First Capital BANK

In association with BARCLAYS

Reviewed Financial Results

For the half year ended 30 June 2019

Chairman's Statement

The macroeconomic backdrop

The macroeconomic environment in the first half of 2019 has been challenging. Year on year inflation was reported at 175.66% at the end of the period under review. Demand for goods and services continued to be depressed. Price distortions that existed from prior periods continued to be observed in the market, threatening the viability of some businesses.

A number of significant policy changes aimed at addressing the currency issues as well as fiscal and external sector deficits were introduced during the period. These measures are in line with the Transitional Stabilisation Program introduced by the government in 2018. Key monetary policies pronounced culminated in the removal of the multicurrency system and adoption of the Zimbabwean dollar as the sole legal tender. This was a major adjustment impacting both business and the transacting public.

The Bank is continuously monitoring these policy changes, and adapting its strategy as appropriate. While doing this, the Bank also continues to assist its clients to understand and navigate the policy changes.

Earnings

The Bank registered a profit after tax of ZWL$68.1 million translating to a basic earnings per share of 3.16 cents for the period (June 2018 – 0.63 cents per share). A significant part of the earnings reflects the revaluation of investments which includes the effect of change in functional currency. The underlying trading result takes into account costs associated with the migration of the Bank's Information Technology systems.

Capital and liquidity

The Bank is adequately capitalised above the minimum regulatory core capital requirement of ZWL$100 million. The Bank's total capital adequacy ratio closed the half year at 29% up from 25% in June 2018. This is above the minimum requirement of 12% and reflects significant capacity to deploy more assets. The Bank's liquidity ratio at 58% remains significantly above the regulatory minimum of 30%.

Investment in the community

In keeping with its chosen purpose which is 'to enable people achieve their extraordinary' the Bank continues to actively engage the communities in which it operates. The Bank's community investment programs focus on financial education and skills, enterprise development and financial inclusion. During the period under review the Bank continued to sustain its strategic partnerships with selected organisations that have relevant expertise in socio-economic development programs such as Zimbabwe Farmers Union, World Vision Zimbabwe, BOOST Fellowship and Junior Achievement Zimbabwe.

A total of over 4500 youths benefited from the Bank's community development programs over the period. Employees took part in volunteerism activities donating significant amounts of time and effort within the same programs.

Governance

The Bank remains committed to the highest standards in corporate governance, over and above observing the requirements of the Reserve Bank of Zimbabwe, the Zimbabwe Stock Exchange and other regulators. During the period under review, Emma Fundira, retired from the Board after serving a full term of ten years per regulatory requirements. During her tenure on the Board Emma contributed immensely and her invaluable experience and wise counsel will be greatly missed. On behalf of the Bank and the Board I wish her the best in her future endeavours.

Appreciation

The Bank successfully transitioned from Barclays PLC to First Capital Bank systems in March 2019. This was a hugely complex project, covering 59 applications, including the core banking system. I would like to pay special tribute to management and staff at the Bank for their dedication and commitment throughout this period.

Outlook

The macroeconomic environment is expected to remain in a transitional mode into the foreseeable future. Analysts are projecting negative economic growth for the year. For example the International Monetary Fund is projecting a negative Gross Domestic Product of 5.2% to the end of the year.

The recent investment in new Information Technology systems by the Bank will provide an enhanced digital product offering and improved customer experience. The Bank remains focused to deliver superior value to its customers and broader stakeholders on a sustainable basis into the future.

Dividend

Given the uncertainties in the macroeconomic environment, coupled with investment planned for the implementation of its reviewed operating model, the Board does not propose an interim dividend for the period under review.

S. Mtsambiwa
Chairman

28 August 2019

Managing Director's Statement

Milestones over the first half

The first half of 2019 saw the Bank implementing changes to respond to significant changes in the operating environment that included currency change. At the same time the Bank had to execute a complex migration of the core banking information technology platform and ancillary systems, which was completed within the first quarter. Within the transition program, the target operating model and processes were reviewed to explore efficiencies and align to the new systems. A number of products that had been shelved pending systems changes were also rolled into the program. By the end of the first half most of the system stabilization efforts were completed and the Bank now stands more favourably to pursue opportunities for growth.

Financial performance

Interest income grew by 9% compared to the same period in the prior year driven by growth in customer assets. Gross loans and advances to customers grew by 91% to ZWL$283 million as at 30 June 2019. Of this growth, net new disbursements account for ZWL$36 million. The impairment charge on loans and other receivables of ZWL$11.3 million mainly comprises general (Stage 1) credit loss provisions on performing assets driven by growth in the loan book. ZWL$5.6 million of the provision relates to a special legacy debt amount recognized on the balance sheet whilst the non-performing loans ratio on the customer loan book closed the period at 0.4%.

Net fee and commission income grew by 74% inclusive of the effect of exchange rate movements. Deposits closed the period at ZWL$1 billion. The cost to income ratio of 71% for the period includes the effect of system migration project costs and related licence, support and maintenance costs incurred in foreign currency.

The Bank sustained a strong liquidity position with a ratio of 58%, significantly above the regulatory benchmark of 30%. The Bank's capital position closed the period similarly strong. The total regulatory capital base closed at ZWL$229 million of which core capital was ZWL$174 million as at 30 June 2019.

Audit Review Opinion

The half year financial statements were reviewed by the Bank's auditors in terms of the new Zimbabwe Stock Exchange regulations. The review carries an adverse conclusion due to matters related to introduction of the new local currency in the Zimbabwean economy. Please refer to note 1.5 to the financial statements for the detailed disclosure.

Products and services

The Bank actively pursued efforts to close identified gaps in its product offering, once the systems change program was substantially completed. Whilst such efforts continue into the second half of the year and going forward, significant progress has been registered already.

During the period under review, the Bank introduced new internet and mobile banking platforms with improved efficiency. The platforms offer a bill payment solution that covers a wider range of billers. A corporate bill payment solution was introduced alongside an enhanced solution to support tax payments into the Zimbabwe Revenue Authority (ZIMRA). The full ZIPIT solution was launched, whilst the much awaited integrated mobile money service was effectively complete and ready for launch. Significant enhancements on card products were also implemented to enable more functionality.

Process re-engineering and culture change

A review of the Bank's operating processes and initiatives to re-align the business model were started during the period under review and are to be concluded in the second half of the year. Alongside these efforts a culture transformation was also commissioned during the period.

The development of talent for the Bank remains one of the Bank's top priorities. The Graduate Trainee and Undergraduate Student Internship programs were sustained during the period. Each opportunity awards young professionals with a diverse learning platform that will inspire their future career.

Focus areas in the second half

Even as the macroeconomic environment is undergoing significant changes, the Bank will continue to explore opportunities for growth, whilst also being conscious of the need to monitor and contain any new risks that may emerge.

Every major change program necessitates an extensive post implementation stabilization phase. Teams in the Bank have been working to clear the few remaining areas of the migration project so as to ensure full stability of the various systems and interfaces with external service providers. The second half will see the Bank extending an enhanced digital channel offering to customers. At the same time work to optimise the target operating model will be concluded. This sets the Bank ready to compete even more strongly across its offering and with a wider segment reach into the future.

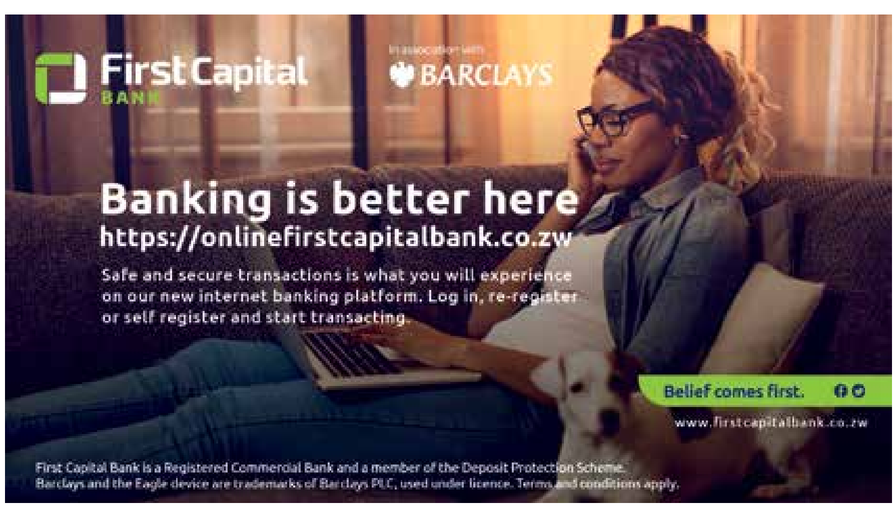
Thank you

I would like to take this opportunity to thank our valued clients and customers for their commitment to walking this journey with us.

I extend my most sincere appreciation to the team members at the Bank for the high level of commitment and contribution exhibited as we completed the biggest milestones in the Bank's transition journey that we started more than two years ago. May I also thank the Board for its guidance and support particularly during this period that the Bank had to navigate significant external and internal change.

S. Matsekete
Managing Director

28 August 2019



Reviewed Financial Results
For the half year ended 30 June 2019

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 Zimbabwe National Code on Corporate Governance, Zimbabwe Stock Exchange rules and the King IV report on Corporate Governance. The Board continuously reviews its internal governance standards and practices, to ensure that it modifies and aligns them with local and international corporate governance requirements as appropriate.

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 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 financial performance, preparation of financial statements and on an ongoing basis, keeping the Board fully informed of any material developments affecting the business.

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

Board diversity
The First Capital Bank Board recognises the importance of diversity and inclusion in its decision making processes. The board is made up of five independent non-executive directors, three non-executive directors and two executive directors. Two members of the board (20%) are female. The Board members have an array of experience in commercial and retail banking, accounting, legal, corporate finance, marketing, business administration, economics, human resources management and executive management.

Access to information
Openness and transparency are key enablers for the Board to discharge its mandate fully and effectively. The non-executive directors have unrestricted access to all relevant records and information of the Bank as well as to management. Further, the board is empowered to seek any professional advice or opinion it may require to allow for the proper discharge of its duties. As one of its key deliverables, management is mandated to keep the Board informed on an ongoing basis, of material developments in and affecting the Bank.

Share Dealings / Insider trading
The directors, management and staff of First Capital Bank Limited are prohibited from dealing in the company's shares whether directly or indirectly, during "closed periods" which are the periods that are a month before the end of the interim or full year reporting period until the time of the publication of the interim or full year results. 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 Limited believes in the observance of ethical business values from the top to the bottom. To this end, the Board has in place a policy that manages conflict of interest including situational and transactional conflict. Directors disclose their interests on joining the Board and at every meeting of the directors they disclose any additional interests and confirm or update their declarations of interest accordingly.

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

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

Board activities
The Board of Directors held two quarterly board meetings in the first half of 2019, a strategy review meeting and a board evaluation review meeting. Each board Committee held at least two quarterly meetings. The areas of focus included the setting of strategic direction, the review of strategy and business operations, 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 the first half of 2019 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 2018 and a report was submitted to the RBZ. Board performance and evaluation was rated as strong by directors.

Board committees
The Board has delegated some of its duties and responsibilities to sub-committees to ensure the efficient discharge of the Board's mandate. The ultimate responsibility of running the Bank however still remains with the Board. The subcommittees of the Board are regulated by terms of reference which are reviewed every year or as and when necessary. The Committees meet at least once every quarter and are all chaired by Independent nonexecutive 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 30 June 2019 were:-
B. Moyo (Chairman)
T. Moyo
Mrs Emma Fundira who retired with effect from 10 May 2019 was a member of the committee.

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

The Committee comprises one executive member and three non-executive directors. The members of the Committee as at 30 June 2019 were:-
H. Anadkat
S. N. Moyo
S. Matsekete
Mrs Emma Fundira who retired with effect from 10 May 2019 was a member of the committee.

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Reviewed Financial Results

For the half year ended 30 June 2019

Corporate Governance Statement

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 30 June 2019 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 four non-executive directors and one executive director.

The members of the Committee as at 30 June 2019 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 30 June 2019 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 30 June 2019:-

B. Moyo (Chairman)
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 identification and management of key risks. The Executive Committee also reviews and approves guidelines for employee remuneration. The Executive Committee assists the Managing Director to manage the Bank, to guide and control the overall direction of the business of the Bank and acts as a medium of communication and co-ordination between business units and the Board. The Committee comprises of executive directors and senior management.

Assets and Liabilities Committee (ALCO)/Treasury Committee

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

Board and committees attendance half year 2019

Main Board

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

Audit committee

Name	Total Meetings	Present	LOA**
B. Moyo	3	3	Nil
E. Fundira*	3	3	Nil
T. Moyo	3	2	1

Human resources & nominations committee

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

Credit committee

Name	Total Meetings	Present	LOA**
E. Fundira*	3	3	Nil
H. Anadkat	4	4	Nil
S. N. Moyo	4	4	Nil
S. Matsekete	4	4	Nil

Loans review committee

Name	Total Meetings	Present	LOA**
T. Moyo	2	2	Nil
P. Devenish	2	1	1
S. Matsekete	2	2	Nil
M. Twigger	2	2	Nil

Risk committee

Name	Total Meetings	Present	LOA**
S.N. Moyo	2	2	Nil
B. Moyo	2	2	Nil
D. Dikshit	2	1	1

Migration Committee

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

* Mrs Emma Fundira retired from the board with effect from 10 May 2019.
** LOA – Leave of absence granted.

Directors Shareholding

The following is a schedule of the directors' shareholdings in the Bank as at 30 June 2019;

S. D. Mtsambiwa	Nil
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.

Half Year Financial Results

The Directors are responsible for the preparation and integrity of the financial results and related financial information contained in this report. The financial results are prepared in accordance with international accounting practices and they incorporate responsible 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. Refer to note 1.5. These reviewed financial 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

28 August 2019

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Reviewed Financial Results

For the half year ended 30 June 2019

Statement of Comprehensive Income

for the half year ended 30 June 2019

	Notes	Reviewed 30.06.2019 ZWL$000	Unaudited 30.06.2018 ZWL$000
Interest income	2	20 893	19 156
Interest expense	3	(1 548)	(303)
Net interest income		19 345	18 853
Net fee and commission income	4	23 450	13 507
Net trading and foreign exchange income	5	4 124	7 376
Net investment and other income	6	18 051	800
Total non-interest income		45 625	21 683
Total income		64 970	40 536
Expected credit losses on loans and other receivables	10	(11 331)	(1 695)
Net operating income		53 639	38 841
Staff costs	7	(16 610)	(12 591)
Infrastructure costs	8	(16 023)	(5 221)
Administration and general expenses	9	(13 698)	(6 348)
Operating expenses		(46 331)	(24 160)
Share of fair value gain and profit of joint venture		56 835	-
Profit before tax		64 143	14 681
Taxation	11	3 980	(1 070)
Profit for the period		68 123	13 611
Other comprehensive income			
Items that may not be reclassified subsequently to profit or loss			
Gain on property revaluation		57 524	-
Deferred tax		(14 812)	-
Total		42 712	-
Items that may be reclassified subsequently to profit or loss			
Net loss on financial assets FVOCI		(303)	108
Deferred tax		78	(28)
Total		(225)	80
Total other comprehensive income for the period, net of tax		42 487	80
Total comprehensive income for the year		110 610	13 691
Basic earnings per share (cents)		3.16	0.63
Diluted earnings per share (cents)		3.16	0.63

Statement of Financial Position

as at 30 June 2019

	Notes	Reviewed 30.06.2019 ZWL$000	Unaudited 30.06.2018 ZWL$000	Audited 31.12.2018 ZWL$000
Assets				
Cash and bank balances	12	790 511	83 534	150 707
Derivative financial instruments	13	30	5	-
Investment securities	14	7 239	153 929	289 001
Loans and receivables from banks	15	3 935	158 204	4 030
Loans and advances to customers	16	270 122	143 124	194 675
Other assets	17	166 966	11 092	8 553
Property and equipment	18	79 942	19 902	30 602
Investment properties	19	22 442	5 145	5 145
Non-current assets held for sale	20	-	14 829	14 829
Investment in joint venture	21	71 999	-	-
Intangible assets	22	14 025	-	-
Right of use assets - operating leases	23	8 758	-	-
Current tax assets		5 502	645	1 202
Total assets		1 441 471	590 409	698 744
Liabilities				
Derivative financial instruments	13	544	3	1
Lease liabilities	23	9 495	-	-
Balances due to other banks	24	42 178	8 260	2 905
Deposits from customers	25	1 034 047	462 058	553 564
Provisions	26	1 869	2 259	3 163
Other liabilities	27	113 729	13 141	18 054
Deferred tax liabilities		13 558	2 203	2 748
Bank balances due to Group companies	36	616	-	1806
Total liabilities		1 216 036	487 924	582 241
Capital and reserves				
Share capital	29	215	215	215
Share premium	29	23 837	23 764	23 837
Non-distributable reserve		7 785	7 785	7 785
Fair value through other comprehensive income reserve		4 701	3 010	4 926
Revaluation reserve		47 647	3 425	4 935
Impairment reserve- FVOCI financial assets		-	835	611
Share-based payment reserve		1 240	1 227	1 228
Retained income		140 010	62 224	72 966
Total equity		225 435	102 485	116 503
Total equity and liabilities		1 441 471	590 409	698 744

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Statement of Cash Flows

for the half year ended 30 June 2019

	Notes	Reviewed 30.06.2019 ZWL$000	Unaudited 30.06.2018 ZWL$000	Audited 31.12.2018 ZWL$000
Cash flow from operating activities				
Profit before income tax		64 143	14 681	25 145
Adjustments for non-cash items				
Depreciation of property and equipment and software amortisation	8	2 643	1 218	2 516
Expected credit loss on financial assets		11 331	1 695	2 461
Share of fair value gain and profit of joint venture		(56 835)	-	-
Fair value gain on investment property		(17 297)	-	-
Profit on disposal of property and equipment		(6)	(19)	(263)
Interest accrual on FVOCI financial assets		(10 485)	(11 063)	(12 140)
Staff loan prepayment amortisation		(416)	(25)	(57)
IFRS 16 finance cost		412	-	-
Income from non-current asset held for sale		-	(149)	(335)
Share based payment expense		12	22	53
Net derivative liabilities/(assets)		514	(2)	-
Cash flow (used)/generated from operating activities before changes in working capital		(5 984)	6 358	15 978
Increase in loans and advances to customers		(82 062)	(32 755)	(84 311)
Increase in other assets		(158 413)	(3 514)	(639)
Increase in deposits from customers		480 483	19 585	106 514
Increase in other liabilities		95 675	590	8 212
Income taxes paid		(4 300)	(1 236)	(1 979)
Transfers into restricted bank balances		(95 391)	(3 717)	(22 927)
Net cash generated/(used) in operating activities		230 008	(14 689)	20 848
Cash flow from investing activities				
Additions to property, equipment and intangible assets		(7 778)	(515)	(10 479)
Proceeds from sale of property and equipment		6	27	322
Dividend received from investment securities		507	440	1 402
Interest received from investment securities		22 679	-	17 259
Purchase of investment securities		(141 272)	(262 217)	(469 020)
Proceeds from sale and maturities of investment securities		405 190	76 890	292 135
Net cash generated/(used) in investing activities		279 332	(185 375)	(168 381)
Cash flows from financing activities				
Proceeds from issue of shares under a share based payment plan		-	-	44
Payment of lease liabilities		(1 462)	-	-
Net cash (paid)/received from financing activities		(1 462)	-	44
Net increase/(decrease) in cash and cash equivalents		507 879	(200 064)	(147 489)
Cash and cash equivalents at the beginning of the year		113 220	260 709	260 709
Cash and cash equivalents at the end of the period	13	621 099	60 645	113 220

Statement of Changes in Equity

for the half year ended 30 June 2019

	Share capital ZWL$000	Share premium ZWL$000	Non-distributable reserves ZWL$000	Fair value through other comprehensive income reserve ZWL$000	Revaluation reserves ZWL$000	Impairment reserve ZWL$000	Share-based payment reserves ZWL$000	Retained Earnings ZWL$000	Total equity ZWL$000
Balance at 1 January 2019 as previously recorded	215	23 837	7 785	4 926	4 935	611	1 228	72 966	116 503
Impact of adoption of IFRS 16 leases	-	-	-	-	-	-	-	(1 079)	(1 079)
Adjusted balances at 1 January 2019	215	23 837	7 785	4 926	4 935	611	1 228	71 887	115 424
Profit for the year	-	-	-	-	-	-	-	68 123	68 123
Other comprehensive income for the year	-	-	-	(225)	42 712	-	-	-	42 487
Total comprehensive income for the year	-	-	-	(225)	42 712	-	-	68 123	110 610
Recognition of share-based payments	-	-	-	-	-	-	12	-	12
Impairment of FVOCI Financial assets	-	-	-	-	-	(611)	-	-	(611)
Balance at 30 June 2019	215	23 837	7 785	4 701	47 647	-	1 240	140 010	225 435

	Share capital ZWL$000	Share premium ZWL$000	Non-distributable reserves ZWL$000	Fair value through other comprehensive income reserve ZWL$000	Revaluation reserves ZWL$000	Impairment reserve ZWL$000	Share-based payment reserves ZWL$000	Retained Earnings ZWL$000	Total equity ZWL$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	-	-	-	-	-	-	-	13 611	13 611
Other comprehensive income for the year	-	-	-	80	-	-	-	-	80
Total comprehensive income for the year	-	-	-	80	-	-	-	13 611	13 691
Recognition of share-based payments	-	-	-	-	-	-	22	-	22
Realisation of revaluation reserves	-	-	-	-	(31)	-	-	31	-
Impairment of FVOCI financial assets	-	-	-	-	-	835	-	-	835
Effect of initial application of IFRS 9	-	-	-	-	-	-	-	(509)	(509)
Tax effect of initial application of IFRS 9	-	-	-	-	-	-	-	131	131
Balance at 30 June 2018	215	23 764	7 785	3 010	3 425	835	1 227	62 224	102 485

Reviewed Financial Results

For the half year ended 30 June 2019

Notes to the Financial Results

for the half year ended 30 June 2019

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 FMBcapital Holdings PLC incorporated in Mauritius. The Bank has a primary listing on the Zimbabwe Stock Exchange.

1.2. Basis of preparation

The Bank's reviewed financial results have been prepared in accordance with the IAS34 Interim Financial Reporting as well as the requirements of the Companies Act (Chapter 24.03) and the Banking Act (Chapter 24.20). However, full compliance with IFRS could not be achieved. Refer to note 1.5. They do not include all the financial information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to getting an understanding of the changes in the Bank's financial position and performance since the last financial statements for the year ended 31 December 2018.

1.3. Basis of measurement

The reviewed financial 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; and
(v) Financial assets at fair value through other comprehensive income (Investment securities-debt).

1.4. Functional and presentation currency

The financial results are presented in Zimbabwean Dollars (ZWL) which is the Bank's functional and presentation currency after the promulgation of SI 142 of 2019. The United States of America Dollar (USD) was the functional and presentation currency in prior years.

The change in functional currency from USD to ZWL was accounted for through the Statement of Comprehensive Income. Assets and liabilities as at 20 February 2019 denominated in USD were converted to ZWL at a rate of 1:1, the rate that was existing at day of change of currency. There was no translation impact in the income statement since the translated balance sheet remained the same as before translation.

Prior year comparative information was translated from USD to ZWL at a rate of 1:1. This was the official rate existing at 31 December 2018. At 30 June 2019, the exchange rate was USD1: ZWL9.9306.

1.5. Auditors statement

These condensed interim financial results for the six months ended 30 June 2019 have been reviewed by Deloitte & Touche and a modified review conclusion issued thereon. This conclusion carries an adverse conclusion with respect to the following matters:

- Non–compliance with International Accounting Standard 21 - The Effects of Changes in Foreign Exchange in accounting for the change in functional currency;
- The Bank has applied a discount of 25% on the valuation of properties. This is management's estimate of the recoverable values given the limited trade of properties in Zimbabwe dollars. We have not been able to assess the reasonability of the discount rate applied by management; and
- Non-compliance with International Financial reporting Standard 9 – Financial Instruments in the recognition and measurement of other receivables.

The review conclusion has been made available to management and those charged with the governance of First Capital Bank Limited. The engagement partner responsible for this review is Tumai Mafunga. The auditor's report on the financial results is available for inspection at the Bank's registered office.

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 2018 except for the adoption of International Financial Reporting Standard 16 Leases and the change in accounting policy for the non-current asset detailed below.

Leases

The Bank has applied IFRS 16 using the modified retrospective approach with effect from 1 January 2019 and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. IFRS 16 requires the recognition of right-of-use asset and future payments lease liability where the Bank is a leasee and the lease term is twelve months or more.

Impact on financial results

On transition to IFRS 16, the Bank recognised ZWL$9 465 438 of right-of-use assets, ZWL$10 544 623 of lease liabilities and the difference of ZWL$1 079 184 as an adjustment to retained earnings at 1 January 2019.

When measuring lease liabilities, the Bank discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 8%.

Non-current asset held for sale

The accounting for the investment in Makasa Sun (Private) Limited has changed from non-current asset held for sale to investment in joint venture. Refer to note 21.

2. Interest income

	30.06.2019 ZWL$000	30.06.2018 ZWL$000
Bank balances	81	32
Loans and receivables from banks and investment securities	10 854	12 237
Loans and advances to customers	9 958	6 887
Total interest income	20 893	19 156

3. Interest expense

Finance cost - lease liabilities	(412)	-
Deposits from banks	(65)	-
Deposits from customers	(1 071)	(303)
Total interest expense	(1 548)	(303)

4. Net fee and commission income

Fee and commission income		
Account activity fees/ledger fees	6 410	3 631
Insurance commission received	138	216
Commission received	8 376	6 979
Guarantees	1 409	542
Card based transaction fees	1 280	1 132
Cash withdrawal fees	6 278	1 337
Total fee and commission income	23 891	13 837
Guarantee expense	(441)	(290)
Other fees and commission	-	(40)
Total fee and commission expense	(441)	(330)
Net fee and commission income	23 450	13 507

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 and foreign exchange income

Net foreign exchange revaluation loss	(3 507)	-
Net foreign exchange trading income	7 901	6 504
Trading income - Financial instruments	(270)	872
Net trading and foreign exchange income	4 124	7 376

6. Net investment and other income

Dividend income	507	440
Gain on disposal of property and equipment	6	19
Rental income	199	192
Income from non-current asset held for sale	-	149
Fair value gain on investment property	17 297	-
Sundry income	42	-
Net investment and other income	18 051	800

7. Staff costs

Salaries and allowances	(14 308)	(10 966)
Social security costs	(105)	(102)
Pension costs: defined contribution plans	(1 395)	(1 130)
Directors` remuneration - for services as management	(790)	(371)
Share options granted to directors and employees	(12)	(22)
Total staff cost	(16 610)	(12 591)

8. Infrastructure costs

Repairs and maintenance	(1 207)	(1 008)
Other property costs	(766)	(534)
Security costs	(731)	(561)
Depreciation and impairment of property and equipment	(2 097)	(1 218)
Software amortisation	(546)	-
Operating lease rentals	(126)	(1 113)
Migration costs – Technology	(8 041)	(367)
Connectivity, software and license cost	(2 509)	(430)
Total infrastructure costs	(16 023)	(5 221)

9. Administrative and general expenses

	30.06.2019 ZWL$000	30.06.2018 ZWL$000
Auditors' remuneration : Audit related services	(176)	(129)
Consultancy, legal and professional fees	(267)	(435)
Subscription, publications and stationery	(1 129)	(1 119)
Marketing, advertising and sponsorship	(811)	(151)
Travel and accommodation	(1 642)	(429)
Entertainment	(9)	(78)
Cash transportation	(1 081)	(640)
Directors fees	(153)	(113)
Insurance costs	(880)	(1 095)
Telex, telephones and communication	(1847)	(1 318)
Group recharges	(4 364)	-
Card operating expenses	(902)	(293)
Other administrative and general expenses	(437)	(548)
Total administrative and general expenses	(13 698)	(6 348)

10. Expected credit losses on loans and receivables

Stage 1 – 12 Month ECL	(11 682)	(1 295)
Stage 2 – Lifetime ECL not credit impaired	27	146
Stage 3 – Lifetime ECL credit impaired	250	(590)
Impairment raised during the reporting period	(11 405)	(1 739)
Recoveries of loans written off	74	44
Statement of Comprehensive income charge	(11 331)	(1 695)

11. Income taxes

Income tax recognised in profit or loss		
Normal current tax – current year	-	(1 229)
Deferred tax credit recognised in the current year	3 980	159
Total income tax recognised in the period	3 980	(1 070)

12 Cash and bank balances

	30.06.2019 ZWL$000	30.06.2018 ZWL$000	31.12.2018 ZWL$000
Settlement balances with Central Bank	345 869	50 467	65 901
Statutory reserve balance with Central Bank	22 036	-	24 176
Money market assets	-	-	20 007
Cash on hand foreign currency	220 935	10 540	17 918
Cash on hand bond notes and coins	4 670	916	4 224
Balances due from group companies	50	-	2
Balances with banks abroad	197 056	21 611	18 513
Cash and bank balances	790 616	83 534	150 741
Less: Expected credit loss	(105)	-	(34)
Net cash and bank balance after expected credit loss	790 511	83 534	150 707
Cash and cash equivalents – Cash flow statement			
Cash and bank balances before impairment	790 616	83 534	150 707
Restricted balances with Central Bank	(7 356)	(7 349)	(7 349)
Statutory reserve balance with Central Bank	(22 036)	-	(24 176)
Restricted balances with banks abroad	(101 266)	(8 710)	(3 744)
Clearing balances due from banks	3 935	1 430	653
Bank balances due to group companies	(616)	-	-
Balances due to other banks	(42 178)	(8 260)	(2 905)
Total cash and cash equivalents – statement of cash flows	621 099	60 645	113 220

13. Derivative financial instruments

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

Carrying amount

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

Contract amount

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

	Carrying Amount		
	Notional contract amount ZWL$000	Assets ZWL$000	Liabilities ZWL$000
30.06.2019			
Foreign exchange derivatives			
Foreign exchange spot trades	7 246	30	544
Total foreign exchange derivatives	7 246	30	544
31.12.2018			
Foreign exchange derivatives			
Foreign exchange spot trades	745	-	1
Total foreign exchange derivatives	745	-	1

14. Investment securities

	30.06.2019 ZWL$000	30.06.2018 ZWL$000	31.12.2018 ZWL$000
Treasury bills	904	149 720	282 666
Equity securities	6 335	4 209	6 335
Balance at end of period	7 239	153 929	289 001
Balance at beginning of the period	289 001	5 235	5235
Additions	141 272	144 749	270 038
Accrued interest	25	3 951	11 733
Disposals/maturities	(422 975)	-	(464)
Changes in fair value	(84)	(6)	2 459
Balance at end of period	7 239	153 929	289 001

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. Amounts recognised in the reserve as at 30 June 2019: Nil (2018: ZWL$611 000).

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

15. Loans and receivables from banks

	30.06.2019 ZWL$000	30.06.2018 ZWL$000	31.12.2018 ZWL$000
Treasury bills	-	157 654	3 384
Clearing balances due from other banks	3 935	1 430	653
Total before expected credit loss	3 935	159 084	4 037
Less: Expected credit loss	-	(880)	(7)
Total carrying amount at end of period	3 935	158 204	4 030

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.

Reviewed Financial Results

For the half year ended 30 June 2019

Notes to the Financial Results

for the half year ended 30 June 2019

16. Loans and advances to customers

	Retail Banking ZWL$000	Business Banking ZWL$000	Corporate and Investment Banking ZWL$000	Total ZWL$000
30.06.2019				
Personal and term loans	47 698	11 390	166 709	225 797
Mortgage loans	8 730	-	-	8 730
Overdrafts	337	2 168	46 565	49 070
Interest in suspense	(502)	(184)	-	(686)
Gross loans and advances to customers	**56 263**	**13 374**	**213 274**	**282 911**
Less: Expected credit losses				
Stage 1	(1 137)	(413)	(9 827)	(11 377)
Stage 2	(189)	(4)	(326)	(519)
Stage 3	(525)	(368)	-	(893)
Total	**(1 851)**	**(785)**	**(10 153)**	**(12 789)**
Net loans and advances to customers	**54 412**	**12 589**	**203 121**	**270 122**
31.12.2018				
Personal and term loans	40 850	47 558	68 250	156 658
Mortgages	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 loss				
Stage 1	(607)	(1 423)	(2 686)	(4 716)
Stage 2	(25)	(7)	(511)	(543)
Stage 3	(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**

17. Other assets

	30.06.2019 ZWL$000	30.06.2018 ZWL$000	31.12.2018 ZWL$000
Prepayments and stationery	5 894	6 100	2 867
Card security deposit and settlement balances	22 605	2 225	2 249
Other receivables	141 444	409	754
Income receivable from non- current asset held for sale	-	-	335
Staff loans market interest rate adjustment	2 590	2 358	2 348
Total other assets before credit loss allowance	**172 533**	**11 092**	**8 553**
Less: Expected credit loss	(5 567)	-	-
Total net of impairment	**166 966**	**11 092**	**8 553**
Current	31 863	9 124	6 702
Non-current	135 103	1 968	1 851
Total	**166 966**	**11 092**	**8 553**

Included in other receivables is ZWL$139 million relating to legacy debts and effects of allocation of foreign currency to customers with local currency deposits in line with previous monetary policies prevailing before 1 October 2018. The Bank has accounted for the full amount on balance sheet whilst awaiting for the final terms of legacy debts from the Central Bank.

18. Property and equipment

	Land and buildings ZWL$000	Computers ZWL$000	Equipment ZWL$000	Furniture and fittings ZWL$000	Motor vehicles ZWL$000	Assets under development ZWL$000	Total ZWL$000
30 June 2019							
Balance at beginning of the year	**16 715**	**2 387**	**1 001**	**622**	**2 555**	**7 322**	**30 602**
Additions	-	198	145	185	-	-	528
Revaluation	57 524	-	-	-	-	-	57 524
Disposals	-	-	-	-	(27)	-	(27)
Transfer to intangible assets	-	-	-	-	-	(7 322)	(7 322)
Depreciation charge on disposals	-	-	-	-	27	-	27
Depreciation and impairment charge	(170)	(518)	(131)	(123)	(448)	-	(1 390)
Carrying amount at end of the period	**74 069**	**2 067**	**1 015**	**684**	**2 107**	**-**	**79 942**
Cost or valuation	74 069	7 285	3 418	1 949	5 155	-	91 876
Accumulated depreciation and impairment	-	(5 218)	(2 403)	(1 265)	(3 048)	-	(11 934)
Carrying amount at end of the period	**74 069**	**2 067**	**1 015**	**684**	**2 107**	**-**	**79 942**

Land and buildings were revalued at 30 June 2019 by an independent valuer and the values were in USD due to lack of transactional data in ZWL$. The USD values were translated to ZWL$ using an effective exchange rate of USD1:ZWL$5. If land and buildings were stated on the historical cost basis, the carrying amount would be ZWL$11 091 496 (2018: $11 193 682). No items of property and equipment were pledged as collateral as at 30 June 2019.

19. Investment properties

	30.06.2019 ZWL$000	30.06.2018 ZWL$000	31.12.2018 ZWL$000
Fair value			
Balance at beginning of the year	**5 145**	**5 145**	**5 145**
Changes in fair value	17 297	-	-
Balance at the end of the period	**22 442**	**5 145**	**5 145**
Rental income derived from investment properties	155	192	342

Investment property comprises commercial properties that are leased to third parties. No contingent rents are charged. The property was fair valued at 30 June 2019 with ZWL$17 297 000 fair value movement (2018: Nil). Rental income from investment property 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 34) based on the inputs to the valuation technique used.

Investment properties were revalued on the same basis as owner occupied properties. Refer to note 18.

20. Non-current asset held for sale

	30.06.2019 ZWL$000	30.06.2018 ZWL$000	31.12.2018 ZWL$000
Balance at beginning of year	14 829	14 829	14 829
Transfers to investment in joint venture	(14 829)	-	-
Total	**-**	**14 829**	**14 829**

The investment in Makasa Sun (Private) Limited has been held as a non-current asset held for sale for almost 4 years. Due to the time the investment has been classified as a non-current asset held for sale and changes in economic conditions, the board approved re-classification of the Makasa Sun investment back to investment in joint venture.

21. Investment in joint venture

	30.06.2019 ZWL$000	31.12.2018 ZWL$000
Balance at beginning of year	-	-
Transfer from non current asset held for sale	14 829	-
Prior years share of profit adjustment	335	-
Share of fair value gain and profit of joint venture	56 835	-
Balance at end of period	**71 999**	**-**
Proportion of ownership interest and voting power held	50%	50%

The Bank has a 50% interest in Makasa Sun (Private) Limited, a jointly controlled entity which owns a property in Victoria Falls. The property was revalued by an independent valuer and the value was in USD due to lack of transactional data in ZWL$. The USD value was translated at a rate of USD1:ZWL$5. Makasa Sun (Private) Limited is incorporated in Zimbabwe. The Bank's interest in Makasa Sun (Private) Limited is accounted for using the equity method in the financial statements.

22. Intangible asset

	30.06.2019 ZWL$000	30.06.2018 ZWL$000	31.12.2018 ZWL$000
Balance at beginning of the year	-	-	-
Transfer from property and equipment	7 322	-	-
Additions	7 249	-	-
Software amortisation	(546)	-	-
Carrying amount at end of the period	**14 025**	**-**	**-**
Cost or valuation	14 571	-	-
Accumulated depreciation and impairment	(546)	-	-
Carrying amount at end of the period	**14 025**	**-**	**-**

Intangible assets relate computer software measured at cost incurred on acquisition or development. Intangible assets are amortised over their estimated useful lives.

23. Leases

The Bank leases land and buildings. Information about leases for which the Bank is a lessee is presented below;

Right-of-use assets	30.06.2019 ZWL$000	31.12.2018 ZWL$000
Balance at 1 January	9 465	-
Depreciation charge for the year	(707)	-
Balance at end of period	**8 758**	**-**

Lease liability

Lease liabilities included in the statement of financial position		
Current	1 307	-
Non-current	8 188	-
Balance at end of period	**9 495**	**-**

Maturity analysis of contractual undiscounted cash flows has been disclosed under Liquidity Profiling (Note 31.5).

24. Balances due to other banks

	30.06.2019 ZWL$000	30.06.2018 ZWL$000	31.12.2018 ZWL$000
Bank balances due to banks abroad	4 211	1 688	-
Interbank money market deposit	23 441	-	-
Clearing balances due to other banks	14 526	6 572	2 905
Total	**42 178**	**8 260**	**2 905**

25. Deposits from customers

	Retail Banking ZWL$000	Business Banking ZWL$000	Corporate and Investment Banking ZWL$000	Total ZWL$000
30.06.2019				
Current account deposits	141 460	100 431	645 113	887 004
Call and term deposits	383	21 395	3 272	25 050
Savings accounts	4 319	1	-	4 320
Other	-	-	117 673	117 673
Total	**146 162**	**121 827**	**766 058**	**1 034 047**
31.12.2018				
Current account deposits	83 099	141 812	205 492	430 403
Call and term 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**

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 ZWL$117 673 295 (2018: $9 004 124) held as collateral for loans advanced and letters of credit.

Concentration of customer deposits	30.06.2019 ZWL$000	%	30.06.2018 ZWL$000	%	31.12.2018 ZWL$000	%
Trade and services	271 639	26	177 468	38	198 263	36
Energy and minerals	18 370	2	4 952	1	16 303	3
Agriculture	191 841	19	30 045	7	50 724	9
Construction and property	13 414	1	467	0	3 027	1
Light and heavy industry	130 862	13	59 276	13	63 844	12
Physical persons	146 162	14	107 111	23	98 342	18
Transport and distribution	188 165	18	64 356	14	79 342	14
Financial services	73 594	7	18 382	4	43 719	8
Total	**1 034 047**	**100**	**462 058**	**100**	**553 564**	**100**

26. Provisions

	30.06.2019 ZWL$000	30.06.2018 ZWL$000	31.12.2018 ZWL$000
Staff retention incentive	808	1 661	2 306
Outstanding employee leave	1 061	598	857
Total	**1 869**	**2 259**	**3 163**

27. Other liabilities

	30.06.2019 ZWL$000	30.06.2018 ZWL$000	31.12.2018 ZWL$000
Accrued expenses	55 108	5 793	7 422
Amounts due to related parties - group recharges	28 204	-	-
Internal accounts including unpresented bank drafts	30 417	7 348	10 632
Total	**113 729**	**13 141**	**18 054**

28. Retirement benefit plans

28.1. Barclays Bank Pension Fund

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

28.2. Defined contribution plans

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

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

28.3. Defined benefit pension plans

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

The provision for pension annuities to pensioners is a significant defined benefit. As a result, a valuation was performed based on IAS 19 Employee Benefits as at 31 December 2018 and had a net surplus of ZWL$15 014 000. No valuation was done at 30 June 2019.

29. Share capital and Reserves

Authorised share capital

	30.06.2019 ZWL$000	31.12.2018 ZWL$000
5 000 000 000 (2018: 5 000 000 000) ordinary shares of ZWLc0.01 per share.	500	500
Issued share capital		
2 155 630 176 (2018: 2 155 630 176) ordinary shares of ZWLc0.01 per share	215	215
Share premium	23 837	23 837
Total	**24 052**	**24 052**

The total authorised number of ordinary shares at year end was 5 billion (2018: 5 billion). The Bank's shares have a nominal value of ZWLc0,01 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.

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. The functional and presentation currency of the Bank has since changed to RTGS Dollars (ZWL).

Impairment reserve

This relates to impairment charge on FVOCI debt securities.

Fair value through other comprehensive income

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

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

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

30. Financial Instruments
Classification of assets and liabilities

	Financial assets at fair value through profit and loss ZWL$000	Financial assets at amortised cost ZWL$000	Financial assets at fair value through other comprehensive income (Investment securities) ZWL$000	Financial liabilities carried at amortised cost ZWL$000	Total ZWL$000
Assets – 30 June 2019					
Cash and bank balances	-	790 511	-	-	790 511
Loans and advances to customers	-	270 122	-	-	270 122
Treasury bills	-	-	904	-	904
Unquoted equity securities	-	-	6 335	-	6 335
Clearing balances due from other banks	-	3 935	-	-	3 935
Other assets	-	158 482	-	-	158 482
Foreign exchange spot trades	30	-	-	-	30
Total	**30**	**1 223 050**	**7 239**	**-**	**1 230 319**
Liabilities – 30 June 2019					
Deposits from customers	-	-	-	1 034 047	1 034 047
Balances due to other banks	-	-	-	42 178	42 178
Foreign exchange spot trades	544	-	-	-	544
Bank balances due to group companies	-	-	-	616	616
Total	**544**	**-**	**-**	**1 076 841**	**1 077 385**

	Financial assets at fair value through profit and loss ZWL$000	Financial assets at amortised cost ZWL$000	Financial assets at fair value through other comprehensive income (Investment securities) ZWL$000	Financial liabilities at amortised cost ZWL$000	Total ZWL$000
Assets – 31 December 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
Clearing balances due from other banks	-	653	-	-	653
Other assets	-	3 337	-	-	3 337
Total	**-**	**352 749**	**289 001**	**-**	**641 750**
Liabilities – 31 December 2018					
Customer Deposits	-	-	-	553 564	553 564
Balances due to other banks	-	-	-	2 905	2 905
Currency swaps	-	1	-	-	1
Total	**-**	**1**	**-**	**556 469**	**556 470**

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

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

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

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

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

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.

	30.06.2019 ZWL$000	30.06.2018 ZWL$00	31.12.2018 ZWL$00
Share capital	215	215	215
Share premium	23 837	23 764	23 837
Accumulated profits	140 010	62 224	72 966
Impairment reserve	-	1 227	611
Share based payment reserve	1 240	835	1 228
Fair value through other income reserve	4 701	3 010	4 926
Currency translation reserve	3 508	3 508	3 508
Total core capital	**173 511**	**94 783**	**107 291**
Less market and operational risk capital	(17 827)	(15 341)	(15 151)
Less exposures to insiders	-	-	(2 088)
Tier 1 capital	**155 684**	**79 442**	**90 052**
Currency translation reserve	4 277	4 277	4 277
Revaluation reserve	47 647	3 425	4 935
General provisions (limited to 1.25% of weighted risk assets)	9 894	2432	4 844
Tier 2 capital	**61 818**	**10 134**	**14 056**
Total tier 1 & 2 capital	**217 502**	**89 576**	**104 108**
Market risk	1 510	2 766	2 574
Operational risk	16 317	12 574	12 577
Tier 3 capital	**17 827**	**15 340**	**15 151**
Total tier 1 and 2 & 3 capital base	**235 329**	**104 916**	**119 259**
Less deductions from capital	(6 335)	(4 209)	(7 812)
Total capital base	**228 994**	**100 707**	**111 447**
Credit risk weighted assets	568 679	205 115	260 172
Operational risk equivalent assets	203 965	157 181	157 207
Market risk equivalent assets	18 870	34 580	32 176
Total risk weighted assets (RWAs)	**791 514**	**396 876**	**449 555**
Tier 1 capital ratio	**19.7%**	**20.0%**	**20.0%**
Tier 1 and 2 capital ratio	**27.5%**	**23.0%**	**24.0%**
Total capital adequacy ratio	**28.9%**	**25.0%**	**24.8%**

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

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

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

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

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

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

Market risk measurement techniques
The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk.
The measurement techniques used to measure and control market risk include:

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

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

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

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	30.06.2019 Impact on earnings ZWL$000	31.12.2018 Impact on earnings ZWL$000
1000bps increase in interest rates	36 446	17 410
1000bps decrease in interest rates	(36 446)	(17 410)
Benchmark	**-**	**-**

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

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

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

30 June 2019	Up to 1 month ZWL$000	1 to 3 months ZWL$000	3 to 6 months ZWL$000	6 months to 1 year ZWL$000	1 to 5 years ZWL$000	Over 5 years ZWL$000	Non-interest bearing ZWL$000	Total ZWL$000
Assets								
Cash and bank balances	659 852	-	-	-	-	-	130 659	790 511
Derivative financial assets	-	-	-	-	-	-	30	30
Investment securities	-	-	-	904	-	-	6 335	7 239
Loans and receivables from banks	3 935	-	-	-	-	-	-	3 935
Loans and advances to customers	-	270 122	-	-	-	-	-	270 122
Other assets	-	-	-	-	-	-	166 966	166 966
Property and equipment	-	-	-	-	-	-	79 942	79 942
Investment properties	-	-	-	-	-	-	22 442	22 442
Investment in Joint venture	-	-	-	-	-	-	71 999	71 999
Intangible assets	-	-	-	-	-	-	14 025	14 025
Right of use assets	-	-	-	-	-	-	8 758	8 758
Current tax asset	-	-	-	-	-	-	5 502	5 502
Total assets	**663 787**	**270 122**	**-**	**904**	**-**	**-**	**506 658**	**1 441 471**
Liabilities								
Derivative financial liabilities	-	-	-	-	-	-	544	544
Lease liabilities	9 495	-	-	-	-	-	-	9 495
Balances due to other banks	18 737	23 441	-	-	-	-	-	42 178
Deposits from customers	935 873	83 811	9 929	4 434	-	-	-	1 034 047
Provisions	-	-	-	-	-	-	1 869	1 869
Other liabilities	-	-	-	-	-	-	113 729	113 729
Deferred tax liabilities	-	-	-	-	-	-	13 558	13 558
Bank balances due to Group companies	616	-	-	-	-	-	-	616
Total liabilities	**964 721**	**107 252**	**9 929**	**4 434**	**-**	**-**	**129 700**	**1 216 036**
Interest rate re-pricing gap	**(300 934)**	**162 870**	**(9 929)**	**(3 530)**	**-**	**-**	**376 958**	**225 435**
Cumulative gap	**(300 934)**	**(138 064)**	**(147 993)**	**(151 523)**	**(151 523)**	**(151 523)**	**225 435**	**-**

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

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

	ZWL ZWL$000	USD (ZWL equiv) ZWL$000	GBP (ZWL equiv) ZWL$000	Rand (ZWL equiv) ZWL$000	Other foreign currency ZWL equiv) ZWL$000	Total ZWL$000
At 30 June 2019						
Assets						
Cash and bank balances	362 961	345 836	6 060	70 137	5 622	790 616
Derivative financial instruments	-	30	-	-	-	30
Investment securities	7 239	-	-	-	-	7 239
Loans and receivables from banks	3 935	-	-	-	-	3 935
Loans and advances to customers	171 706	111 146	3	55	1	282 911
Other assets	14 916	157 566	-	26	25	172 533
Total assets	**560 757**	**614 578**	**6 063**	**70 218**	**5 648**	**1 257 264**
Liabilities						
Derivative financial instrument	-	544	-	-	-	544
Balances due to other banks	18 691	23 441	-	-	46	42 178
Deposits from customers	444 526	552 716	6 257	25 318	5 230	1 034 047
Other liabilities	37 988	73 740	1 413	410	178	113 729
Bank balances due to Group Companies	-	-	-	-	616	616
Total liabilities	**501 205**	**650 441**	**7 670**	**25 728**	**6 070**	**1 191 114**
Net Currency positions	**59 552**	**(35 863)**	**(1 607)**	**44 490**	**(422)**	**66 150**

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31.3. 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; and
- Continually improving collection and recovery.

a) Risk limit and mitigation policies

The Bank uses a range of policies and practices to mitigate credit risk. These include credit scoring, marking limits against counter parties, credit insurance, and monitoring cashflows and utilisation against limit and collateral.

Principal collateral types used for loans and advances are:

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

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

b) Credit risk grading

Corporate Exposures

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual 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 final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit scores from this model are mapped to the regulatory scale with 10 grades. 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 financial instrument that is not credit-impaired on initial recognition is classified in 'Stage1' and has its credit risk continuously monitored by the Bank.
- **Stage 2:** If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 31.3(d) below for a description of how the Bank determines when a significant increase in credit risk has occurred.
- **Stage 3:** If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to life time ECLs - default below for a description of how the Bank defines 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; and
- These are a product of 12 months PD, 12 months LGD and EAD.

ii) Life time ECLs (Stage 2 - significant increase in credit risk refer to 31.3d)

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

iii) Life time ECLs (Stage 3 - default)

ECLs are measured based on expected credit losses on a lifetime basis. This is measured on the following exposures.

- All credit impaired/ in default corporate and retail loans and advances to banks and other debt securities in default.
- These are corporates in regulatory grade 8 - 10 (EWL3) and retail loans in bucket 4
- Exposures which are 90 days+ past due; and
- These are a product of default PD, lifetime LGD and EAD.

d) Significant increase in credit risk (SICR)

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

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

Significant increase in credit risk - Quantitative measures

- Corporate loans - if the loan is reclassified from regulatory grades 1 - 3 to grades 4 - 7
- Retail loans - if the loan is reclassified from buckets 0 and 1 to buckets 2 to 3; and
- 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; and
- 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; and
- 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 financial 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 five 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.

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

h) ECL model governance

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

30 June 2019	ECL Stage	Loans and advances to banks ZWL$000	Loans and advances to customers ZWL$000	Guarantees provided ZWL$000	Investment Securities ZWL$000	Bank balances ZWL$000	Other assets ZWL$000	Total ZWL$0000
Credit exposure								
Performing assets	1	3 935	277 206	151 879	-	564 902	161 795	1 159 717
Standard monitoring	2	-	4 507	-	-	-	-	4 507
Non-performing loans	3	-	1 884	-	-	-	-	1 884
Interest in suspense	-	-	(686)	-	-	-	-	(686)
Gross exposure		3 935	282 911	151 879	-	564 902	161 795	1 165 422

31 December 2018	ECL Stage	Loans and advances to banks ZWL$000	Loans and advances to customers ZWL$000	Guarantees provided ZWL$000	Investment Securities ZWL$000	Bank balances ZWL$000	Other assets ZWL$000	Total ZWL$000
Credit exposure								
Performing assets	1	4037	191 960	9 972	282 666	128 597	3 337	620 569
Standard monitoring	2	-	7 598	-	-	-	-	7 598
Non-performing loans	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

The above table represents a worst case scenario of credit risk exposure to the Bank at 30 June 2019, 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.

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.

Notes to the Financial Results

for the half year ended 30 June 2019

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 6 month period to 30 June 2019, the Bank did not have any renegotiated loans and advances to customers and banks.

Expected credit losses analysis and reconciliation

30 June 2019	Stage 1 ZWL$000	Stage 2 ZWL$000	Stage 3 ZWL$000	Total ZWL$000
Balance at 01 January 2019	5 368	543	1 225	7 136
Movements with P&L impact				
New financial assets purchased or originated	10 971	-	-	10 971
Transfers from stage 1 to stage 2	(399)	399	-	-
Transfers from stage 2 to stage 3	-	(105)	105	-
Transfers from stage 2 to stage 1	-	-	-	-
Existing financial assets repaid or sold	(147)	(335)	(357)	(839)
Changes to model assumptions	1 256	17	-	1 273
Total P&L impact	11 682	(24)	252	11 405
Bad debts written off	-	-	(80)	(80)
Balance at 30 June 2019	17 050	519	893	18 461

Reconciliation of ECL by exposure

2019	Retail loans ZWL$000	Corporate loans ZWL$000	Loans and advances to banks ZWL$000	Investment securities ZWL$000	Other assets ZWL$000	Bank balances ZWL$000	Total ZWL$000
Balance at beginning of year	1 115	5 369	7	611	-	34	7 136
Charge to P&L	816	5 566	(7)	(611)	5 571	71	11 405
Loans written off	(80)	-	-	-	-	-	(80)
Total impairment	1 851	10 935	-	-	5 571	105	18 461
Contribution by stage							
Stage 1 – 12 Month ECL	1 137	10 237	-	-	5 571	105	17 050
Stage 2 – Lifetime ECL not credit impaired	189	330	-	-	-	-	519
Stage 3 – Lifetime ECL credit impaired	526	367	-	-	-	-	893
Total impairment 2019	1 851	10 935	-	-	5 571	105	18 461
2018							
Balance at beginning of year	2 342	2 050	928	-	-	-	5 320
Charge to P&L	(592)	3 435	(921)	611	-	34	2 567
Loans written off	(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 2018	1 115	5 369	7	611	-	34	7 136

31.4. **Loans and advances credit risk concentration**

Industry/Sector	30.06.2019 ZWL$000	%	30.06.2018 ZWL$000	%	31.12.2018 ZWL$000	%
Trade and services	13 603	5	18 811	13	50 782	25
Energy and minerals	1 384	-	4 117	3	2 032	1
Agriculture	116 538	41	32 973	22	47 851	24
Construction and property	-	-	655	-	104	-
Light and heavy industry	43 902	16	34 072	23	18 782	9
Physical persons	56 263	20	49 232	33	49 532	25
Transport and distribution	25 062	9	8 448	6	32 553	16
Financial services	26 159	9	-	-	99	-
Total	282 911	100	143 308	100	201 535	100

30 June 2019	Total loans ZWL$000	Past due/ impaired loans ZWL$000	Write offs/ (recoveries) ZWL$000	Stage 3 ECL allowance ZWL$000
Industry/Sector				
Trade and services	13 603	-	-	-
Energy and minerals	1 384	-	-	-
Agriculture	116 538	904	-	367
Construction and property	-	-	-	-
Light and heavy industry	43 902	-	-	-
Physical persons	56 263	1 621	80	526
Transport and distribution	25 062	-	-	-
Financial services	26 159	-	-	-
Gross value at 30 June 2019	282 911	2 526	80	893

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:

	30.06.2019 ZWL$000	31.12.2018 ZWL$000
Performing loans	62 846	72 808
Non-performing loans	150	400
Total	62 996	73 208

31.5. **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 fulfil commitments to lend. Liquidity risk is inherent in all banking operations and can be affected by a range of Bank specific and market wide events. The efficient management of liquidity is essential to the Bank in maintaining confidence in the financial markets and ensuring that the business is sustainable.

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

Liquidity risk management objectives are;

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

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

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

Liquidity ratios

	30.06.2019 ZWL$000	30.06.2018 ZWL$000	31.12.2018 ZWL$000
Total liquid assets	704 210	375 901	401 656
Deposits from customers	1 213 273	493 740	583 257
Liquidity ratio	58%	76%	69%
Reserve Bank of Zimbabwe minimum	30%	30%	30%

Liquidity profiling as at 30 June 2019
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 30 June 2019

Assets (contractual maturity dates)	Less than 1 month ZWL$000	1 to 3 months ZWL$000	3 to 6 months ZWL$000	6-12 months ZWL$000	1 to 5 years ZWL$000	5+ years ZWL$000	Total ZWL$000	Carrying amount ZWL$000
Cash and bank balances	704 243	73 964	12 409	-	-	-	790 616	790 511
Derivative financial instruments	30	-	-	-	-	-	30	30
Treasury bills	-	-	-	1 233	-	-	1 233	904
Loans and receivables from banks	3 935	-	-	-	-	-	3 935	3 935
Loans and advances to customers	60 509	16 647	20 179	27 424	227 440	4 221	356 420	270 122
Other assets	158 298	-	-	-	-	-	158 298	166 966
Current income tax asset	-	5 502	-	-	-	-	5 502	5 502
Total assets	927 015	96 113	32 588	28 657	227 440	4 221	1 316 034	-
Liabilities								
Derivative financial instruments	544	-	-	-	-	-	544	544
Lease liabilities	171	342	514	1 027	7 348	3 038	12 440	9 495
Balances due to other banks	18 632	23 570	-	-	-	-	42 202	42 178
Deposits from customers	933 266	83 861	12 409	4 511	-	-	1 034 047	1 034 047
Provisions	1 061	-	-	150	-	-	1 211	1 869
Other liabilities	85 525	-	28 204	-	-	-	113 729	113 729
Bank balances due to Group companies	616	-	-	-	-	-	616	616
Total liabilities - (contractual maturity)	1 039 815	107 773	41 127	5 688	7 348	3 038	1 204 789	-
Liquidity gap	(112 800)	(11 660)	(8 539)	22 969	220 092	1 183	111 245	-
Cumulative liquidity gap	(112 800)	(124 460)	(132 999)	(110 030)	110 062	111 245	-	-

Contingent liabilities and commitments as at 30 June 2019

	Less than 1 month ZWL$000	1 to 3 months ZWL$000	3 to 6 months ZWL$000	6-12 months ZWL$000	1 to 5 years ZWL$000	5+ years ZWL$000	Total ZWL$000	Carrying amount ZWL$000
Assets								
Guarantees and letters of credit	16 128	74 007	58 438	3 188	118	-	151 879	9 972
Commitment to lend	49 704	7 079	7 083	5 028	131 261	-	200 174	34 482
Total assets	65 832	81 104	65 522	8 216	131 379	-	352 054	44 454
Liabilities								
Guarantees and letters of credit	16 128	74 007	58 438	3 188	118	-	151 879	9 972
Commitment to lend	200 174	-	-	-	-	-	200 174	34 482
Total liabilities	216 303	74 007	58 438	3 188	118	-	352 054	44 454
Liquidity gap	(150 470)	7 097	7 083	5 028	131 261	-	-	-

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

31.6. **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 FMBcapital Holdings, the Reserve Bank of Zimbabwe and other regulatory bodies. A dedicated legal and compliance unit is in place to monitor legal and compliance requirements and ensure that they are met on a daily basis.

Reputation risk
The Bank adheres to very strict reputation standards set for FMBcapital Holdings 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.

32. **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 2019/20	Previous credit ratings 2018/19
Global Credit Rating Co.	A+ (ZW)	A+

The last rating was done in August 2019 and will expire in August 2020.

33. **Fair value of financial instruments not held at fair value**
The disclosed fair value of these financial assets and financial 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.

	30.06.2019 Carrying amount ZWL$000	30.06.2019 Fair value ZWL$000	31.12.2018 Carrying amount ZWL$000	31.12.2018 Fair value ZWL$000
Financial Assets				
Cash and bank balances	790 511	790 511	150 707	150 707
Loans and advances to banks	3 935	3 935	4 030	4 030
Loans and advances to customers	270 122	270 122	194 675	194 675
Other assets	158 482	158 482	3 337	3 337
Total assets	**1 223 050**	**1 223 050**	**352 749**	**352 749**
Financial Liabilities				
Balances due to other banks	42 178	42 178	2 905	2 905
Balances due to customers	1 034 047	1 034 047	553 564	553 564
Bank balances due to group companies	616	616	1 806	1 806
Other liabilities	113 729	113 729	18 054	18 054
Total	**1 190 569**	**1 190 569**	**576 329**	**576 329**

Included in other assets is a receivable of ZWL$139 million relating to legacy debts whose final terms are yet to be received from the Central Bank. If this receivable comes with a tenure of more than 1 year a fair value loss may be recorded in the Income Statement.

34. **Fair value hierarchy of assets and liabilities held at fair value**
34.1. **Fair value hierarchy**
The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 ZWL$000	Level 2 ZWL$000	Level 3 ZWL$000	Total ZWL$000
Recurring fair value measurements				
Financial Assets				
Derivative assets	-	30	-	30
Treasury bills	-	-	904	904
Unquoted equity instruments	-	-	6 335	6 335
Balance at 30 June 2019	-	**30**	**7 239**	**7 269**
Balance at 31 December 2018	-	-	**289 001**	**289 001**
Financial Liabilities				
Derivative liabilities	-	544	-	544
Balance as at 30 June 2019	-	**544**	-	**544**
Balance as at 31 December 2018	-	**1**	-	**1**
Non-financial assets -				
Investment property	-	-	22 442	22 442
Balance as at 30 June 2019	-	-	**22 442**	**22 442**
Balance at 31 December 2018	-	-	**19 974**	**19 974**

34.2. **Reconciliation of recurring level 3 fair value measurements**

	Financial instruments ZWL$000	Investment properties ZWL$000	Non-current asset held for sale ZWL$000	Total ZWL$000
Balance at 1 January 2019	**289 001**	**5 145**	**-**	**294 146**
Additions	141 272	-	-	141 272
Accrued interest	25	-	-	25
Maturities/disposals	(422 975)	-	-	(422 975)
Total gains and losses recognised in profit or loss	-	17 297	-	17 297
Total gains and losses recognised in other comprehensive income	(84)	-	-	(84)
Balance at 30 June 2019	**7 239**	**22 442**	**-**	**29 681**
Balance at 1 January 2018	**5 235**	**5 145**	**14 829**	**25 209**
Additions	270 038	-	-	270 038
Accrued interest	11 733	-	-	11 733
Maturities	(464)	-	-	(464)
Total gains and losses recognised in profit or loss	-	-	-	-
Total gains and losses recognised in other comprehensive income	2 459	-	-	2 459
Balance at 31 December 2018	**289 001**	**5 145**	**14 829**	**308 975**

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

The Bank has four broad business segments:
Retail – offers various products private individuals. Services include direct debit facilities, current and savings accounts, investment savings products, debit cards, consumer loans and mortgages;

Business banking – offers various products to medium and small businesses. 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.

Treasury - 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 four main business segments on the basis of determined cost drivers.

Statement of comprehensive income

	Retail Banking ZWL$000	Corporate and Investment Banking ZWL$000	Business Banking ZWL$000	Treasury ZWL$000	Total ZWL$000
30 June 2019					
Net interest income	4 240	4 825	874	9 406	19 345
Net fee and commission income	14 098	7 460	913	979	23 450
Net trading and foreign exchange income	-	-	-	4 124	4 124
Net investment and other income	-	-	-	754	754
Fair value gain on investment property	-	-	-	17 297	17 297
Total income	**18 338**	**12 285**	**1 787**	**32 559**	**64 969**
Expected credit losses on loans and receivables	(743)	(6 981)	1 417	(5 024)	(11 331)
Net Operating income	**17 595**	**5 304**	**3 204**	**27 535**	**53 637**
Staff costs	(9 919)	(3 525)	(2 312)	(852)	(16 609)
Infrastructure costs (excluding depreciation and amortisation)	(7 346)	(2 446)	(2 426)	(1 069)	(13 286)
Administrative expenses	(6 533)	(3 441)	(2 111)	(1 613)	(13 698)
Depreciation and amortisation	(1 498)	(562)	(564)	(112)	(2 736)
Operating expenses	**(25 296)**	**(9 973)**	**(7 413)**	**(3 646)**	**(46 330)**
Share of fair value gain and profit of joint venture	-	-	-	56 835	56 835
Profit (loss) before tax	**(7 701)**	**(4 669)**	**(4 209)**	**80 724**	**64 143**
Taxation	1 306	394	238	2 043	3 980
Profit (loss) for the year	**(6 395)**	**(4 275)**	**(3 971)**	**82 767**	**68 123**
Total assets	**62 272**	**211 227**	**12 835**	**1 155 137**	**1 441 471**
Total liabilities	**144 772**	**813 746**	**145 236**	**112 282**	**1 216 036**

36. **Related parties**
The Bank is controlled by Afcarme Zimbabwe Holdings (Private) Limited incorporated and domiciled in Zimbabwe which owns 53% (2018: 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.

36.1. **Directors and key management compensation**

	30.06.2019 ZWL$000	30.06.2018 ZWL$000
Salaries and other short term benefits	757	1 103
Post-employment benefits	31	98
Share based payments	2	3
Total	**790**	**1 204**

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.

36.2. **Loans to directors and key management**

	30.06.2019 ZWL$000	30.06.2018 ZWL$000	31.12.2018 ZWL$000
Loans outstanding at 1 January	**1 189**	**1 694**	**1 695**
Loans issued during the period	150	85	153
Loan repayments during the period	(134)	(218)	(659)
Loans outstanding at end of period	**1 205**	**1 561**	**1 189**
Interest earned	**55**	**54**	

Of the loans advanced to directors and other key management personnel ZWL$953 292 is secured. The balance of ZWL$251 610 is unsecured and repayable monthly over 4 years at average interest rates of 6.3% (2018:6.3%). Loans and advances to non-executive directors during the period ended 30 June 2019 were nil (2018: ZWL$2 357).

No impairment losses have been recognised in respect of loans advanced to related parties (2018:nil)

36.3. **Deposits from directors and key management**

	30.06.2019 ZWL$000	30.06.2018 ZWL$000	31.12.2018 ZWL$000
Deposits at I January	**128**	**96**	**96**
Deposits received during the year	1 376	933	3 438
Deposits paid during the year	(1 093)	(640)	(3 406)
Deposits as at end of period	**412**	**389**	**128**

36.4. **Balances with group companies**

	30.06.2019 ZWL$000	30.06.2018 ZWL$000	31.12.2018 ZWL$000
Bank balances due from group companies	50	15	2
Bank balances due to group companies	(616)	-	-
Other balances due to group companies	(28 204)	-	(1 806)
Total	**(28 770)**	**15**	**(1 804)**

36.5. **Balances with related parties – related through common directorship and shareholding**

	Deposits 30.06.2019 ZWL$000	Loans and advances 30.06.2019 ZWL$000	Deposits 30.06.2018 ZWL$000	Loans and advances 30.06.2018 ZWL$000	Deposits 31.12.2018 ZWL$000	Loans and advances 31.12.2018 ZWL$000
Current	35 812	-	11 589	18 273	42 328	21 977
Non-current	-	107 866	-	1 333	-	-
Total	**35 812**	**107 866**	**11 589**	**19 606**	**42 328**	**21 977**

Repayments on the loans to the related parties were made on due dates. New loans were also granted. The balances were assessed and no impairment losses have been recognised for balances.

36.6. **Related Parties - related through common shareholding**

	30.06.2019 ZWL$000	30.06.2018 ZWL$000	31.12.2018 ZWL$000
Balance due from Barclays Bank PLC	-	448	-
Balance due to Barclays Bank PLC	(17 416)	(14)	-
Total	**(17 416)**	**434**	**-**

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 financial 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 financial and operational risks and adapting its strategy to economic changes.

38. **Events after the reporting date**
There were no events noted after reporting date that required disclosure or to be adjusted for in the financial results of First Capital Bank.