the year ended 31 December 2018

Notes to the Annual Financial Statements

for the year ended 31 December 2018

19. Property and equipment

	Land and buildings $000	Computers $000	Equipment $000	Furniture and fi $000	Motor vehicles $000	Assets under development $000	Total $000
2018							
Balance at beginning of the year	14 927	1 925	330	737	2 702	-	20 621
Additions	-	1 404	839	136	778	7 322	10 479
Revaluation	2 076	-	-	-	-	-	2 076
Disposals	-	(46)	(7)	(18)	(707)	-	(778)
Depreciation charge on disposals	-	45	7	10	658	-	720
Depreciation charge	(288)	(941)	(168)	(243)	(876)	-	(2 516)
Carrying amount at end of the year	16 715	2 387	1 001	622	2 555	7 322	30 602
Cost or valuation	16 715	7 064	3 296	1 763	5 183	7 322	41 343
Accumulated depreciation and impairment	-	(4 677)	(2 295)	(1 141)	(2 628)	-	(10 741)
Carrying amount at end of the year	16 715	2 387	1 001	622	2 555	7 322	30 602

2018

A total of $7.3 million included in assets relate to the new system being developed by the Bank.

	Land and buildings $000	Computers $000	Equipment $000	Furniture and fi $000	Motor vehicles $000	Total $000
2017						
Balance at beginning of the year	15 215	2482	367	635	2 586	21 285
Additions	-	441	161	309	1 129	2 040
Disposals	-	(353)	(133)	(29)	(845)	(1360)
Depreciation charge on disposals	-	328	132	29	690	1 179
Depreciation charge	(288)	(973)	(197)	(207)	(858)	(2 523)
Carrying amount at end of the year	14 927	1 925	330	737	2 702	20 621
Cost or valuation	17 594	5 707	2 463	1 646	5 075	32 485
Accumulated depreciation and impairment	(2 667)	(3 782)	(2 133)	(909)	(2 373)	(11 864)
Carrying amount at end of the year	14 927	1 925	330	737	2 702	20 621

Property and equipment was subjected to impairment testing by way of internal evaluation of obsolescence of equipment. Revaluation takes place after every three years. Land and buildings were revalued at 31 December 2018 by an independent valuer. If land and buildings were stated on the historical cost basis, the carrying amount would be $11 193 682 (2017: $11 398 054). No items of property and equipment were pledged as collateral as at 31 December 2018.

20. Investment properties

	2018 $000	2017 $000
Fair value		
Balance at beginning of the year	5 145	5 250
Changes in fair value	-	(105)
Balance at the end of the year	5 145	5 145
Rental income derived from investment properties	342	328

Investment property comprises commercial properties that are leased to third parties. No contingent rents are charged. The property was fair valued in 2018 with nil fair value movement (2017 had a loss of $105 000). Rental income from investment property of $342 000 (2017: $327 770) is recognised in other income.

The fair value of investment property was determined by external, independent property valuers, having the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Bank`s investment property portfolio annually.

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

21. Non-current asset held for sale

	2018 $000	2017 $000
Investment in joint venture	14 829	14 519
Share of profit of joint venture held for sale	-	310
Total	14 829	14 829

The Bank is considering various alternative options to dispose its 50% shareholding in Makasa Sun. Taking into consideration the various alternatives and the timing of regulatory approvals granted, management's assessment is that the joint venture continues to be classified as non-current asset held for sale.

22. Balances due to other banks

	2018 $000	2017 $000
Bank balances due to banks abroad	-	449
Clearing balances due to other banks	2 905	5 784
	2 905	6 233

23. Deposits from customers

	Retail Banking $000	Business Banking $000	Corporate and Investment Banking $000	Total $000
2018				
Demand deposits	83 099	141 812	205 492	430 403
Time and call deposits	909	47 452	51 425	99 786
Savings accounts	14 370	1	-	14 371
Other	-	-	9 004	9 004
Total	98 378	189 265	265 921	553 564
2017				
Demand deposits	81 231	124 777	178 118	384 126
Call deposits	569	450	30 096	31 115
Savings accounts	16 077	2	-	16 079
Other	-	-	12 463	12 463
Total	97 877	125 229	220 677	443 783

Included in the deposits above are foreign currency deposits of $49.8 million. 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 $9 004 124 (2017: $12 463 068) held as collateral for loans advanced and letters of credit.

Concentration of customer deposits	2018 $000	%	2017 $000	%
Trade and services	198 263	36	142 129	32
Energy and minerals	16 303	3	36 252	8
Agriculture	50 724	9	42 749	10
Construction and property	3 027	1	4 139	1
Light and heavy industry	63 844	12	49 427	11
Physical persons	98 342	18	97 880	22
Transport and distribution	79 342	14	52 445	12
Financial services	43 719	8	18 763	4
Total	553 564	100	443 783	100

24. Provisions

	Staff retention incentive $000	Outstanding employee leave $000	Total $000
Balance at 1 January 2018	2 036	340	2 376
Provisions made during the year	2 280	517	2 797
Provisions used during the year	(2 010)	-	(2 010)
Balance at 31 December 2018	2 306	857	3 163
2017			
Balance at 1 January 2017	1 567	456	2 023
Provisions made during the year	1 984	284	2 268
Provisions used during the year	(1 515)	(400)	(1915)
Balance at 31 December 2017	2 036	(340)	2 376

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

25. Other liabilities

	2018 $000	2017 $000
Accrued expenses	7 422	5 369
Internal accounts including unpresented bank drafts	10 632	7 066
Balance at 31 December	18 054	12 435

26. Retirement benefit plans

26.1. Barclays Bank Pension Fund

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

The plan assets comprise of a bank balance, equity instruments and money market deposits at 31 December 2018.

	2018 $000	2017 $000
Cash and bank balances	1 961	926
Equities and unit trusts	38 355	26 767
Money market	9 123	6 414
Properties	34 200	34 150
Other	486	429
Total	84 125	68 686

Defined contribution plans

The defined contribution pension plan, to which the Bank contributes 100%, is provided for permanent employees. Over and above the Bank's contribution, the employee contributes 5%. Under this scheme, retirement benefits are determined by reference to the employees' and the Bank's contributions to date and the performance of the Fund.

All employees are also members of the National Social Security Authority Scheme, to which both the employer and the employee contribute. The Bank contributes 3.5% of pensionable emoluments (maximum $700) for eligible employees.

26.2. Defined benefit pension plans

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

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

Summary of the valuation is shown below:

	2018 $000	2017 $000
Present value of pensioner obligation (defined benefit)	17 083	17 248
Active members liability (defined contribution)	43 273	34 746
Deferred pensioners	5 835	4 702
Other liabilities-risk pools	1 493	1 323
Other sundry liabilities	1 337	943
Total liabilities	69 021	58 962
Total assets	84 125	68 686
Net surplus (attributable to the Fund)	15 104	9 724

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.

27. Share capital

Authorised share capital	2018 $000	2017 $000
5 000 000 000 (2016: 5 000 000 000) ordinary shares of USc0.01 per share.	500	500
Issued share capital		
2 156 720 176 (2017: 2 155 630 176) ordinary shares of USc0.01 per share per share.	215	215
Share premium	23 837	23 764
Total	24 052	23 980

The total authorised number of ordinary shares at year end was 5 billion (2017: 5 billion). The Bank's shares have a nominal value of USc0,01 from date of issue in United States dollars. The unissued share capital is under the control of the directors subject to the restrictions imposed by the Zimbabwe Companies Act (Chapter 24.03), the Zimbabwe Stock Exchange listing requirements and the Articles and Memorandum of Association of the Bank. A total of 1 090 000 shares were issued during the year under a share based payment plan.

Share premium

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

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 US$ as the functional and presentation currency.

	2018 $000	2017 $000
Non-distributable reserves	7 785	7 785
Total at 31 December 2018	7 785	7 785

Impairment reserve

	2018 $000	2017 $000
Impairment on FVOCI fi assets	611	-
Total at 31 December 2018	611	-

This relates to impairment charge on FVOCI debt securities.

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.

Revaluation reserve

Revaluation movement on property and equipment is classified under revaluation reserve. Additional detail on revaluation of assets is contained in Note 22.

Share based payment reserve

The fair value of share options granted to employees is classifi under share based payment reserve. The reserve is reduced when the employees exercise their share options.

FCB 3264

Audited Abridged Financial Results

For the year ended 31 December 2018

Notes to the Annual Financial Statements

for the year ended 31 December 2018

FCB 3264

28. Financial Instruments

Classification of assets and liabilities

	Financial assets at fair value through profi and loss $000	Financial assets carried at amortised cost $000	Assets at fair value through other comprehensive income (Investment securities) $000	Financial liabilities carried at amortised cost $000	Total $000
Assets – 2018					
Cash and bank balances	-	150 707	-	-	150 707
Loans and advances to customers	-	194 675	-		194 675
Treasury bills	-	3 377	282 666	-	286 043
Unquoted equity securities	-	-	6 335	-	6 335
Clearance balances due from banks		653	-	-	653
Other assets	-	3 337	-	-	3 337
Total	-	**352 749**	**289 001**	-	**641 750**
Liabilities – 2018					
Customer deposits	-	-	-	553 564	553 564
Deposits from other banks	-	-	-	2 905	2 905
Foreign Exchange spot	-	1	-	-	1
Total	-	1	-	**556 469**	**556 470**

	Derivative receivables $000	Loans and assets $000	Available for sale fi $000	Financial liabilities carried at amortised instruments cost Total $000	$000
Assets – 2017					
Cash and bank balances	-	278 570	-	-	278 570
Loans and advances to customers	-	112 038	-		112 038
Treasury bills	-	110 239	1 026	-	111 265
Unquoted equity securities	-	-	4 209	-	4 209
Items in course of collection from other banks	-	713	-	-	713
Swaps and FECs	4	-	-	-	4
Total	**4**	**501 560**	**5 235**	-	**506 799**
Liabilities – 2017					
Customer deposits	-	-	-	443 783	443 783
Deposits from other banks	-	-	-	6 233	6 233
Swaps and FECs	2	-	-	-	2
Bank balances due to group companies	-	-	-	-	-
Total	**2**	-	-	**450 016**	**450 018**

29. 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.

29.1. Capital risk management

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

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

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

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

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

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

	2018 $000	2017 $000
Share capital	215	215
Share premium	23 837	23 764
Accumulated profits	72 966	48 960
Impairment reserve	611	-
Share based payment reserve	1 228	1 205
Fair value through other income reserve	4 926	2 930
Currency translation reserve	3 508	3 508
Total core capital	**107 291**	**80 582**
Less market and operational risk capital	(15 151)	(10 087)
Less exposures to insiders	(2 088)	-
Tier 1 capital	**90 052**	**70 495**
Currency translation reserve	4 277	4 277
Revaluation reserve	4 935	3 456
General provisions (limited to 1.25% of weighted risk assets)	4 844	2 755
Tier 2 capital	**14 056**	**10 488**
Total tier 1 & 2 capital	**104 108**	**80 983**
Market risk	2 574	1 003
Operational risk	12 577	9 084
Tier 3 capital	**15 151**	**10 087**
Total tier 1 and 2 & 3 capital base	**119 259**	**91 070**
Less deductions from capital	(7 812)	(4 218)
Credit risk weighted assets	260 172	182 526
Operational risk equivalent assets	157 207	113 545
Market risk equivalent assets	32 176	12 539
Total risk weighted assets (RWAs)	**449 555**	**308 610**
Tier 1 capital ratio	**20.0%**	**22.8%**
Tier 1 and 2 capital ratio	**24.0%**	**26.2%**
Total capital adequacy ratio	**24.8%**	**28.1%**

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.

29.2. Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Bank separates exposures to market risk into either trading or banking book. Trading portfolios include those positions arising from market–making transactions where the Bank acts as principal with clients or with the market; this is mainly to support client trading activity.

Non trading book primarily arises from the management of the Bank's retail and commercial banking assets and liabilities.

Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk.

The measurement techniques used to measure and control market risk include:

(i) Daily Value at Risk ("DVaR")

The Bank applies a 'value at risk' ("VaR") methodology to its banking portfolios to estimate the market risk of positions held if current positions were to be held unchanged for one business day.

Value at Risk is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the maximum amount the Bank might lose but only to a certain level of confi nce. There is therefore a statistical probability that actual loss could be greater than the 'VaR' estimate. The 'VaR' model makes assumptions on the pattern of market movements based on historical holding periods. The use of this approach does not prevent losses outside of these limits in the event of more signifi market movements. 'DVaR' is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were held unchanged for one business day, measured to a confi of 99%. Daily losses exceeding the 'DVaR' fi are likely to occur, on average twice in every 100 business days.

(ii) Stress tests

Stress tests provide an indication of losses that could arise in extreme positions.

Foreign exchange stress risk (currency stress) is the potential loss against the Bank if there is a large foreign exchange movement (expected once in every five years).

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

One day risk Type of risk or activity	High $000	Medium $000	Low $000	Year-end $000
Currency VaR at 31 December 2018	**9**	**3**	-	1
Currency VaR at 31 December 2017	**10**	**3**	-	-

Two week risk Type of risk or activity	High $000	Medium $000	Low $000	Year-end $000
Currency VaR at 31 December 2018	**27**	11	1	**2**
Currency VaR at 31 December 2017	**33**	**8**	1	1

ALCO closely monitors this risk. The Bank is satisfied with its risk management processes and systems in place which have enabled the Bank to minimise losses.

Net interest income sensitivity ("NII")

NII measures the sensitivity of annual earnings to changes in interest rates. NII is calculated at a 10% change in interest rates.

The Bank's interest income sensitivity is shown below:

Changes in interest	2018 Impact on earnings $000	2017 Impact on capital $000
1000bps increase in interest rates	17 410	22 623
1000bps decrease in interest rates	(17 410)	(22 623)
Benchmark	-	-

(iii) Economic capital

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

29.2.1. 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 fl s in the prevailing levels of market interest rates on its fi position and cash fl ws. 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.

31 December 2018	Up to 1 month $000	1 to 3 months $000	3 to 6 months $000	6 months to 1 year $000	1 to 5 years $000	Non-interest bearing $000	Total $000
Assets							
Cash and bank balances	139 615	-	-	-	-	11 092	150 707
Available for sale investments	23 253	71 990	60 206	127 217	-	6 335	289 001
Loans and receivables from banks	653	-	3 377	-	-	-	4 030
Loans and advances to customers	194 675	-	-	-	-	-	194 675
Other assets	-	-	-	-	-	8 553	8 553
Property and equipment	-	-	-	-	-	30 602	30 602
Investment property	-	-	-	-	-	5 145	5 145
Non-current assets held for sale	-	-	-	-	-	14 829	14 829
Current tax assets	-	-	-	-	-	1 202	1 202
Total assets	**358 196**	**71 990**	**63 583**	**127 217**	-	**77 758**	**698 744**
Liabilities							
Derivative liabilities	-	-	-	-	-	1	1
Deposits from Banks	2 905	-	-	-	-	-	2 905
Deposits from customers	526 019	22 527	5 018	-	-	-	553 564
Provisions	-	-	-	-	-	3 163	3 163
Other liabilities	-	-	-	-	-	18 054	18 054
Balances due to Group companies	-	-	-	-	-	1 806	1 806
Deferred income tax liabilities	-	-	-	-	-	2 748	2 748
Total liabilities	**528 924**	**22 527**	**5 018-**	-	**25 772**	**582 241**	**Interest rate**
re-pricing gap	**(170 728)**	**49 463**	**58 565**	**127 217**	-	**51 986**	**116 503**
Cumulative gap	**(170 728)**	**(121 265)**	**(62 700)**	**64 517**	**64 517**	**116 503**	-

31 December 2017	Up to 1 month $000	1 to 3 months $000	3 to 6 months $000	6 months to 1 year $000	1 to 5 years $000	Non-interest bearing $000	Total $000
Assets							
Cash and bank balances	266 229	-	-	-	-	12 341	278 570
Derivative assets	-	-	-	-	-	4	4
Loans and receivables from banks	1 319-	5 045	101 552	3 036		-	110 952
Loans and advances to customers	112 038	-	-	-	-	-	112 038
Other assets	-	-	-	-	-	7 578	7 578
Property and equipment	-	-	-	-	-	20 621	20 621
Investment property	-	-	-	-	-	5 145	5 145
Non-current assets held for sale	-	-	-	-	-	14 829	18 429
Current tax assets	-	-	-	-	-	637	637
Total assets	**379 586**	-	**5 045**	**102 065**	**3 549**	**65 364**	**555 609**
Derivative liabilities	-	-	-	-	-	2	2
Deposits from Banks	6 233	-	-	-	-	-	6 233
Deposits from customers	442 276	1 507	-	-	-	-	443 783
Provisions	-	-	-	-	-	2 376	2 376
Other liabilities	-	-	-	-	-	12 435	12 435
Deferred income tax liabilities	-	-	-	-	-	2 465	2 465
Total liabilities	**448 509**	**1 507**	-	-	-	**17 278**	**467 294**
Interest rate re-pricing gap	**(68 923)**	**(1 507)**	**5 045**	**102 065**	**3 549**	**48 086**	**88 315**
Cumulative gap	**(68 923)**	**(70 430)**	**(65 385)**	**36 680**	**40 229**	**88 315**	-

Audited Abridged Financial Results

For the year ended 31 December 2018

Notes to the Annual Financial Statements

for the year ended 31 December 2018

29.2.2. Foreign exchange risk

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

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

At 31 December 2018	USD $000	GBP (USD equiv) $000	Rand (USD equiv) $000	Other foreign currency $000	Total $000
Assets					
Cash and bank balances	145 735	758	2 427	1 787	150 707
Available for sale investments	289 001	-	-	-	289 001
Loans and advances to banks	4 030	-	-	-	4 030
Loans and advances to customers	194 675	-	-	-	194 675
Other assets	3 337	-	-	-	3 337
Total assets	**636 778**	**758**	**2 427**	**1 787**	**641 750**
Liabilities					
Derivative financial instrument	-	-	-	1	1
Deposits from banks	2 905	-	-	-	2 905
Deposits from customers	548 430	778	2 634	1 722	553 564
Other liabilities	17 595	262	142	55	18 054
Balances due to group companies	1 806	-	-	-	1 806
Total liabilities	**570 736**	**1 040**	**2 776**	**1 778**	**576 330**
Net currency positions	**66 042**	**(282)**	**(349)**	**9**	**65 420**

At 31 December 2017	USD $000	GBP (USD equiv) $000	Rand (USD equiv) $000	Other foreign currency (USD equiv) $000	Total $000
Assets					
Cash and bank balances	275 649	401	1 134	1 386	278 570
Derivative financial instruments	-	-	-	4	4
Available for sale investments	5 235	-	-	-	5 235
Loans and advances to banks	110 952	-	-	-	110 952
Loans and advances to customers	112 038	-	-	-	112 038
Other assets	3 082	-	-	-	3 082
Total assets	**506 956**	**401**	**1 134**	**1 390**	**509 881**
Liabilities					
Derivative financial instrument	-	-	-	2	2
Deposits from banks	5 796	-	436	1	6 233
Deposits from customers	438 363	534	3 107	1 779	443 783
Other liabilities	11 854	259	220	102	12 435
Total liabilities	**456 013**	**793**	**3 763**	**1 884**	**462 453**
Net currency positions	**50 943**	**(392)**	**(2 629)**	**(494)**	**47 428**

Also refer to Note16 which explains cash and bank balances.

29.3. Credit risk

Credit risk is the risk of financial loss should the Bank's customers, clients or market counterparties 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 counterparty 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 counterparties 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
- 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 cashfl ws and utilisation against limit and collateral.

Principal collateral types used for loans and advances are:
- Mortgages over residential and commercial properties; and
- Charges over business assets such as premises, inventory and accounts receivable, moveable assets and shares.
- Cash cover

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

b) Credit risk grading

Corporate Exposures

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Bank use internal rating models tailored to the various categories of counterparty. 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 fi 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. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating. Corporate exposures are monitored by grading exposures into early warning list for those customers who are believed to be facing difficulties. Customers are categorised into Early Warning Lists ("EWL") 1-3. Those in EWL1 have temporary problems and the risk of default is low. EWL2 implies there are doubts that the customer will pay but the risk of default is medium. EWL3 implies that there are doubts that the customer will pay and the risk of default is high.

Retail exposures

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

c) Expected credit losses measurement (ECLs)

IFRS9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:
- Stage1: A fi instrument that is not credit-impaired on initial recognition is classifi in 'Stage1' and has its credit risk continuously monitored by the Bank.
- Stage 2: If a signifi increase in credit risk ('SICR') since initial recognition is identifi the fi instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 29.3(d) below for a description of how the Bank determines when a signifi increase in credit risk has occurred.
- Stage 3: If the fi instrument is credit-impaired, the fi instrument is then moved to 'Stage 3'. Please refer to lifetime ECLs - default below for a description of how the Bank defi credit-impaired and default.

The expected credit loss (ECL) - 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. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

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

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

Corporate exposures

Stage 1	12 Month PD	Central Bank Account Grades 1 to 3 or First Capital Bank Grade Good Book, or Pass
Stage 2	Life Time PD	Central Bank Account Grades 4 to 7, or First Capital Bank Grades EWL 1 & EWL 2, or Special Mention
Stage 3	Default PD	Central Bank Account Grade 8 to 10, or First Capital Bank Grades EWL 3 & Classified, or Substandard, or worse

Retail exposures

Stage 1	12 Month PD	First Capital Bank grades bucket 0 & bucket 1, or good book & pass
Stage 2	Life Time PD	First Capital Bank grades bucket 2 & bucket 3, or special mention
Stage 3	Default PD	First Capital Bank grade bucket 4, or substandard, or worse

Treasury exposures

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

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

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

Default

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

The three ECL Stages are 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
- 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 29.3d)

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

iii) Life time ECLs (Stage 3 - default)

ECLs are measured based on expected credit losses on a lifetime basis. This is measured on the following exposures.
- All credit impaired/ in default corporate and retail loans and advances to banks and other debt securities in default.
- These are corporates in regulatory grade 8 - 10 (EWL3) and retail loans in bucket 4
- Exposures which are 90 days+ past due
- These are a product of default PD, lifetime LGD and EAD.

d) Significant increase in credit risk (SICR)

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

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

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

Significant increase in credit risk - Qualitative measures retail
- Extension of credit terms
- Retrenchment/ dismissal of employee
- Employer facing financial difficulties
- Salary diversion.

Significant increase in credit risk - Qualitative measures corporate and treasury
- Borrower is on Early Warning list 1&2 (EWL 1 and EWL2)
- Significant adverse changes in business, financial or economic conditions in which the borrower operates in
- Actual or expected forbearance or restructuring of debt
- Early signs of cash flow/liquidity problems such as delay in servicing debt
- Significant decline in account turnover
- Breach of significant debt covenants
- Qualifying modified loans
- Delay in settlement of obligations.

e) Benchmarking Expected Credit Loss

Corporate

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

Treasury

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

Retail

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

f) Forward –looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECLs both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The key economic variables identified were GDP growth, interest rates and import cover ratio.

These economic variables and their associated impact on the ECL vary by fi instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are sourced from Reserve Bank Monetary Policy, Ministry of Finance Fiscal updates, World Bank/ IMF and BMI Research economic forecast and provide the best estimate view of the economy over the next fi e years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. a long run average growth rate such as GDP over a period of two to five years). The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

FCB 3264

Audited Abridged Financial Results

For the year ended 31 December 2018

Notes to the Annual Financial Statements

for the year ended 31 December 2018

FCB 3264

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, fi 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. Credit risk processes from origination to monitoring and other operational processes around impairments now take into cognisance IFRS9 requirements.

Maximum exposure to credit risk by credit quality grade before credit enhancements

	Internal grade	ECL Stage	Loans and advances to banks	Loans and advances to customers	Guarantees provided	Investment Securities	Bank balances	Other assets	Total
2018			$000	$000	$000	$000	$000	$000	$000
Credit exposure									
Performing assets	1-3	1	4 037	191 960	9 972	282 666	128 597	3 337	620 569
Standard monitoring	4-7	2	-	7 598	-	-	-	-	7 598
Non-performing loans	8-10	3	-	1 977	-	-	-	-	1 977
Interest in suspense	-	-		(375)	-	-	-	-	(375)
Gross exposure			4 037	201 160	9 972	282 666	128 597	3 337	629 769

	Internal grade	ECL Stage	Loans and advances to banks	Loans and advances to customers	Guarantees provided	Investment Securities	Bank balances	Other assets	Total
2017			$000	$000	$000	$000	$000	$000	$000
Credit exposure									
Neither past due nor impaired			110 952	113 111	5 490	1 026	262 785	3 082	496 446
Past due but not impaired			-	955					955
Individually impaired excluding non-performing			-	561					561
Non-performing loans			-	2 617	-	-	-	-	2 617
Interest in suspense			-	(396)	-	-	-	-	(396)
Gross exposure			110 952	116 848	5 490	1 026	262 785	3 082	500 183

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2018, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position. Bank balances, excluding $90 077 428 held at Central Bank are held with banks which have the following credit ratings:

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.

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.

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.

Loans and advances renegotiated

During the year ended 31 December 2018, the Bank did not have any renegotiated loans and advances to customers and banks.

Expected credit losses analysis and reconciliation

2018	Stage 1 - 12 month ECL $000	Stage 2 - Lifetime ECL not credit impaired $000	Stage 3 - Lifetime ECL credit impaired $000	Total $000
Balance at beginning of the year	2 852	847	1 621	5 320
Movements with profit and loss impact:				
New fi assets purchased or originated	576	-	-	576
Transfers from stage 2 to stage 3	-	-	355	355
Transfers from stage 2 to stage 1	-	(304)	-	(304)
Changes to model assumptions	1 940	-	-	1 940
Total profit and loss impact	2 516	(304)	355	2 567
Other movements with no profi and loss impact				
Bad debts written off	-	-	(751)	(751)
Balance at as at 31 December 2018	5 368	543	1 225	7 136

Reconciliation of ECL by exposure

	Retail loans	Corporate loans	Loans and advances to banks	Investment securities	Other assets	Bank balances	Total
	$000	$000	$000	$000	$000	$000	$000
Balance at beginning of the year	2 342	2 050	928	-	-	-	5 320
Charge to profit and loss	(592)	3 435	(921)	611	-	34	2 567
Write offs	(635)	(116)	-	-	-	-	(751)
Total impairment	1 115	5 369	7	611	-	34	7 136
Contribution by stage							
Stage 1 - 12 month ECL	608	4 108	7	611	-	34	5 368
Stage 2 - Lifetime ECL not credit impaired	25	518					543
Stage 3 - Lifetime ECL credit impaired	482	743					1 225
Total impairment	1 115	5 369	7	611	-	34	7 136

	Unidentified $000	Identified $000	Total $000
2017			
Balance at the beginning of the year	3 309	1 975	5 284
Bad debts written off	-	(608)	(608)
Increase in impairment provision	(554)	689	135
Balance at end of the period	2 755	2 056	4 811

29.4. Loans and advances credit risk concentration

Industry/Sector	2018 $000	%	2017 $000	%
Trade and services	50 782	25	20 451	17
Energy and minerals	2 032	1	6 239	5
Agriculture	47 851	24	10 542	9
Construction and property	104	-	1 201	1
Light and heavy industry	18 782	9	21 672	18
Physical persons	49 532	25	48 843	43
Transport and distribution	32 353	16	8 293	7
Financial services	99	-	-	-
Total	201 535	100	117 241	100

2018 Industry/Sector	Total loans $000	Non performing loans $000	Write off (recoveries) $000	Recoveries $000	Impairment allowance $000
Trade and services	50 782	-	-	-	-
Energy and minerals	2 032	-	-	-	-
Agriculture	47 851	892	116	-	743
Construction and property	104	-	-	-	-
Light and heavy industry	18 782	-	-	-	-
Physical persons	49 532	1 085	635	106	
482					
Transport and distribution	32 353	-	-	-	-
Financial services	99	-	-	-	-
Gross value at 31 December 2018	201 535	1 977	751	106	1 225

2017 Industry/Sector	Total loans $000	Non performing loans $000	Write offs/ (recoveries) $000	Impairment allowance $000
Trade and services	20 451	-	-	-
Energy and minerals	6 239			
Agriculture	10 542	1 016	-	453
Construction and property	1 201	-	-	-
Light and heavy industry	21 672	-	-	-
Physical persons	48 843	2 162	608	1 603
Transport and distribution	8 293	-	-	-
Gross value at 31 December 2017	117 241	3 178	608	2 056

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:

	2018 $000	2017 $000
Performing loans	72 808	30 488
Non-performing loans	400	203
Total	73 208	30 691

29.5. 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 fulfi commitments to lend. Liquidity risk is inherent in all banking operations and can be affected by a range of Bank specifi and market wide events. The effi management of liquidity is essential to the Bank in maintaining confi in the fi markets and ensuring that the business is sustainable.

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

Liquidity risk management objectives are;

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

Liquidity risk management process

Liquidity risk is managed as;

a) Business as usual referring to the management of cash inflows and outflows of the bank in the ordinary course of business.

b) Stress liquidity risk – refers to management of liquidity risk during times of unexpected outflows. The Bank's Assets and Liabilities Committee ("ALCO") monitors and manages liquidity risk. The Bank's liquidity management process as carried out by the ALCO and Treasury units includes:

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

Liquidity ratios

	2018 $000	2017 $000
Total liquid assets	401 656	385 549
Deposits from customers	583 257	464 829
Liquidity ratio	69%	83%
Reserve Bank of Zimbabwe minimum	30%	30%

Liquidity profiling as at 31 December 2018

The amounts disclosed in the table below are the contractual undiscounted cash flows. The assets which are used to manage liquidity risk, which is mainly cash and bank balances and investment securities are also included on the table based on the contractual maturity profile.

On balance sheet items as at 31 December 2018

Assets held for managing liquidity risk (contractual maturity dates)	Less than 1 month $000	1 to 3 months $000	3 to 6 months $000	6-12 months $000	1 to 5 years $000	5+ years $000	Total $000	Carrying amount $000
Cash and bank balances	126 565	-	-	-	-	-	126 565	150 707
Investment securities	24 404	74 764	61 171	130 412	-	-	290 751	289 001
Loans and advances to banks	653	-	3 433	-	-	-	4 086	4 030
Loans and advances to customers	63 810	23 715	13 612	42 579	92 534	6 614	242 864	194 675
Other assets	3 337	-	-	-	-	-	3 337	8 553
Current income tax asset	-	1 202	-	-	-	-	1 202	1 202
Total assets	218 769	99 681	78 216	172 991	92 534	6 614	668 805	-
Liabilities								
Derivative fi instruments	1	-	-	-	-	-	1	1
Deposits from Banks	2 905	-	-	-	-	-	2 905	2 905
Customer accounts	526 019	22 527	5 018	-	-	-	553 564	553 564
Provisions	857	2 306	-	-	-	-	3 163	3 163
Other liabilities	18 054	-	-	-	-	-	18 054	18 054
Balances due to Group companies	1 806	-	-	-	-	-	1 806	1 806
Total liabilities - (contractual maturity)	549 642	24 833	5 018	-	-	-	579 493	579 493
Liquidity gap	(330 873)	77 848	73 198	172 991	92 534	6 614	89 312	-
Cumulative liquidity gap	(330 873)	(256 025)	(182 827)	(9 836)	82 698	89 312	-	-

Contingent liabilities and commitments as at 31 December 2018

	Less than 1 month $000	1 to 3 months $000	3 to 6 months $000	6-12 months $000	1 to 5 years $000	Total $000
Assets						
Guarantees and letters of credit	6 563	1 630	945	700	134	9 972
Commitment to lend	13 356	3 936	1 081	6 163	9 946	34 482
Total assets	19 919	5 566	2 026	6 863	10 080	44 454
Liabilities						
Guarantees and letters of credit	6 563	1 630	945	700	134	9 972
Commitment to lend	34 482	-	-	-	-	34 482
Total liabilities	41 045	1 630	945	700	134	44 454
Liquidity gap	(21 126)	3 936	1 081	6 163	9 946	-

Audited Abridged Financial Results

For the year ended 31 December 2018

Notes to the Annual Financial Statements

for the year ended 31 December 2018

Liquidity profiling as at 31 December 2017
On balance sheet items as at 31 December 2017

	Less than 1 month $000	1 to 3 months $000	3 to 6 months $000	6-12 months $000	1 to 5 years $000	5+ years $000	Total $000	Carrying amount $000
Assets								
Cash and bank balances	278 570	-	-	-	-	-	278 570	278 570
Derivative fi instruments	4	-	-	-	-	-	4	4
Available for sale investments	-	-	591	577	-	-	1 168	5 235
Loans and advances to banks	613	689	5 495	107 546	3 383	-	117 726	110 952
Loans and advances to customers	5 994	35 239	9 804	24 829	48 789	5 501	130 156	112 038
Other assets	3 082	-	-	-	-	-	3 082	3 082
Current income tax asset	-	637	-	-	-	-	637	637
Total assets	**288 623**	**36 565**	**15 890**	**132 952**	**52 172**	**5 501**	**531 343**	**-**
Liabilities								
Derivativefi instruments	2	-	-	-	-	-	2	2
Deposits from Banks	6 233	-	-	-	-	-	6 233	6 233
Customer accounts	442 276	7 050	-	6 622	105	-	456 053	443 783
Provisions	340	2 036	-	-	-	-	2 376	2 376
Other liabilities due to Group companies	12 435	-	-	-	-	-	12 435	12 435
Total liabilities - (contractual maturity)	**461 286**	**9 086**	**-**	**6 622**	**105**	**-**	**477 099**	**-**
Liquidity gap	**(173 023)**	**27 479**	**15 890**	**126 330**	**52 067**	**5 501**	**54 244**	**-**
Cumulative liquidity gap	**(173 023)**	**(145544)**	**(129 654)**	**3 324**	**48 743**	**54 244**	**-**	**-**

Contingent liabilities and commitments as at 31 December 2017

	Less than 1 month $000	1 to 3 months $000	3 to 6 months $000	6-12 months $000	1 to 5 years $000	Total $000
Assets						
Guarantees and letters of credit	2 138	5 893	652	714	1 491	10 889
Commitment to lend	3 113	41 674	1 211	16 292	24 651	86 941
Total assets	**5 251**	**47 567**	**1 863**	**17 006**	**26 142**	**97 829**
Liabilities						
Guarantees and letters of credit	2 138	5 893	652	714	1 491	10 888
Commitment to lend	86 941	-	-	-	-	86 941
Total liabilities	**89 079**	**5 893**	**652**	**714**	**1 491**	**97 829**
Liquidity gap	**(83 828)**	**41 674**	**1 211**	**16 292**	**24 651**	**-**

The Bank determines ideal weights for maturity time buckets which are used to benchmark the actual maturity profi Maturity mismatches across the time buckets are managed through the tenor of new advances and the profi of time deposits by ALCO and should the need arise through support from First Capital Group.

29.6. Other risks

Strategic risk

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

Legal and compliance risk

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

Reputation risk

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

Operational risk

This is the risk of losses arising from inadequate or failed internal processes, people and/or systems or from external events. A significant part of the Bank's operations are automated and processed in the core banking system. Key banking operations in corporate and investment banking, retail and business banking and treasury are heavily dependent on the Bank's core banking system. The core banking system also supports key accounting processes for financial assets, financial liabilities and revenue including customer interface on mobile, internet banking and related electronic platforms.

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

30. Risks and Ratings

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

The CAMELS and Risk Assessment System (RAS) ratings are summarised in the following tables;

CAMELS ratings

CAMELS component	Latest Rating - June 2016
Capital	1 - Strong
Asset quality	2 - Satisfactory
Management	2 - Satisfactory
Earnings	1 - Strong
Liquidity and funds management	2 - Satisfactory
Sensitivity to market risk	1 - Strong

Summary risk matrix - June 2016 on-site supervision

Type of risk	Level of inherent risk	Adequacy of risk management systems	Overall composite risk	Direction of overall composite risk
Credit	Low	Strong	Low	Stable
Liquidity	Moderate	Acceptable	Moderate	Stable
Foreign exchange	Low	Strong	Low	Stable
Interest rate	Low	Strong	Low	Stable
Strategic risk	Moderate	Strong	Moderate	Stable
Operational risk	Moderate	Strong	Moderate	Stable
Legal and compliance	Moderate	Acceptable	Moderate	Stable
Reputation	Moderate	Strong	Moderate	Stable
Overall	Moderate	Strong	Moderate	Stable

Interpretation of risk matrix

Level of inherent risk

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

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

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

Adequacy of risk management systems

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

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

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

Overall composite risk

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

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

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

Direction of overall composite risk

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

External Credit Ratings

Rating agent	Latest credit ratings 2018/19	Previous credit ratings 2017/18
Global Credit Rating Co.	A+	AA-

The last rating was done in May 2018 and will expire in May 2019.

31. Fair value of financial instruments not held at fair value

The disclosed fair value of these fi assets and fi liabilities measured at amortised cost approximate their carrying value because of their short term nature except for loans and advances which are at variable interest rates.

	2018 Carrying amount $000	Fair value $000	2017 Carrying amount $000	Fair value $000
Financial Assets				
Cash and bank balances	150 707	150 707	278 570	278 570
Loans and advances to banks	4 030	4 030	110 952	110 952
Loans and advances to customers	194 675	194 675	112 038	112 038
Other assets	3 337	3 337	3 082	3 082
Total assets	**352 749**	**352 749**	**504 642**	**504 642**
Balances due to other banks	2 905	2 905	6 233	6 233
Balances due to customers	553 564	553 564	443 783	443 783
Other liabilities	18 054	18 054	12 435	12 435
Total	**574 523**	**574 523**	**462 451**	**462 451**

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

32.1. Fair value hierarchy

The following table provides an analysis of fi 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).

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
2018				
Recurring fair value measurements	-	-	-	-
Financial Assets	-	-	-	-
Derivative assets	-	-	-	-
Treasury bills	-	-	282 666	282 666
Unquoted equity instruments	-	-	6 335	6 335
Balance at 31 December 2018	**-**	**-**	**289 001**	**289 001**
Financial Liabilities				
Derivative liabilities	-	1	-	1
Balance at 31 December 2018	**-**	**1**	**-**	**1**
Non-financial assets -				
Investment property	-	-	5 145	5 145
Non-current asset held for sale	-	-	14 829	14 829
Balance at 31 December 2018	**-**	**-**	**19 974**	**19 974**

32.2. Reconciliation of recurring level 3 fair value measurements

	Financial instruments $000	Investment properties $000	Non-current asset held for sale $000	Total $000
Balance at 1 January 2018	**5 235**	**5 145**	**-**	**10 380**
Additions	270 038	-	-	270 038
Accrued interest	11 733	-	-	11 733
Disposals	(464)	-	-	(464)
Total gains and losses recognised in profit or loss	-	-	-	-
Total gains and losses recognised in other comprehensive income	2 459	-	-	3 936
Balance at 31 December 2018	**289 001**	**5 145**	**-**	**295 623**
Balance at 1 January 2017	**34 104**	**5 250**	**14 519**	**53 873**
Accrued interest	15	-	-	15
Total gains and losses recognised in profit or loss	-	(105)	310	205
Maturities	(31 953)	-	-	(31 953)
Total gains and losses recognised in other comprehensive income	3 069	-	-	3 069
Balance at 31 December 2016	**5 235**	**5 145**	**14 829**	**25 209**

33. Segment reporting

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

The Bank has two broad business segments:

Retail and business banking – offers various products to medium and small businesses and private individuals. Services include direct debit facilities, current and savings accounts, investment savings products, debit cards, consumer loans and mortgages;

Corporate and investment banking – offers services to large corporates, financial institutions and government clients. Services include direct debit facilities, current accounts, money market deposits, overdrafts, loans and other credit facilities and foreign currency products. The business model centres on delivering specialists corporate and investment banking and financing solutions across asset classes.

FCB 3264

Audited Abridged Financial Results

For the year ended 31 December 2018

Notes to the Annual Financial Statements

for the year ended 31 December 2018

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

Segment results of operations

	Retail and Business Banking $000	Corporate and Investment Banking $000	Total $000
2018			
Net interest income	22 294	17 753	40 047
Net fee and commission income	24 542	2 926	27 468
Net trading income	3 045	8 790	11 835
Net investment income	683	719	1 402
Other income	458	482	940
Total non-interest income	28 728	12 917	41 465
Total Income	51 022	30 670	81 692
Impairment losses	(774)	(1 687)	(2 461)
Net operating income	50 248	28 983	79 231
Staff costs	(19 329)	(6 079)	(25 408)
Infrastructure costs	(7 261)	(1 704)	(8 965)
Depreciation and amortisation	(1 914)	(602)	(2 516)
Administrative expenses	(12 539)	(4 658)	(17 197)
Operating expenses	(41 043)	(13 043)	(54 086)
Profit before tax	9 205	15 940	25 145
Taxation	(311)	(512)	(823)
Profit for the year	8 894	15 428	24 322
Total assets	363 303	335 438	698 744
Total liabilities	304 668	277 573	582 241

FCB 3264

34. Related parties

The Bank is controlled by Afcarme Zimbabwe Holdings (Private) Limited incorporated and domiciled in Zimbabwe which owns 53% (2017: 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 First Capital Group incorporated in Mauritius. There are other companies which are related to First Capital Bank through common shareholdings or common directorship. In the normal course of business, placings of foreign currencies made with group companies are at market interest rates.

34.1. Directors and key management compensation

	2018 $000	2017 $000
Salaries and other short term benefits	2 075	2 042
Post-employment benefits	191	198
Share based payments	50	29
Compensation for loss of office: funded by the Bank	-	231
funded by the Group	-	654
Total	2 316	3 154

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

34.2. Loans to directors and key management

	2018 $000	2017 $000
Loans outstanding at I January	1 695	1 444
Loans issued during the year	153	543
Loans repayments during the year	(659)	(293)
Loans outstanding at 31 December	1 189	1 695

Of the loans advanced to directors and other key management personnel $817 401.07 is secured and repayable over 7-18 years. The balance of $ 371 507.69 is unsecured and repayable monthly over 4 years at average interest rates of 6.3% (2017:6.3%). Loans and advances to non-executive directors during the year ended 31 December 2018 were nil (2017: $9 454.72). The average interest rate on loans to non-executive directors was 13%.

No impairment losses have been recognised in respect of loans advanced to related parties (2017:nil)

34.3. Deposits from directors and key management

	2018 $000	2017 $000
Deposits at I January	96	142
Deposits received during the year	3 438	3 906
Deposits repaid during the year	(3 406)	(3 952)
Deposits at 31 December	128	96

34.4. Balances with related parties – related through common directorship and shareholding

	Deposits 2018 $000	Loans and advances 2018 $000	Deposits 2017 $000	Loans and advances 2017 $000
Current	32 221	21 977	37 569	3 500
Non-current	-	-	-	1 333
Total	32 221	21 977	37 569	4 833

Repayments on the loans to the related parties were made on due dates. New loans were also granted. Interest income on the loans was $788 158 (2017: $257 127.69). The balances were assessed and no impairment losses have been recognised for balances with related parties through common directorship/trusteeship.

34.5. Balances with group companies

	2018 $000	2017 $000
Bank balances due from group companies	(2)	-
Other balances due to group companies	1 806	-
Total	1 804	-

34.6. Related Parties - related through common shareholding

	2018 $000	2017 $000
Balance with Barclays Bank PLC	-	7 853
Total	-	7 853

35. Capital commitments and contingencies

Capital commitments

	2018 $000	2017 $000
Authorised and contracted for	1 500	4 083
Authorised but not yet contracted for	6 114	9915
Total	7 614	13 998

36. Assets under administration

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

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

37. Going concern

The directors have assessed the ability of the Bank to continue as a going concern and believe that the preparation of these fi results on a going concern basis is still appropriate. Going concern assessment was performed taking into account the forecasts, current economic conditions and resources that are available for the Bank to manage the fi and operational risks and adapting its strategy to economic changes.

38. Events after the reporting date

In the monetary policy statement of 20 February 2019, the RBZ announced the issuance of a new legal tender of RTGS dollars which will be the accounting and pricing currency from 22 February 2019. This was followed by issuance of Statutory Instrument 33 of 2019 on 22 February 2019 to that effect. This event was deemed to be a non-adjusting event from a legal view. Therefore only the sensitivity impact to the balance sheet is disclosed.

Detailed Sensitivity analysis for events after t
disclosed below will not be the same as the ta

	Sensitivity Analysis				
	Total USD 1:1	Total RTGS @ 1:2.5	Total RTGS @ 1:3	Total RTGS @ 1:4	Total RTGS @ 1:5
Cash and bank balances	150 707	205 355	223 572	260 004	296 436
Derivative fi instruments	-	1	1	1	2
Investment securities	289 001	289 001	289 001	289 001	289 001
Loans and receivables from banks	4 030	4 030	4 030	4 030	4 030
Loans and advances to customers	194 675	220 175	228 675	245 675	262 675
Other assets	8 552	11 964	13 101	15 376	17 650
Property and equipment	30 602	45 226	45 226	45 226	45 226
Investment properties	5 145	9 646	9 646	9 646	9 646
Non-current assets held for sale	14 829	37 073	44 487	59 317	74 146
Total assets	698 744	823 674	858 942	929 478	1 000 015
Liabilities					
Derivative fi instruments	1	2	2	3	4
Balances due to other banks	2 905	2 905	2 905	2 905	2 905
Deposits from customer	553 564	628 207	653 088	702 850	752 612
Provisions	3 163	3 163	3 163	3 163	3 163
Other liabilities	18 052	23 280	25 022	28 507	31 992
Deferred tax liabilities	2 748	2 748	2 748	2 748	2 748
Bank balances due to Group companies	1 806	4 514	5 417	7 222	9 028
Total liabilities	582 240	664 820	692 347	747 400	802 453
Equity					
Share capital	216	216	216	216	216
Share premium	23 837	23 837	23 837	23 837	23 837
Non-distributable reserves	7 785	7 785	7 785	7 785	7 785
Fair value through other comprehensive income reserve	4 926	4 926	4 926	4 926	4 926
Revaluation reserves	4 936	4 936	4 936	4 936	4 936
Impairment reserve-FVOCI financial instruments	611	611	611	611	611
Share-based payment reserve	1 228	1 228	1 228	1 228	1 228
Profi and Loss for the year	24 322	24 441	24 481	24 560	24 715
Retained income	48 643	48 643	48 643	48 643	48 643
Translation gain	-	42 231	49 933	65 336	80 665
Total equity	116 504	158 854	166 596	182 079	197 567
Total equity and liabilities	698 744	823 674	858 942	929 478	1 000 015
Core capital	107 291	-	-	-	-
Total capital & reserves	116 504	158 854	166 596	182 079	197 567
Total capital impact of exchange rate change	-	36%	43%	56%	70%

Summary Sensitivity analysis for events after the reporting period

	Components of reported amounts			Sensitivity Analysis				
	Monetary Assets/ Liabilities RTGS Dollars	Monetary Assets/ Liabilities Nostro FCA (USD)	Non-monetary Assets/ Liabilities (USD)	Total USD 1:1	Total RTGS @ 1:2.5	Total RTGS @ 1:3	Total RTGS @ 1:4	Total RTGS @ 1:5
Total assets	606 347	55 707	36 689	698 744	823 674	858 942	929 478	1000015
Total liabilities	527 186	55 053	-	582 240	664 820	692 347	747 400	802 453
Translation gain	-	-	-	-	42 231	49 933	65 336	80 665
Total equity	79 161	654	36 689	116 504	158 854	166 596	182 079	197 562
Core capital	107 291	-	-	107 291	-	-	-	-
Total capital impact of Exchange rate change	-	-	-	-	36%	43%	56%	70%

Key assumptions and notes:

1. Given the implied market rates between electronic money and bond notes to United States dollar of around 3 to 4, a sensitivity rate range of 2.5 to 5 have been applied.

2. Re-assessment of property market values was conducted by an independent valuer based on rental increase observed in the market.

3. The only movement on equity is from translation reserve.

Audited Abridged Financial Results
For the year ended 31 December 2018

Notice of Annual General Meeting

Notice is hereby given that the Thirty Eighth Annual General Meeting of Shareholders of First Capital Bank Limited will be held at Meikles Hotel, in the Stewart Room on the 10th of May 2019, at 15:00 hours for the purpose of transacting the following business:-

Agenda
Ordinary business

Shareholders will be requested to consider and if deemed fi to pass the following ordinary resolutions, with or without amendment:-

1. To receive, consider and adopt the Financial Statements and Report of the Directors and Auditors for the financial year ended 31 December 2018.

2. a. To approve the re-election of a director. Mr B. Moyo retires as a director of the Company, in terms of Article 102 of the Articles of Association. Being eligible in terms of Article 104 of the Articles of Association, Mr. B. Moyo offers himself for re-election.
   b. To approve the re-election of a director. Mrs. T. Moyo retires as a director of the Company, in terms of Article102 of the Articles of Association. Being eligible in terms of Article 104 of the Articles of Association, Mrs. T. Moyo offers herself for re-election.
   c. To note the retirement of a director. Mrs. E. Fundira retires as a director of the Company, in terms of Article102 of the Articles of Association.

3. To approve directors' fees and remuneration for the past year.

4. To appoint auditors. KPMG has served as the Company's Auditors for seven years after the Bank obtained regulatory approval to extend its term of appointment to allow for a smooth transition. It is proposed that Deloitte be appointed as Auditors of the Company until the conclusion of the next Annual General Meeting.

5. To fix the remuneration of the auditors for the past year's audit.

In terms of the Companies Act (Chapter 24.03), a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead. A proxy need not be a member of the Company.

By Order of the Board

Violet Mutandwa
Company Secretary
Barclay House
Cnr. First Street / Jason Moyo Avenue, Harare

11 April 2018

Profiles of retiring directors eligible for re-election

Busisa Moyo Independent Non – Executive Director
Mr. Moyo is the Chief Executive Officer of United Refineries Limited, one of the largest integrated cooking and soap manufacturing companies in Zimbabwe. He holds a Global Executive MBA from IESE Business School and Bachelor of Accounting Science Degree from the University of South Africa. He completed his articles in 1999. He is a member of the Presidential Advisory Council, the current Chairman of the Oil Expressers of Zimbabwe and the immediate Past President of the Confederation of Zimbabwe Industries.

Tembiwe Moyo Independent Non – Executive Director
Mrs. Moyo is the Chief Executive Officer of Beitbridge Bulawayo Railway (Private) Limited. She is an Accountant and Chartered Secretary by profession and she holds a Master's in Business Administration (Nottingham Trent University, UK) and is an Associate member of the Chartered Institute of Administrators and Secretaries (ACIS).She is the Chairperson and Trustee of the Women in Agri-business in Sub-Sahara Africa Alliance (WASAA), the Chairperson of ANSA, a board member of the Southern Africa Railways Association (SARA), a shareholder representative of the NLPI Limited Group and a platinum member of PROWEB.

Annual General Meeting Form of Proxy

I, We……………………………………………………………………………………………………

Of……………………………………………………………………………………………………

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

hereby appoint……………………………………………………………………………………

of……………………………………………………………………………………………………

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

of……………………………………………………………………………………………………

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

Signed this……………………………………………………………………day of
……………………………………………2019

Signature of

FCB 3264

KPMG
Mutual Gardens
100 The Chase (West)
Emerald Hill
P O Box 6 Harare
Zimbabwe
Tel: +263 (4) 303700, 302600
Fax: +263 (4) 303699

Independent Auditor's Report

To the shareholders of First Capital Bank Limited

Adverse Opinion

We have audited the financial statements of First Capital Bank Limited (the "Bank") set out on pages 21 to 76, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* section of our report, the financial statements do not present fairly, the financial position of First Capital Bank Limited as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03) of Zimbabwe the Banking Act (Chapter 24:20) and the Banking Amendment Act of 2015.

Basis for Adverse Opinion

As described in Note 2.1, during the year ended 31 December 2018, the Bank transacted using a combination of foreign currency, bond notes and bond coins. Acute shortage of United States Dollar (US$) cash and other foreign currencies in the country, resulted in an increase in the use of different modes of payment for goods and services such as settlement through the Real Time Gross Settlement (RTGS) system overseen by the Reserve Bank of Zimbabwe (RBZ), point of sale and mobile money platforms. The note further explains that during the year there was a significant divergence in market perception of the relative values between the US$, and the bond note, bond coin, mobile money platforms and RTGS, collectively referred to therein as "local currency". Although RTGS, bond note, bond coin and mobile money platforms were not legally recognised as currency during the year ended 31 December 2018, the substance of the economic phenomenon suggested that it was currency. As a result of these factors the directors performed an assessment on the functional currency of the Bank in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates* (IAS 21), and acknowledge that the functional currency of the Bank was no longer the US$.

In February 2019, an electronic currency called the RTGS Dollar was introduced through Statutory Instrument 33 of 2019 (S.I. 33) with an effective date of 22 February 2019 and the currency commenced trading at a rate of 2.5 to the US$. In addition S.I. 33 fixed the exchange rate between the RTGS Dollar and the US$ at a rate of 1:1 for periods before the effective date. The rate of 1:1 is consistent with the rate mandated by the Reserve Bank of Zimbabwe (RBZ) at the time it issued the bond notes as currency.

Although the directors acknowledge that there was a functional currency change and that the market exchange rate between the US$ and local currency was not 1:1, they have maintained their functional currency as the US$ and have presented the financial statements in US$ using an exchange rate of 1:1, in compliance with S.I 33. This constitutes a departure from the requirements of IAS 21.

The directors have performed a sensitivity analysis of how different exchange rates would impact the Bank's statement of financial position in note 45 to the financial statements. However, the amounts presented may not reflect the opening balances in RTGS dollars going forward. This confirms that had the local currency been translated to US$ in accordance with IAS 21, many elements in the statement of financial position would have been materially affected and therefore the departure from the requirements of IAS 21 is considered to be pervasive. The effects of this departure on the Bank's financial statements have not been determined.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and which are not materially impacted by the matter described in the *Basis for Adverse Opinion* section. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our adverse opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the *Basis for Adverse Opinion* section, we have determined there are no other key audit matters to be communicate in our report.

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Adverse Opinion* section above, the Bank should have translated its local currency transactions and balances to US$ using a rate determine in accordance with IAS 21. We have therefore concluded that the other information is materially misstated for the same reason, with respect to the amounts contained in the Financial Highlights, Chairman's Statement and the Managing Directors Review of Operations, which are affected by the failure to translate the local currency transactions and balances using a rate which complies with the requirements of IAS 21.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03) of Zimbabwe, the Banking Act (Chapter 24:20) and the Banking Amendment Act of 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

KPMG

Michael de Beer
Partner
Registered Auditor
PAAB Practicing Certificate Number 0369

12 April 2019

For and behalf of **KPMG Chartered Accountants (Zimbabwe), Reporting Auditor**
Mutual Gardens
100 The Chase (West)
Emerald Hill
P.O Box 6, Harare
Zimbabwe