First Capital BANK

REVIEWED FINANCIAL RESULTS

FOR THE PERIOD ENDED 30 JUNE 2023

Chairman's Statement

Operating Environment
The global economic growth is expected to remain weak amid rising interest rates, sustained inflationary pressures and climate change effects. Continuing global geo-political tensions, weakening global demand and tighter monetary and fiscal policies are further contributing factors. Global economic growth is projected to fall from 3.5% in 2022 to between 2.3% and 2.9% in 2023 going into 2024. Global inflation, on the other hand, is expected to decline from 7.5% in 2022 to 5.3%. This remains above long-term averages with the trend having been observed also in developing countries.

In Zimbabwe, the annual blended inflation rate declined from 105.5% in December 2022 to 75.2% in April 2023, before jumping to 175.8 percent in June2023. The sharp rise in monthly inflation came against the backdrop of soaring prices of basic commodities in the wake of rapid local currency depreciation. Following interventions by monetary and fiscal authorities, month-on-month blended inflation receded to minus 15 percent in July 2023.

Change in Functional Currency
Following the listing on the Victoria Falls Stock Exchange (VFEX) on the 19th of May 2023, the Bank adopted the United States Dollar (USD) as its functional and reporting currency in order to present its financial statements in a currency that is indicative of the primary economic environment in which the Bank operates which also happens to be its reporting currency on the VFEX. This is expected to simplify the results and make them more understandable to stakeholders. The change in functional currency was tested against and satisfied the requirements of IAS 21: The Effects of changes in foreign Exchange Rates.

Regulatory reporting will continue to be rendered in accordance with extant guidelines.

Earnings performance
The Group's adjusted operating profit (excluding share of profit/loss) from joint venture for the six months to 30 June 2023 amounted to US$9.02m, 51% higher than US$5.96m posted in the corresponding period in the prior year. This earnings performance translates to an Earnings per share of US$0.20 cents for the period which was 233% higher compared to US$0.06 cents for the comparative prior year. This performance was underpinned by an increase in the customer base, growth in the loan book, and exchange gains.

Capitalization and liquidity
The rapid devaluation of the ZW$ exerted pressure on capital resulting in the Bank's US$ denominated core capital decreasing marginally by 2% to US$48m as of 30 June 2023 from US$49m reported as at 31 December 2022. This level is still above the regulatory minimum of US$30m with a comfortable margin of safety being maintained. The Bank's capital adequacy ratio remained strong, closing the period at 37% which is well above the regulatory minimum of 12%. With a liquid assets ratio of 49%, the Bank carried a comfortable buffer above the regulatory minimum of 30% representing capacity to underwrite more business.

Dividend
The Board has declared an interim dividend of US0.14 cents per share.

Appreciation
I would like to extend my appreciation to all our valued stakeholders for their unwavering support during the reporting period. Thank you to our valued clients who have continued to believe in us in a somewhat challenging environment. I further extend my appreciation to my fellow directors, management, and staff for the resilient efforts that they continue to put in order to accelerate the achievement of our growth objectives. We are proud to be part of a regional institution that always puts customers at the centre of all that we do.

Patrick Devenish
(Chairman)
31 August 2023

Managing Director's Report

Further to the listing on the Victoria falls Stock Exchange the Bank's performance is presented in United States Dollars (USD) following a change in functional currency effected from 1 January 2023. The change of functional currency has been applied prospectively with comparative figures being translated from the reported inflation adjusted numbers using the closing rates applicable for those prior year periods.

Due to the change in functional currency certain technical accounting valuation adjustments that have been included in the Statement of Profit & Loss and Other Comprehensive Income represent an adjustment to the reduction of fair values of assets from those achieved by the simple application of the official exchange rate to those values determined through the application of valuation principles using USD inputs applicable at the time of reporting the 2022 financial results. These are accounting adjustments and there is no material change in the underlying USD valuations.

A view on the adjusted outturn excluding the impact of the 'day-one adjustments' related to the change in functional currency is as follows:

	June 2023	June 2022
	US$ 000	**US$ 000**
Profit after tax as reported	**4,277**	**1,288**
Day 1 adjustments :		
Investment in Joint venture	3,689	-
Investment Properties	1,079	-
Adjusted profit after tax	**9,045**	**1,288**
Other comprehensive (loss)/income as reported	**(6,703)**	**13,091**
Day 1 adjustments :		
Property plant & Equipment	4,414	-
Investment securities	1,405	-
Adjusted other comprehensive (loss)/income	**(884)**	**13,091**
Total comprehensive (loss)/income as reported	**(2,426)**	**14,379**
Day 1 adjustments :		
Investment in Joint venture	3,689	-
Investment Properties	1,079	-
Property plant & Equipment	4,414	-
Investment securities	1,405	-
Adjusted Total comprehensive income	**8,161**	**14,379**

Impact on Earnings per share		
Earnings per share as reported	0.20	0.06
Adjusted Earnings per share	0.42	0.06

The commentary below is based on the adjusted financial performance.

Business performance
The Reserve Bank of Zimbabwe maintained a tight monetary policy throughout the period to counteract resurgent inflationary pressure on the Zimbabwean Dollar (ZWL). These included the introduction of gold coins and gold backed digital tokens, an increase in the level of statutory reserves and more diligent application of non-negotiable certificates of deposits on daily excess funds. These measures resulted in relative exchange rate and price stability during the later part of the first half. Broadly, liquidity supply during the period remained challenging across all currencies, constraining asset expansion in the financial sector.

The Bank's total deposits turned out at US$109.5m on 30 June 2023 which is lower than US$136.1m as of 31 December 2022. The reduction was largely driven by the loss of value on ZWL denominated deposits following a 735% depreciation of the ZWL over the period. ZWL deposits constituted 8% of total deposits at 30 June 2023 compared to 22% at 31 December 2022. USD denominated deposits increased by 6.6% during the period under review.

Loans to customers increased by 23% over the same period to close at US$79.5m, compared to US$65.9m as of 31 December 2022, with 95% of business having been underwritten in USD as at June 2023.

Asset quality remained satisfactory, with a loan loss ratio of 3.3%. Exposures with increased credit risk were largely within the agriculture portfolio. Whilst the overall default risk increased , this was within the Bank's appetite.

The Bank posted an adjusted profit of US$9,04m for the 6 months to June 2023, barring the impact of the change in functional currency. This was supported by income growth over the period, at US$32.2m. This growth was driven by an improvement in the underlying business, with net interest income and net fees and commissions having increased by 35% and 23% respectively.

Operating expenses increased by 22% from US$16.6m in the first half of 2022 to US$20.3m in the period under review. This resulted in the cost to income ratio moving from 58% in June 2022 to 63% in June 2023. The Bank continues to actively pursue cost optimisation strategies to manage the overall cost base.

The adjusted total comprehensive income for the period, amounted to US$8.2m for the 6 months to June 2023, 43% lower than the US$14.4m total comprehensive income reported for the corresponding period in 2022.

Lines of Credit
The EUR12.5 million European Investment Bank (EIB) line of credit was close to being fully drawn during the period under review providing significant capital relief to medium sized corporate customers. A further USD20 million line of credit has been mobilized with the African Export-Import Bank (Afreximbank) and is now at drawdown stage.

Accelerating Innovation
Our investment in enhancing digital platforms puts us in good stead to position new technology that supports our efforts to interact better with our customers, paying particular attention to convenience, efficiency, and increased security.

We have enhanced our Gold Card to enable it to transact on local USD point-of-sale machines. Customers can now enjoy the convenience of transacting online, on Visa-enabled ATMs and on POS machines across the world. Additionally, our POS Machines have been enabled to acquire USD transactions whilst integration with Ecocash and OneMoney wallets for USD payments, providing customers the convenience of paying directly from their wallet accounts.

Our partnership with Zimnat, our bancassurance partner has been enhanced to enable our customers to insure their vehicles and purchase vehicle licenses from all our branches countrywide. We will continue to look for ways to build this strategic alliance to ensure convenience for our customers.

Through our Small and Medium Enterprises (SME) Banking proposition, we continue to offer unique banking solutions that are designed to help SMEs in scaling up their operations. In the period under review, networking opportunities were created through SME EXPOs and workshops to capacitate clients and help them leverage potential partnership opportunities.

Investing in the Future
We remain committed to our promise to nurture and develop new talent for the Bank and the country. A total of 10 graduate trainees and 14 university interns were recruited across various disciplines within the Bank and they have contributed exciting new innovative ideas for the betterment of our service to clients.

During the global money week 11,013 beneficiaries were equipped with financial skills. Of these beneficiaries, 52 percent were females, drawn from all provinces across the country. More than 250 students also had the opportunity to experience a day's work at the Bank through a Job Shadow program. More than 25 schools participated with 57 percent female students taking part, further reinforcing our deliberate approach to supporting the girl child.

Victoria Falls Stock Exchange (VFEX) Listing
First Capital Bank listed on the VFEX in May 2023, becoming the first bank to list on the bourse and the 13th counter overall. We anticipate that the listing on the stock exchange will unlock value for our shareholders as well as providing great opportunities for our investors. Furthermore, through the operation of a memorandum of agreement executed with the VFEX the Bank has offered to lend its technical capacity in solutioning for the deepening of capital markets. This includes providing custodial, clearing and settlement facilities for the different market opportunities in a safe and secure manner. Operationalization of envisaged solutions is in progress.

Appreciation
Our customers are at the core of our success. Their feedback has been invaluable, and as a listening bank, we will continue to act on it, improve on service delivery and steer the bank to success.

Our colleagues across the country remain the engine that drives our institution and I would like to take this opportunity to express my heartfelt thanks for their unwavering commitment to service excellence.

Lastly, I would like to express my gratitude to the Board for their support and guidance as we endeavor to remain steadfast on this growth trajectory. Belief indeed comes first.

Ciaran McSharry
(Managing Director)
31 August 2023

REVIEWED FINANCIAL RESULTS

FOR THE PERIOD ENDED 30 JUNE 2023

Corporate Governance Report

The Board of Directors of First Capital Bank Limited ("the Board/ First Capital Bank") is committed to and recognizes the importance of strong governance practices. The Board understands that a comprehensive corporate governance framework is vital in supporting executive management in its execution of strategy and in driving long term sustainable performance. In order to achieve good governance, the Board subscribes to principles of international best practice in corporate governance as guided by, among others, the Banking Act [Chapter 24:20], the Companies and Other Business Entities Act [Chapter 24:31], the Reserve Bank of Zimbabwe Corporate Governance Guideline No.1 of 2004, the Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules, 2019 publised in Statutory Instrument 134 of 2019 and as ammended from time to time and the Zimbabwe National Code on Corporate Governance.

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

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

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

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

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

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

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

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

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

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

Communication with stakeholders
First Capital Bank communicates with its stakeholders through various platforms including the Annual General Meeting, analyst briefings, town halls, press announcements of interim and full year financial results, notices to shareholders and stakeholders and annual reporting to shareholders and stakeholders. The Board and management of First Capital Bank also actively engages regulatory authorities including the Reserve Bank of Zimbabwe, the Zimbabwe Stock Exchange, and the Deposit Protection Corporation on a regular basis to share updates on material developments taking place in the Bank.

Internal Audit
First Capital Bank Internal Audit is an independent control function which supports the business by assessing how effectively risks are being controlled and managed. It works closely with the business helping drive improvements in risk management. This is done through reviewing how thebusiness 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 that management effectively remediates any internal control weaknesses identified as quickly as possible.

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

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

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

Directors 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 development, Board members attend director training programs.

Board and director evaluation
The Board conducts an annual evaluation to assesses the performance and effectiveness of individual directors, the Board Chairman, Committees and the overall performance of the Board. The 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.

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

Board committees

Audit Committee
The primary functions of the Committee are to oversee the financial management discipline of the Bank, review the Bank's accounting policies, the contents of the financial reports, disclosure controls and procedures, management's approach to internal controls, the adequacy and scope of the external and internal audit functions, compliance with regulatory and financial reporting requirements, oversee the relationship with the Bank's external auditors, as well as providing assurance to the Board that management's control assurance processes are being implemented and are complete and effective. At each meeting, the Committee reviews reported and noted weaknesses in controls and any deficiencies in systems and the remediation plans to address them. The Committee also monitors the ethical conduct of the Bank, its executives and senior officers and advises the Board as to whether the Bank is complying with the aims and objectives for which it has been established. During the period under review, there were no material losses as a result of internal control breakdowns.

The committee is wholly comprised of independent non-executive directors. The members of the Committee as at 30 June 2023 were:-

A. Chinamo (Chairperson)
T. Moyo
K. Terry

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

The Committee comprises three non-executive directors. The members of the Committee as at 30 June 2023 were: -

K. Terry (Chairperson)
H. Anadkat
K. Naik

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

The Committee comprises three non-executive directors. The members of the Committee as at 30 June 2023 were: -

T. Moyo (Chairperson)
A. Chinamo
S. Moyo

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

The Committee comprises three non-executive directors. The members of the Committee as at 30 June 2023 were: -

K. Naik (Chairperson)
P. Devenish
H. Anadkat

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

The Committee comprises three non-executive directors. As at 30 June 2023 members of the committee were: -

S. N. Moyo (Chairperson)
A. Chinamo
M. Gursahani

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

The Committee comprises three non-executive directors. As at 30 June 2023, the Committee was made up of the following members:-

K. Terry (Chairperson)
T. Moyo
M. Gursahani

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

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FOR THE PERIOD ENDED 30 JUNE 2023

Kiritkumar Naik
Independent
Non-Executive Director

Acquilina Chinamo
Independent
Non-Executive Director

Kevin Terry
Independent
Non-Executive Director

Sara Nyaradzo Moyo
Independent
Non-Executive Director

Ciaran McSharry
Managing Director

Patrick Devenish
Chairman

Hitesh Anadkat
Non-Executive Director

Tembiwe Moyo
Independent
Non-Executive Director

Fanuel Kapanje
Chief Finance Officer

Mahendra Gursahani
Non-Executive Director

Executive Committee (EXCO)

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

Country Management Committee (CMC)

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

Assets and Liabilities Committee (ALCO)

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

Board and Committees attendance 2023

Main Board

Name	Total Meetings	Present	Absent
P. Devenish	3	3	Nil
T. Moyo	3	3	Nil
S. Moyo	3	3	Nil
H. Anadkat	3	3	Nil
K. Terry	3	3	Nil
K. Naik	3	3	Nil
A. Chinamo	3	3	Nil
M Gursahani	3	3	Nil
C. McSharry	3	3	Nil
F. Kapanje	3	3	Nil

Audit committee

Name	Total Meetings	Present	Absent
A. Chinamo	2	2	Nil
T. Moyo	2	2	Nil
K. Terry	2	2	Nil

Human resources & nominations committee

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

Loans review committee

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

Risk committee

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

IT Committee

Name	Total Meetings	Present	Absent
K. Terry	2	2	Nil
T. Moyo	2	2	Nil
M Gursahani	2	2	Nil

Credit Committee

Name	Total Meetings	Present	Absent
K. Terry	2	2	Nil
H. Anadkat	2	2	Nil
K Naik	2	2	Nil

Directors shareholding

The following is a schedule of the directors' shareholdings in the Bank:

	30.06.2023	31.12.2022
P. Devenish	Nil	Nil
S. N. Moyo	Nil	Nil
T. Moyo	Nil	Nil
H. Anadkat *	36,068,751	36,068,751
K. Terry	111,951	111,951
A. Chinamo	Nil	Nil
K. Naik	25,000	25,000
C. McSharry	Nil	Nil
F. Kapanje	Nil	Nil
M. Gursahani	Nil	Nil

*Mr Hitesh Anadkat also holds indirect interest in Afcarme Holdings Zimbabwe (Private) Limited, which in turn holds the majority shareholding 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 statements which form the basis of these interim financial results are prepared in accordance with International Financial Reporting Standards, particulary IAS 34 Interim Financial Reporting and the Banking Act (Chapter 24:20). The interim financial statements have been subjected to a review by the Bank's external auditors and their review conclusion is appended. The interim financial statements have been prepared under the supervision of the Chief Finance Officer, Fanuel Kapanje, FCA(Z), RPAcc, PAAB Registration No 2295.

Compliance

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

By Order of the Board

Sarudzai Binha
Company Secretary

31 August 2023

Independent Auditors Review Conclusion

The financial results for the six months ended 30 June 2023 have been reviewed by the Bank's external auditors, Deloitte and Touche. An unmodified review conclusion has been issued on the financial results. The auditor's review conclusion is appended to the Bank's interim financial results which are available for inspection at the Bank's registered office and on the Bank and VFEX website.

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 30 June 2023

	Notes	Reviewed 30.06.2023 USD000	Reviewed and translated* 30.06.2022 USD000
Interest income	3	12,205	9,169
Interest expense	4	(598)	(602)
Net interest income		**11,607**	**8,567**
Net fee and commission income	5	11,513	9,368
Net trading and foreign exchange income	6	9,789	9,983
Net investment and other income	7	376	325
Fair value (loss)/ gain on investment property		(1,136)	131
Total non interest income		**20,542**	**19,807**
Total income		**32,149**	**28,374**
Impairment losses on financial assets	8	(2,853)	(942)
Net operating income		**29,296**	**27,432**
Operating expenses	9	(20,276)	(16,571)
Net monetary loss		-	(4,893)
Share of (loss)/ profit from joint venture	20	(3,795)	505
Profit before tax		**5,225**	**6,473**
Taxation	10	(948)	(5,185)
Profit for the period		**4,277**	**1,288**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
(Loss)/ gain on property revaluations		(5,314)	11,310
Deferred tax		900	(70)
(Loss)/ gain on financial assets at fair value through other comprehensive income		(2,361)	1,966
Deferred tax		72	(115)
Net (loss)/ gain on other comprehensive income		**(6,703)**	**13,091**
Total other comprehensive (loss)/ income		**(6,703)**	**13,091**
Total comprehensive (loss)/ income		**(2,426)**	**14,379**
Earnings per Share			
Basic (cents per share)		0.20	0.06
Diluted (cents per share)		0.20	0.06

* Comparative figures for the six months ended 30.06.2022 which were presented in Zimbabwean dollars have been translated to United States Dollars by application of the closing official rate at the reporting date.

Consolidated Statement of Financial Position

as at 30 June 2023

	Notes	Reviewed 30.06.2023 USD000	Audited and translated* 31.12.2022 USD000
Assets			
Cash and bank balances	11	53,524	78,002
Derivative financial instruments	12	5	19
Investment securities	13	16,079	19,243
Loans and receivables from banks	14	4,409	328
Loans and advances to customers	15	79,535	65,973
Other assets	16	8,153	11,643
Investment properties	18	4,800	5,936
Investment in joint venture	20	15,514	19,613
Property and equipment	17	21,282	27,376
Intangible assets	19	803	988
Right of use assets	21.1	2,876	3,262
Current tax asset		-	1,560
Total assets		**206,980**	**233,943**
Liabilities			
Lease liabilities	21.2	2,977	2,653
Balances due to banks	22	12,515	1,165
Deposits from customers	23	109,522	136,063
Employee benefit accruals	24	1,110	1,697
Other liabilities	25	12,170	17,729
Current tax liabilities		307	-
Balances due to group companies	34.3	2,108	69
Deferred tax liabilities	27	3,791	6,662
Total liabilities		**144,500**	**166,038**
Equity			
Capital and reserves			
Share capital	28.1	58	58
Share premium	28.1	6,360	6,360
Retained earnings		38,860	37,582
Non - distributable reserve	28.2	2,076	2,076
Fair value through other comprehensive income reserve	28.3	2,238	4,527
Property revaluation reserve	28.4	12,368	16,782
General reserve	28.5	185	185
Share - based payment reserve	28.6	335	335
Total equity		**62,480**	**67,905**
Total equity and liabilities		**206,980**	**233,943**

* Comparative figures as at 31.12.2022 which were presented in Zimbabwean dollars have been translated to United States Dollars by application of the closing official rate at the reporting date.

Consolidated Statement of Changes in Equity

for the half year ended 30 June 2023

	Share capital USD000	Share premium USD000	Retained earnings USD000	Non-distributable reserves USD000	Fair value through other comprehensive income USD000	Property revaluation reserves USD000	General reserve USD000	Share-based payment reserve USD000	Total equity USD000
Balance at 1 January 2023	**58**	**6,360**	**37,585**	**2,076**	**4,527**	**16,782**	**185**	**335**	**67,908**
Profit for the period	-	-	4,277	-	-	-	-	-	4,277
Other comprehensive loss for the period	-	-	-	-	(2,289)	(4,414)	-	-	(6,703)
Total comprehensive income for the period	**-**	**-**	**4,277**	**-**	**(2,289)**	**(4,414)**	**-**	**-**	**(2,426)**
Dividends paid	-	-	(3,002)	-	-	-	-	-	(3,002)
Balance at 30 June 2023	**58**	**6,360**	**38,860**	**2,076**	**2,238**	**12,368**	**185**	**335**	**62,480**

Consolidated Statement of Cash Flows

for the half year ended 30 June 2023

	Notes	Reviewed 30.06.2023 USD000	Reviewed and translated* 30.06.2022 USD000
Cash flows from operating activities			
Profit before tax		**5,225**	**6,473**
Adjustments for:			
Depreciation of property and equipment		1,222	530
Depreciation of the right of use asset		386	173
Software armotisation		185	189
Impairment loss on financial assets	8	2,853	942
Share of (profit)/loss from joint venture	20	3,795	(505)
Fair value loss/ (gain) on investment property	18	1,136	(131)
Dividend income	7	(258)	(215)
Loss/ (profit) on disposal of property and equipment		31	(39)
Interest accrual on investment securities	3	(1,946)	(664)
Amortisation of staff loan benefit		(1)	839
Interest on lease liabilities	21.2	152	109
Net monetary loss		-	4,893
Share based payment expense		1	3
Fair value gain on derivatives		(5)	(130)
Operating cash flows before changes in working capital		**12,776**	**12,467**
Increase in loans and advances to customers		(16,235)	(15,734)
Decrease/(increase) in other assets		12,055	(17,310)
(Decrease)/ increase in deposits from customers		(26,541)	13,498
(Decrease)/Increase in other liabilities		(4,105)	14,761
Increase in Loans and receivables from banks		(4,081)	(1,625)
Cash (used in)/generated from operations		**(26,131)**	**6,057**

Consolidated Statement of Cash Flows

for the half year ended 30 June 2023 (continued)

	Notes	Reviewed 30.06.2023 USD000	Reviewed and translated* 30.06.2022 USD000
Corporate income tax paid		(650)	(1,712)
Net cash (utilised)/generated from operating activities		**(26,781)**	**4,345**
Cash flows from investing activities			
Purchase of property and equipment	17	(519)	(542)
Proceeds from sale of property and equipment		47	42
Dividends received		258	215
Interest received from investment securities		560	1,382
Purchase of investments securities		(10,728)	(17,060)
Proceeds from sale and maturities of investment securities		6,578	16,581
Purchase of digital gold coins		(1,589)	-
Net cash (used in) /generated from investing activities		**(5,393)**	**618**
Cash flows from financing activities			
Increase in balances due to banks		11,350	-
Dividend paid		(3,002)	(3,600)
Lease liabilities payments	21.2	(652)	263
Net cash generated/ (used in) financing activities		**7,696**	**(3,863)**
Net (decrease)/increase in cash and cash equivalents		**(24,478)**	**1,100**
Cash and cash equivalents at the beginning of the year		78,002	54,387
Cash and cash equivalents at the end of the period	11	**53,524**	**55,487**
		-	

* Comparative figures for the six months ended 30.06.2022 which were presented in Zimbabwean dollars have been translated to United States Dollars by application of the closing official rate at the reporting date.

First Capital BANK

REVIEWED FINANCIAL RESULTS

FOR THE PERIOD ENDED 30 JUNE 2023

NOTES TO THE REVIEWED FINANCIAL STATEMENTS
for the period ended 30 June 2023

1 General information and statement of compliance

1.1 General information

First Capital Bank Limited ("the Bank") provides retail, corporate and investment banking services in Zimbabwe. The Bank which is incorporated and domiciled in Zimbabwe is a registered commercial bank under the Zimbabwe Banking Act Chapter (24:20). The ultimate parent company is FMB Capital Holdings PLC which is incorporated in Mauritius. The Bank has a primary listing on the Victoria Falls Stock Exchange. The Bank is registered under registration number 148/1981.

1.2 Statement of compliance

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in a manner required by the Companies and Other Business Entities Act, (Chapter 24:31), the Zimbabwe Banking Act (Chapter 24:20) and the Banking Amendment Act of 2015.

2 Accounting policies

The accounting policies applied in the preparation of these reviewed consolidated interim financial statements are consistent with the most recent financial statements for the year ended 31 December 2022 except for the change in functional currency as stated in note 2.4.

2.1 Basis of preparation

The reviewed consolidated 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). 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 the changes in the Group's financial position and performance since the last financial statements as at and for the year ended 31 December 2022

2.2 Basis of measurement

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

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

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary, Thulile (Private) Limited. Both companies in the Group have a 31 December year end. Inter-group transactions, balances, income and expenses were eliminated on consolidation.

The Bank owns 100% in Thulile (Private) Limited, a company that owns a piece of land measuring 18 786 sqm. The property is currently not leased out and is earmarked for further development over the next three years. The Bank therefore prepares consolidated financial statements per IFRS 10 Consolidated Financial Statements requirements. Investment in subsidiary and equity of the subsidiary are eliminated when consolidating. No goodwill or gain on bargain purchase arose on acquisition of Thulile (Private) Limited .

2.4 Functional and presentation currency

2.4.1 Change in functional and presentation currency

The consolidated financial statements are presented in United States Dollars (USD), the functional and presentation currency of the Group.The Group changed its functional currency from Zimbabwe Dollars (ZWL) to United States Dollars (USD) with effect from 1 January 2023.

The Bank migrated its listing to the Victoria Falls Stock Exchange (VFEX) during the period under review. Being established in an Offshore Financial Services Center, the primary currency for trading on the VFEX is the United States Dollar. Consequently, it is expected that future funding for the Bank in the form of equity based or listed debt instruments will be generated in United States Dollars. In that context, financial reporting in United States Dollars provides targetted users of financial statements information that presents the performance of the bank and the status of its balance sheet in a more understandable manner with fewer complexity than existed under inflation adjusted results in Zimbabwean dollars. Other factors evaluated to support the migration to USD include:

a) the USD has become the dominant currency on the Bank's balance sheet, constituting more than 80% of both financial assets and financial liabilities
b) more than 60% of revenue earned is denominated in USD
c) the USD is the currency that mainly influences the Bank's labour, technology and other costs incurred in the provision of services
d) Zimbabwe is a multi-currency environment in which the operation of USD on the market is widely recognised with some government liabilities being settled in USD.

Based on the above, the Directors concluded that conditions under IAS 21 "The Effects of Changes in Foreign Exchange Rates" for a change in function currency were met during the period under review.

The effective date for the change in functional currency is 1 January 2023 as a practical expediency.

2.4.2 Impact of change in functional currency

IAS 21 requires the effect of change in functional currency to be accounted for prospectively. The most recent reported IAS 29 ""Financial Reporting in Hyperinflationery Economies"" financial results were translated using the closing rate as at 31 December 2022. As a result of exchange rate discrepancies between the ZWL and the USD on different markets the translated values of assets carried at valuation on 31 December 2022 yielded USD values that were materially different from the actual USD values provided by independent valuers, thus distorting the opening balances in USD. As a result of this distortion, the Directors assessed the extent of overstatement of assets and effected a day one adjustment on the balance sheet to recognise this anomaly.

The effects of these adjustments are summarised below:

Impact on property and equipment

Asset	IAS 29 ZWL Value @ 31 December 2022 ZWL000	USD Equivalent* USD000	Reduction in asset balance USD000	Reduction in Deferred Tax USD000	Reduction in other comprehensive income USD000	Adjusted opening balance USD000
Land and Buildings	12,808,100	18,636	(3,640)	(900)	(2,740)	14,996
Motor Vehicles	2,419,649	3,521	(674)	-	(674)	2,847
Equipment	2,080,957	3,028	(580)	-	(580)	2,448
Furniture and Fittings	455,601	663	(127)	-	(127)	536
Computers	1,050,575	1,529	(293)	-	(293)	1,236
Total	**18,814,882**	**27,377**	**(5,314)**	**(900)**	**(4,414)**	**22,063**

Impact of joint venture and investment property

Asset	IAS 29 ZWL Value @ 31 December 2022 ZWL000	USD Equivalent* USD000	Reduction in asset balance USD000	Reduction in Deferred Tax USD000	Reduction in current year profits USD000	Adjusted opening balance in USD000
Investment in Joint Venture	13,479,449	19,613	(3,689)	-	(3,689)	15,924
Investment Property	4,080,000	5,936	(1,136)	(57)	(1,079)	4,800
Total	**17,559,449**	**25,549**	**(4,825)**	**(57)**	**(4,768)**	**20,724**

Impact on investment securities

Asset	IAS 29 ZWL Value @ 31 December 2022 ZWL000	USD Equivalent* USD000	Reduction in asset balance USD000	Reduction in Deferred Tax USD000	Reduction in other comprehensive income USD000	Adjusted opening balance in USD000
Investment in Zimswitch shares	3,760,645	5,472	(1,479)	(74)	(1,405)	3,992

* Converted at the 31 December 2022 rate of 687.2836

2.5 Conversion of foreign currency transactions and balances at interbank exchange rates.

The Group used the interbank exchange rates prevailing at the dates of transactions to convert transactions in currencies other than the Group's functional currency.

2.6 Material estimates and judgements

Estimates, judgements and assumptions made by management which would have significant effects on the reviewed consolidated finacial statements are on the following areas:
a) Determination of the functional currency
b) Measurement of the expected credit losses on financial assets
c) Fair value computations on securities, investment properties, property and equipment
d) Useful lives of property and equipment; and
e) Computation of tax liabilities"

			Reviewed 30.06.2023 USD000	Reviewed and translated* 30.06.2022 USD000
3	**Interest income**			
	Bank balances		748	171
	Loans and receivables from banks and investment securities		1,946	664
	Loans and advances to customers		9,511	8,319
	Promissory notes		-	15
	Total interest income		**12,205**	**9,169**
4	**Interest expense**			
	Interest on lease liabilities		(152)	(109)
	Balances due to banks		(148)	(314)
	Customer deposits		(298)	(179)
	Total interest expense		**(598)**	**(602)**
5	**Net fee and commission income**			
	Fee and commission income			
	Transfers and other transactional fees		5,155	3,413
	Cash withdrawal fees		3,064	2,250
	Account maintainance fees		2,200	1,999
	Card based transaction fees		960	1,364
	Guarantees		92	339
	Insurance commission received		52	31
	Fee and commission income		**11,523**	**9,396**
	Fee and commission expense			
	Guarantees		(10)	(29)
	Net fee and commission income		**11,513**	**9,367**

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

			Reviewed 30.06.2023 USD000	Reviewed and translated* 30.06.2022 USD000
6	**Net trading and foreign exchange income**			
	Net foreign exchange revaluation gain		6,378	6,502
	Net foreign exchange trading income		3,411	3,481
	Total		**9,789**	**9,983**
7	**Net investment and other income**			
	Dividend income		258	215
	Gain on disposal of property and equipment		(31)	39
	Rental income		124	69
	Sundry income		25	2
	Total		**376**	**325**
8	**Impairment losses on financial assets**			
	Stage 1			
	Loans and advances to customers		(151)	(259)
	Balances with banks - local & nostro		(33)	(11)
	Investment securities - treasury bills & bonds		(64)	19
	Other assets		(84)	(169)
	Total		**(332)**	**(420)**
	Stage 2			
	Loans and advances to customers		121	10
	Total		**121**	**10**
	Stage 3			
	Loans and advances to customers		(2,642)	(532)
	Total		**(2,642)**	**(532)**
	Impairment losses recognised in profit & loss		**(2,853)**	**(942)**
9	**Operating expenses**			
	Staff costs	9.1	(8,421)	(6,565)
	Infrastructure costs	9.2	(4,811)	(3,184)
	General expenses	9.3	(7,044)	(6,822)
	Total		**(20,276)**	**(16,571)**
	Operating Costs are further analysed below:			
9.1	**Staff costs**			
	Salaries, allowances and Directors remuneration		(6,290)	(5,697)
	Medical costs		(291)	(344)
	Social security costs		(63)	(44)
	Pension costs: defined contribution plans		(562)	(401)
	Retrenchment costs		(1,214)	(76)
	Share based payments		(1)	(3)
	Total staff cost		**(8,421)**	**(6,565)**
	Average number of employees during the period:		514	514
9.2	**Infrastructure costs**			
	Repairs and maintenance		(486)	(324)
	Heating, lighting, cleaning and rates		(471)	(311)
	Security costs		(248)	(235)
	Depreciation of property, equipment and right of use asset		(1,608)	(703)
	Software amortisation		(185)	(189)
	Operating lease - short term leases		(76)	(58)
	Connectivity, software and licences		(1,737)	(1,363)
	Total infrastructure costs		**(4,811)**	**(3,183)**
9.3	**General expenses**			
	Consultancy, legal & professional fees		(409)	(244)
	Subscriptions, publications & stationery		(356)	(257)
	Marketing, advertising & sponsorship		(385)	(480)
	Travel & accommodation		(515)	(321)
	Cash transportation		(417)	(536)
	Insurance costs		(323)	(346)
	Telex, telephones & communication		(775)	(580)
	Group recharges		(2,685)	(2,878)
	Card operating expenses		(351)	(216)
	Other administrative & general expenses		(828)	(964)
	Total general expenses		**(7,044)**	**(6,822)**
	Included in the operating expenses are the following:			
	Directors fees and remuneration:			
	For services as part of management		(388)	(354)
	For the oversight role as the director		(51)	(57)
	Total		**(439)**	**(411)**
	Auditors' remuneration:			
	Audit related services		(65)	(59)
	Review services		(23)	(10)
	Total auditors' remuneration		**(88)**	**(69)**

		Reviewed 30.06.2023 USD000	Reviewed and translated* 30.06.2022 USD000
10	**Taxation**		
10.1	**Income tax recognised in profit or loss**		
	Normal tax - current period	(654)	(4,811)
	Deferred tax expense recognised in the current period	(294)	(374)
	Total income tax charge recognised in the current period	**(948)**	**(5,185)**
11	**Cash and bank balances**		
	Balances with central bank	4,409	29,264
	Statutory reserve balance with central bank	12,317	7,231
	Cash on hand - foreign currency	21,983	20,595
	Cash on hand - local currency	4	118
	Balances due from group companies	298	274
	Balances with banks abroad	14,517	20,528
	Cash and bank balances	**53,528**	**78,010**
	Expected credit losses	(4)	(8)
	Net cash and bank balances*	**53,524**	**78,002**

*Cash and bank balances include restricted amounts relating to Reserve Bank of Zimbabwe (card transaction cash security, USD513 thousand (2022: 1.4 million) and Statutory reserve on customer deposits, USD12 million (2022: USD7 million)) and foreign bank security deposits (Crown Agency and Afrexim Banks, USD3.5 million (2022:USD5 million)

NOTES TO THE REVIEWED FINANCIAL STATEMENTS
for the period ended 30 June 2023 (continued)

12 Derivative financial instruments

The Group 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.

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 Group's participation in derivative contracts.

Foreign exchange derivatives - assets	Reviewed 30.06.2023 USD000	Audited and translated* 31.12.2022 USD000
Foreign exchange swaps		
Notional contract amount - Asset	1,329	1,761
Notional contract amount - Liability	(1,324)	(1,742)
Carrying amount	**5**	**19**

13 Investment securities	Reviewed 30.06.2023 USD000	Audited and translated* 31.12.2022 USD000
Treasury bills and bonds	10,355	13,436
Digital gold coins	1,388	-
Equity securities	4,336	5,807
Balance at the end of the period	**16,079**	**19,243**

13.1 Treasury bills and bonds	Reviewed 30.06.2023 USD000	Audited and translated* 31.12.2022 USD000
Balance at beginning of year	**13,436**	**9,006**
Additions	10,728	24,596
Accrued interest	2,257	570
Monetary adjustment	-	(10,003)
Maturities	(7,138)	(10,523)
Changes in fair value	(721)	(210)
Effect of changes in exchange rate	(8,207)	-
Balance at the end of the period	**10,355**	**13,436**

As at 30 June 2023, USD2.1 million (2022: USD58 thousand) of the Treasury bills and bonds was used as security against borrowings from third parties.

13.2 Digital gold coins		
Balance at beginning of year	**-**	**-**
Additions	1,589	-
Changes in fair value	(201)	-
Balance at the end of the period	**1,388**	**-**

13.3 Equity securities		
Balance at beginning of year	5,807	5,408
Impact of change in functional currency (see note 2.4.2)	(1,479)	-
Changes in fair value	8	399
Balance at the end of the period	**4,336**	**5,807**
Total balance at end of the period	**16,079**	**19,243**

USD4.1m (2022:USD7 million) worth of treasury bills classified as investment securities are held to collect contractual cash flows and sell if the need arises. They are measured at fair value through other comprehensive income. The remaining balance of USD6.4m (2022: 6.5 million) were issued by RBZ as settlement of legacy debt obligations and are measured at amortised cost.

No treasury bills were held for trading purposes as at 30 June 2023.

A total of USD347 thousand has been recognised as expected credit loss as at 30 June 2023.

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

14 Loans and receivables from banks	Reviewed 30.06.2023 USD000	Audited and translated* 31.12.2022 USD000
Interbank placements	4,316	-
Clearing balances with other banks	93	328
Total carrying amount of loans and receivables from banks	**4,409**	**328**

15 Loans and advances to customers	Retail Banking USD000	Business Banking USD000	Corporate and Investment Banking USD000	Total USD000
Personal and term loans	20,248	6,308	48,535	75,091
Mortgage loans	142	-	-	142
Overdrafts	47	2,574	5,353	7,974
Gross loans and advances to customers	**20,437**	**8,882**	**53,888**	**83,207**
Less: allowance for expected credit losses				
Stage1	(599)	(39)	(63)	(701)
Stage2	(7)	(13)	(4)	(24)
Stage3	(160)	(1,544)	(1,243)	(2,947)
Allowance for expected credit losses	**(766)**	**(1,596)**	**(1,310)**	**(3,672)**
Net loans and advances to customers	**19,671**	**7,286**	**52,578**	**79,535**

31-Dec-22	Retail Banking USD000	Business Banking USD000	Corporate and Investment Banking USD000	Total Banking USD000
Personal and term loans	17,088	3,254	39,518	59,860
Mortgage loans	123	-	-	123
Overdrafts	49	1,796	5,143	6,988
Gross loans and advances to customers	**17,260**	**5,050**	**44,661**	**66,971**
Less: allowance for expected credit losses				
Stage1	(427)	(6)	(116)	(549)
Stage2	(45)	(89)	(11)	(145)
Stage3	(219)	(10)	(76)	(305)
Allowance for expected credit losses	**(691)**	**(105)**	**(203)**	**(999)**
Net loans and advances to customers	**16,569**	**4,945**	**44,458**	**65,972**

16 Other assets	30.06.2023 USD000	30.06.2022 USD000
Prepayments and stationery	1,941	3,257
Card security deposit and settlement balances	2,407	2,351
Other receivables	568	3,088
Money transfer agents	481	115
Central bank receivables	2,192	439
International cards clearing balances	311	1,490
Staff loans prepaid benefit	253	903
Total other assets	**8,153**	**11,643**
Current	7,968	4,712
Non - current	185	6,931
Total	**8,153**	**11,643**

17 Property and equipment	Land and buildings USD000	Computers USD000	Equipment USD000	Furniture and fittings USD000	Motor vehicles USD000	Total USD000
30.06.2023						
Balance at beginning of the period	**18,636**	**1,529**	**3,028**	**663**	**3,521**	**27,377**
Impact of change in functional currency	(3,640)	(293)	(580)	(127)	(674)	(5,314)
Adjusted opening balance	**14,996**	**1,236**	**2,448**	**536**	**2,847**	**22,063**
Additions	-	293	106	7	113	519
Disposals	-	-	-	-	(78)	(78)
Depreciation charge & impairment charge	(156)	(253)	(376)	(40)	(397)	(1,222)
Carrying amount at end of the period	**14,840**	**1,276**	**2,178**	**503**	**2,485**	**21,282**
Cost or valuation	14,996	1,529	2,554	543	2,881	22,503
Accumulated depreciation and impairment	(156)	(253)	(376)	(40)	(396)	(1,221)
Carrying amount at end of the period	**14,840**	**1,276**	**2,178**	**503**	**2,485**	**21,282**

All property and equipment was revalued in December 2022 in both USD and ZWL. The 2022 reporting was done using the ZWL values. Following the change in functional currency as at 01 January 2023, management translated the ZWL values using the 31 December 2022 exchange rate of 687.2836 and compared the values to the USD valuation reports resulting in a write down of the assets totalling USD5.3 million (see note 2.4.2). There were no significant changes in USD values of the plant and equipment therefore the Board adopted the December USD values and depreciated them to 30 June 2023. The inputs used in the revaluation of property and equipment have been classified as level 3 in the fair value hierarchy as they are not based on data that is readily available from the market (see note 29.2). All property and equipment was subjected to impairment testing internally and the directors are of the view that there is no cause for raising futher charges beyond what has been applied.

Revaluations are carried out on property and equipment with sufficient regularity to ensure that the carrying value on those properties is not materially different from the market values. The properties were valued by a qualified, independent valuer, Integrated Properties (Pvt) Ltd in December 2022 and no revaluations were done in 2023 since there were no significant changes in USD values.

18 Investment properties	Reviewed 30.06.2023 USD000	Audited and translated* 30.12.2022 USD000
Balance at beginning of the period	5,936	6,394
Impact of change in functional currency (see note 2.4.2)	(1,136)	-
Changes in fair value	-	(612)
Reclassification from property and equipment	-	154
Balance at the end of the period	**4,800**	**5,936**
Rental income derived from investment properties	124	173

Investment properties were revalued in December 2022 in both USD and ZWL. The 2022 reporting was done using the ZWL values. Following the change in functional currency as at 01 January 2023, management translated the ZWL values using the 31 December 2022 exchange rate of 687.2836 and compared the values to the USD valuation reports resulting in a write down of the assets totalling USD1.1 million.

The fair value of investment property was determined by external, independent property valuers, Integrated Properties (Pvt) Limited in December 2022. The independent valuers have appropriately 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 Group`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 29.2) based on the inputs to the valuation technique used.

Operating costs incurred on investment properties during the period were USD20 thousand (2022: USD37 thousand). Investment property comprises commercial properties that are leased out to third parties. No contingent rents are charged.

19 Intangible assets	Reviewed 30.06.2023 USD000	Audited and translated* 30.12.2022 USD000
Balance at beginning of the period	**988**	**1,305**
Amortisation	(185)	(317)
Balance at end of period	**803**	**988**
Cost	988	2,110
Accumulated amortisation	(185)	(1,122)
Balance at end of period	**803**	**988**

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

20 Investment in joint venture	30.06.2023 USD000	30.12.2022 USD000
Group's interest in investment		
Group's interest at beginning of year	19,613	15,426
Impact of change in functional currency (see note 2.4.2)	(3,689)	-
Current year share of total comprehensive income in joint venture	(107)	4,424
Monetary adjustment	-	(237)
Effect of exchange rate movement	(303)	-
Carrying amount of investment at end of period	**15,514**	**19,613**

The Group owns 50% investment in Makasa Sun (Pvt) Ltd. The other 50% is owned by First Capital Bank Pension Fund. Makasa Sun (Pvt) Ltd. owns a hotel located in the tourist resort town of Victoria Falls, Zimbabwe which it leases out but has been under renovations since January 2023 hence no rental income has been earned in the current period.

21 Leases	Reviewed 30.06.2023 USD000	Audited and translated* 30.12.2022 USD000
21.1 Right of use asset		
Balance at beginning of period	**3,262**	**860**
Additions	-	2,994
Terminated	-	(10)
Depreciation for the period	(386)	(582)
Balance at end of period	**2,876**	**3,262**
21.2 Lease liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than one year	1,331	1,297
One to five years	2,091	1,701
More than five years	544	343
Total	**3,966**	**3,341**
Lease liabilities included in statement of financial position		
Current	970	1,058
Non - current	2,007	1,595
Balance at end of period	**2,977**	**2,653**
Amounts recognised in profit/ loss		
Interest on lease liabilities	(152)	(109)
Expenses - short term & low value leases	(76)	(58)
Depreciation charge for the period	(386)	(582)
Total	**(614)**	**(749)**
Statement of cash-flows - Leases		
Total cash outflows	**(652)**	**(624)**

REVIEWED FINANCIAL RESULTS

FOR THE PERIOD ENDED 30 JUNE 2023

NOTES TO THE REVIEWED FINANCIAL STATEMENTS
for the period ended 30 June 2023 (continued)

		Reviewed 30.06.2023 USD000	Audited and translated* 30.12.2022 USD000
22	**Balance due to Banks**		
	Bank balances due to banks abroad	270	40
	Local interbank money market deposit	1,138	
	Offshore credit	10,684	-
	Clearance balances due to local banks	423	1,125
	Total deposits from banks	**12,515**	**1,165**
23	**Deposits from customers**		
	Demand deposits		
	Retail	23,628	29,447
	Business banking	8,709	12,039
	Corporate and investment banking	65,163	86,234
	Total	**97,500**	**127,720**
	Call deposits		
	Retail	3,369	3,149
	Business banking	1,359	109
	Corporate and investment banking	2,193	398
	Total	**6,921**	**3,656**
	Savings accounts		
	Retail	16	35
	Business banking	1	1
	Total	**17**	**36**
	Other		
	Corporate and investment banking	5,085	4,652
	Total	**5,085**	**4,652**
	Total deposits from customers	**109,522**	**136,063**

Included in the deposits above are local currency deposits of USD9.4 million (2022: USD41 million). Deposits from customers are financial instruments classified at amortised cost. Fair value of deposits from customers approximates carrying amount because of their short tenure. Included in customer accounts are deposits of USD5.1 million (2022: USD4.7 million) held as collateral for loans advanced and letters of credit.

Concentration of customer deposits	30.06.2023 USD000	%	30.12.2022 USD000	%
Trade and services	40,792	37	38,386	28
Energy and minerals	285	0	1,921	1
Agriculture	3,744	3	1,972	1
Construction and property	635	1	1,301	1
Light and heavy industry	16,911	15	29,956	22
Physical persons	27,012	25	32,630	24
Transport and distribution	9,241	9	14,205	11
Financial services	10,902	10	15,692	12
Total	**109,522**	**100**	**136,063**	**100**

		Reviewed 30.06.2023 USD000	Reviewed and translated* 30.12.2022 USD000
24	**Employee benefit accruals**		
	Staff retention		
	Balance at beginning of year	**1,565**	**2,898**
	Provisions made during the period	835	1,546
	Provisions used during the period	(1,555)	(2,880)
	Balance at end of period	**845**	**1,565**
	Outstanding employee leave		
	Balance at beginning of year	**132**	**72**
	Provisions made during the period	190	201
	Provisions used during the period	(86)	-
	Monetary adjustments	-	(141)
	Balance at end of period	**236**	**132**
	Redundancy		
	Balance at beginning of year	**-**	**-**
	Provisions made during the period	29	-
	Provisions used during the period	-	-
	Balance at end of period	**29**	**-**
	Balance at end of period	**1,110**	**1,697**

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

		30.06.2023 USD000	30.12.2022 USD000
25	**Other liabilities**		
	Accrued expenses	1,296	2,183
	Internal accounts	3,637	9,029
	Other foreign currency claims	6,361	6,420
	Withholding taxes including Intermediate Money Transfer Tax	876	97
	Balance at end of period	**12,170**	**17,729**

26 Retirement benefit plans

First Capital Bank Pension Fund

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

Defined contribution plans

The defined contribution pension plan to which the Group contributes 18% is provided for permanent employees. Over and above the Group's contribution, the employee contributes 6.5% of the basic salary. Under this scheme retirement benefits are determined by reference to the employees' and the Group'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 Group contributes 4.5% of pensionable emoluments up to a capped maximum for eligible employees.

Defined benefit pension plans

The Fund provides for annuities for those pensioners who opted not to purchase the annuity from an external insurer at the point of retirement. All annuities are now purchased outside the Fund at the point of retirement. The provision for pension annuities to pensioners and other death benefits are significant defined benefits. As a result a valuation was performed based on IAS 19 Employee Benefits; for the whole fund for both assets and liabilities as at 31 December 2022 and had a net surplus of USD6.4 million. No valuation was done at 30 June 2023 as there hasn't been significant changes to the position.

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

27 Deferred tax

Deferred tax balances

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

	Reviewed 30.06.2023 USD000	Audited and translated* 31.12.2022 USD000
Deferred tax		
Deferred tax balances		
Deferred tax assets	(4,014)	(1,309)
Deferred tax liabilities	7,805	7,971
Total deferred tax liability	**3,791**	**6,662**

28	**Authorised share capital**		
	Number of ordinary shares	5,000,000,000	5,000,000,000
28.1	**Issued share capital**	**USD000**	**USD000**
	Ordinary shares	58	58
	Share premium	6,360	6,360
	Total	**6,418**	**6,418**

The total authorised number of ordinary shares at year end was 5 billion (2022: 5 billion) with issued and fully paid up shares being 2.2 billion (2022: 2.2 billion). The unissued share capital is under the control of the directors subject to the restrictions imposed by the Companies and Business and Entities Act (Chapter 24.31), the Victoria Falls Stock Exchange listing requirements and the Articles and Memorandum of Association of the Bank.

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

28 Authorised share capital (continued)

28.2 Non - distributable reserves

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

28.3 Fair value through other comprehensive income reserve

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

28.4 Property revaluation reserve

Property revaluation movement on property and equipment is classified under revaluation reserve. Additional detail on revaluation of assets is contained in note 17.

28.5 General reserve

This amount represents the excess of imparment allowance required by the Reserve Bank of Zimbabwe over and above the amount calculated in accordance with IFRS 9 Financial instruments with the provisions of and models developed in accordance with IFRS 9 "financial instruments".

28.6 Share based payment reserve

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

28.6.1 Local managerial share option scheme

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

28.6.2 Movements during the period

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

	30.06.2023		31.12.2022	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of the year	5,380,000	0.05	6,400,000	0.05
Granted during the period	1,090,000	0.07	860,000	0.07
Forfeited during the period	(150,000)	0.03	(1,220,000)	0.03
Exercised during the period		-	(660,000)	-
Outstanding at 31 June	**6,320,000**	**0.15**	**5,380,000**	**0.15**
Exercisable at end of period	**760,000**	**0.13**	**710,000**	**0.13**
Weighted average contractual life of options outstanding at end of period (years)	2.10		1.96	

29 Financial instruments

		Reviewed 30.06.2023 USD000	Audited and translated* 31.12.2022 USD000
29.1	**Classification of assets and liabilities**		
	Financial assets		
	Financial assets at fair value through profit and loss		
	Derivative financial assets	5	18
	Total	**5**	**18**
	Financial assets at amortised cost		
	Cash and bank balances	53,524	78,002
	Loans and advances to customers	79,535	65,973
	Clearing balances due from other banks	4,409	328
	Treasury bills	6,382	6,650
	Other assets*	5,170	7,483
	Total	**149,020**	**158,436**
	* Excludes prepayments and stationery.		
	Financial assets at fair value through other comprehensive income		
	Treasury bonds and promissory notes	3,973	6,786
	Unquoted equity securities	4,336	5,807
	Total	**8,309**	**12,593**
	Total Financial assets	**157,329**	**171,047**
	Financial liabilities at amortised cost		
	Customer deposits	109,522	136,063
	Balances due to other banks	12,515	1,165
	Other liabilities*	20,676	17,682
	Lease liability	2,977	2,653
	Balances due to group companies	2,108	69
	Total Financial liabilities	**147,798**	**157,632**
	*Excludes deferred income		

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

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30-Jun-23 **Recurring fair value measurements**	Level 1 USD000	Level 2 USD000	Level 3 USD000	Total USD000
Financial assets				
Derivative assets	-	5	-	5
Digital gold coins	1,388	-	-	1,388
Treasury bills	-	-	3,973	3,973
Unquoted equity instruments	-	-	4,336	4,336
Balance at 30 June 2023	**1,388**	**5**	**8,309**	**9,702**
Non - financial assets				
Property and equipment		-	21,282	21,282
Investment property		-	4,800	4,800
Investment in joint venture		-	16,400	16,400
Balance at 30 June 2023	**-**	**-**	**42,482**	**42,482**

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

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

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

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

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

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

29 Financial instruments (continued)

29.5 Reconciliation of recurring level 3 fair value measurements

	Investment securities USD000	Investment properties USD000	Investment in Joint venture - Property USD000	Total USD000
Balance at 01 January 2023	**12,593**	**5,936**	**20,283**	**38,812**
Impact of change in functional currency	(1,479)	(1,136)	(3,883)	(6,498)
Additions	10,728	-	-	10,728
Accrued interest	1,946	-	-	1,946
Maturities	(6,559)	-	-	(6,559)
Total gains and losses recognised in profit or loss	(8,207)	-	-	(8,207)
Total gains and losses recognised in other comprehensive income	(713)	-	-	(713)
Balance at 30 June 2023	**8,309**	**4,800**	**16,400**	**29,509**

30 Risk management

Financial risk management objectives

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

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

The Group 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 Group is exposed include among other risks credit risk, liquidity risk, market risk and operational risk.

30.1 Capital risk management

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

The Group'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 Group's ability to continue as a going concern so that it can continue to provide returns
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group'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.

	Reviewed 30.06.2023 USD000	Audited and translated* 31.12.2022 USD000
Share capital	58	58
Share premium	6,360	6,360
Accumulated profits	38,860	37,582
General reserve	185	185
Share based payment reserve	335	335
Fair value through OCI reserve	2,238	4,527
Currency translation reserve	5	5
Total core capital	**48,041**	**49,052**
Less market and operational risk capital	(1,708)	(2,679)
Tier 1 capital	46,333	46,373
Currency translation reserve	2,071	2,071
Revaluation reserves	12,368	19,686
General provisions (limited to 1.25% of weighted risk assets)	701	549
Tier 2 capital	**15,140**	**22,306**
Total tier 1 & 2 capital	**61,473**	**68,679**
Market risk	619	732
Operational risk	1,089	3,166
Tier 3 capital	**1,708**	**3,898**
Total tier 1, 2 & 3 capital base	**63,181**	**72,577**
Deductions from capital	(4,336)	(5,807)
Total capital base	**58,845**	**66,770**
Credit risk weighted assets	139,784	128,957
Operational risk equivalent assets	13,614	39,570
Market risk equivalent assets	7,733	9,150
Total risk weighted assets (RWAs)	**161,131**	**177,677**
Tier 1 capital ratio	29%	26%
Tier 1 and 2 capital ratio	38%	39%
Total capital adequacy ratio	**37%**	**38%**

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 an indicator of scale of operations. Total capital charge for operational risk equals the sum of charges per business lines.

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

30.2 Market risk

The Group 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 Group separates exposures to market risk into either trading or banking book. Trading portfolios include those positions arising from market–making transactions where the Group 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 Group's retail and commercial banking assets and liabilities.

Interest rate risk is the risk that the Group will be adversely affected by changes in the level or volatility of market interest rates. The Group 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 Group 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.

30 Risk management (continued)

30.2.1 Interest rate risk

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

30.6.2023	Up to 1 month USD000	1 to 3 months USD000	3 to 6 months USD000	6 months to 1 year USD000	1 to 5 years USD000	Over 5 years USD000	Non-interest bearing USD000	Total USD000
Assets								
Cash and bank balances	19,219	-	-	-	-	-	34,305	53,524
Derivative financial assets	5	-	-	-	-	-	-	5
Investment securities	211	1,775	3,266	109	-	6,382	4,336	16,079
Loans and receivables from banks	764	3,645	-	-	-	-	-	4,409
Loans and advances to customers	950	75,694	2,258	2,341	1,964	-	-	83,207
Other assets	-	-	-	-	-	-	8,153	8,153
Property and equipment	-	-	-	-	-	-	21,282	21,282
Investment properties	-	-	-	-	-	-	4,800	4,800
Investment in joint venture	-	-	-	-	-	-	15,514	15,514
Intangible assets	-	-	-	-	-	-	803	803
Right of use assets	-	-	-	-	-	-	2,876	2,876
Total assets	**21,149**	**81,114**	**5,524**	**2,450**	**1,964**	**6,382**	**92,069**	**210,652**
Liabilities								
Lease liabilities	-	-	-	-	-	-	2,977	2,977
Deposits from banks	12,515	-	-	-	-	-	-	12,515
Deposits from customers	65,140	2,233	2,962	3,631	28,445	7,111	-	109,522
Employee benefit accruals	-	-	-	-	-	-	1,110	1,110
Other liabilities	-	-	-	-	-	-	12,170	12,170
Deferred tax liabilities	-	-	-	-	-	-	3,791	3,791
Current tax liabilities	-	-	-	-	-	-	307	307
Due to group companies	-	-	-	-	-	-	2,108	2,108
Total liabilities	**77,655**	**2,233**	**2,962**	**3,631**	**28,445**	**7,111**	**22,463**	**144,500**
Interest rate Re - pricing gap	**(56,506)**	**78,881**	**2,562**	**(1,181)**	**(26,481)**	**(729)**	**69,606**	**66,152**
Cumulative gap	**(56,506)**	**22,375**	**24,937**	**23,756**	**(2,725)**	**(3,454)**	**57,668**	

Net interest income sensitivity ("NII")

NII measures the sensitivity of annual earnings to changes in interest rates. NII is calculated at a 37% and 5% change in local currency and foreign currency interest rates respectively.

The Group's interest income sensitivity is shown below:

Net interest income sensitivity	Reviewed 30.06.2023 Impact on earnings USD000	Audited and translated* 31.12.2022 Impact on earnings USD000
Local currency		
3700bps increase in interest rates	(256)	(468)
3700bps decrease in interest rates	256	468
Benchmark	-	-
Foreign currency		
500bps increase in interest rates	90	946
500bps decrease in interest rates	(90)	(946)
Benchmark	-	-

30.2.2 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 Group takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates in the financial position and cash flows. Mismatches on foreign exchange assets and liabilities are minimised through the daily monitoring of the net foreign exchange exposure by treasury. Currency swaps are also used to manage foreign exchange risk where necessary.

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

At 30 June 2023	ZWL (USD Equiv) USD000	GBP (USD Equiv) USD000	Rand (USD Equiv) USD000	Other currency (USD Equiv) USD000	Total ZWL000
Assets					
Cash and bank balances	1,969	666	541	1,825	5,001
Investment securities	1,070	-	-	-	1,070
Loans and advances to customers	1,572	-	4	-	1,577
Other assets	2,242	1,278	-	-	3,520
Total financial assets	**6,853**	**1,945**	**545**	**1,825**	**11,167**
Liabilities					
Deposits from banks	1,452	-	270	-	1,722
Deposits from customers	9,388	355	650	510	10,903
Other liabilities	1,522	38	23	84	1,668
Total financial liabilities	**12,363**	**393**	**943**	**594**	**14,293**
Net currency positions	**(5,510)**	**1,552**	**(399)**	**1,231**	**(3,126)**
Exchange rate sensitivity to profit/ (loss) for the period					
Exchange rate increase of 20%	(1,102)	310	(80)	246	(625)
Exchange rate decrease of 20%	1,102	(310)	80	(246)	625
Exchange rates applied in 2023	**ZWL**	**GBP**	**Rand**	**EUR**	
USD closing rate	**5,739.80**	**1.2747**	**18.8143**	**1.095**	

30.3 Credit risk

Credit risk is the risk of financial loss should the Group's customers, clients or market counter parties fail to fulfil their contractual obligations to the Group. The Group 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 Group faces arises mainly from corporate and retail loans advances and counter party credit risk arising from derivative contracts entered into with our clients. Other sources of credit risk arise from treasury bills, government bonds, settlement balances with counter parties and bank balances with Central Bank and other related banks. Credit risk management objectives are:

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

(b)Credit risk grading

Corporate Exposures

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

The credit scores from this model are mapped to the regulatory scale with 10 grades which are in turn categorised into Risk Categories 1-3. Those in Category 1 display no or unusual business as usual risk and the risk of default is low. Category 2 implies there are some doubts that the borrower will meet its obligations but the risk of default is medium. Category 3 implies that there are strong doubts that the customer will meet its obligations and the risk of default is either high or has occurred.

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

Retail exposures

After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural internal credit rating. Any other known information about the borrower which impacts their creditworthiness such as unemployment and previous delinquency history is also incorporated into the behavioural internal credit rating. These ratings are reflected on the following delinquency bucket; Performing loans (Bucket 0); 1day to 30 days past due (Bucket 1); 31 days to 60 days past due (Bucket 2); 61 days to 89 days past due (Bucket 3) and 90 days+ past due (default, Bucket 4).

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30 Risk management (continued)

(c) Expected credit losses measurement (ECLs)

The expected credit loss (ECLs) - is measured on either a 12 - month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired.

- ECLs are discounted at the effective interest rate of portfolio
- The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk
- The Group uses a portfolio approach to calculate ECLs. The portfolios are segmented into retail, corporate and treasury and further by product.
- Expected credit losses are the probability weighted discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

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

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

Corporate exposures

Stage 1	12 Month PD	Central Bank Grades 1 to 3 (Internal Category 1)
Stage 2	Life Time PD	Central Bank Grades 4 to 7 (Internal Category 2)
Stage 3	Default PD	Central Bank Grades 8 to 10 (Internal Category 3)

Retail exposures

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

Treasury exposures

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

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

Default

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 89 days past due.

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

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

ECLs measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. The 12 month ECL is calculated for the following exposures:

- Corporate loans with regulatory grades from 1 - 3
- Retail loans graded in bucket 0 and bucket 1
- Debt securities, loans to banks and bank balances which are not past due; and
- These are a product of 12 months PD, 12 months LGD and EAD.

ii) Life time ECLs (Stage 2 - significant increase in credit risk refer to 30.3 (d)

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

- Corporate loans with regulatory grades from grade 4 to grade 7
- Retail loans in bucket 2 to 3 (bucket 2 is 31 days to 60 days past due, bucket 3 is 61 days to 89 days past due)
- Debt securities, loans to 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 and retail loans in bucket 4
- Exposures which are 90 days+ past due; and
- These are a product of default PD, lifetime LGD and EAD.

(d) Significant increase in credit risk (SICR)

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

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

Significant increase in credit risk - Quantitative measures

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

Significant increase in credit risk - Qualitative measures retail and corporate

There are various quantitative measures which include:

- Retail - Retrenchment, Dismissal, Salary diversion, employer facing difficulties
- Corporate - Adverse business changes, changes in economic conditions, quality challenges, among others.

(e) Benchmarking Expected Credit Loss

Corporate and treasury

Corporate portfolio assessment is performed by way of a collective assessment semi-empirical IFRS 9 model (the ECL Model) developed in consultation with external consultants supported by available historic information to support the modelling of PD, LGD and EAD. Individual assessment is performed on all customer loans and advances after having defined a minimum exposure threshold. ECL for Treasury exposures is based on benchmarked PDs and LGDs due to lack of historical data.ECL for Retail exposures are based on model output with no benchmarking comparative since enough historical default data was available when designing the calculation model.

(f) Forward – looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECLs both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the ECL vary by financial instrument. Expert judgment has also been applied in this process.

(g) Write offs

The Group 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.

30 Risk management (continued)

(h) ECL model governance

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

(i)Maximum exposure to credit risk by credit quality grade before credit enhancements

The Group has an internal rating scale which is mapped into the Basel II grading system. The internal rating is broadly classified into; performing loans, standard monitoring and non-performing.

Performing loans

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

Standard monitoring grade

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

Non-performing grade

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

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

Counterparty	Latest ratings 2023	Previous ratings 2022
Crown Agency	BB	BB

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

Counterparty	2023	2022
VISA	AA-	AA-
MasterCard International	A+	A+

30.3.1 Maximum credit risk exposure

	Maximum credit risk exposure				ECL Reconciliation			
30-Jun-23	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers	**USD000**	**USD000**	**USD000**	**USD000**	**USD000**	**USD000**	**USD000**	**USD000**
Corporate	43,500	3,972	6,416	53,888	63	4	1,243	1,310
Business banking	4,203	326	4,353	8,882	39	13	1,545	1,597
Retail	20,065	147	225	20,437	599	7	159	765
Total	**67,768**	**4,445**	**10,994**	**83,207**	**701**	**24**	**2,947**	**3,672**
Balances with central bank								
Savings bonds and treasury bills	10,355	-	-	10,355	347	-	-	347
Bank balances	16,726	-	-	16,726	43	-	-	43
Total	**27,081**	**-**	**-**	**27,081**	**390**	**-**	**-**	**390**
Balances with other banks and settlement balances								
Bank balances	19,223	-	-	19,223	3	-	-	3
Total	**19,223**	**-**	**-**	**19,223**	**3**	**-**	**-**	**3**
Other assets								
RBZ receivable other	2,192	-	-	2,192	3	-	-	3
Other assets	2,407	-	-	2,407	-	-	-	-
Total	**4,709**	**-**	**-**	**4,709**	**-**	**-**	**-**	**-**
Total on balance sheet	**118,781**	**4,445**	**10,994**	**134,220**	**1,094**	**24**	**2,947**	**4,065**
Guarantees and letters of credit								
Guarantees	418	-	-	418	-	-	-	-
Letters of credit	111	-	-	111	-	-	-	-
Total	**529**	**-**	**-**	**529**	**-**	**-**	**-**	**-**

The above table represents a worst case scenario of credit risk exposure to the Bank at 30 June 2023, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position.

30.3.2 Reconciliation of movements in expected credit losses during the year.

	Stage 1 - 12 month ECL USD000	Stage 2 - Lifetime ECL not credit impaired USD000	Stage 3 - Lifetime ECL credit impaired USD000	Total USD000
Balance at beginning of the year	**1,075**	**164**	**350**	**1,589**
Movement with P&L impact				
New financial assets purchased or originated	802	389	1,285	2,476
Transfers from stage 1 to stage 2	(782)	-	782	-
Transfers from stage 2 to stage 3	-	(531)	531	-
Write offs	-	-		-
Total movement	**19**	**(140)**	**2,597**	**2,496**
Balance at 30 June 2023	**1,094**	**24**	**2,947**	**4,065**

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

Industry/Sector	**2023 USD000**	**%**	**2022 USD000**	**%**
Trade and services	12,765	15	8,481	13
Energy and minerals	44	0	149	0
Agriculture	17,605	21	13,943	21
Light and heavy industry	18,871	23	15,328	23
Physical persons	21,268	25	17,529	25
Transport and distribution	12,226	15	11,096	17
Financial services	428	1	445	1
Total	**83,207**	**100**	**66,971**	**100%**

30.3.4 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:

	Reviewed 30.06.2023 USD000	**Audited and translated* 31.12.2022 USD000**
Performing loans	171,883	155,500
Non-performing loans	7,979	1,250
Total	**179,862**	**156,750**

30.4 Liquidity risk

Liquidity risk is the risk that the Group 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 Group specific and market wide events. The efficient management of liquidity is essential to the Group 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 Group's short, medium and long term funding and liquidity management requirements.

- Growing and diversifying funding base to support asset growth and other strategic initiatives, balanced with strategy to reduce the weighted funding cost;
- To maintain the market confidence in the Group;
- 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.

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30 Risk management (continued)

Liquidity risk management process

Liquidity risk is managed as;

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

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

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

Liquidity ratios	Reviewed 30.06.2023 USD000	Audited and translated* 31.12.2022 USD000
Total liquid assets	**63,929**	**75,167**
Deposits and other short term liabilities	130,209	150,766
Liquidity ratio	49%	50%
Reserve Bank of Zimbabwe minimum	30%	30%

LIQUIDITY COVERAGE RATIO (%)

Category	Sub-Category	Total Weighted Value (Average) USD000
High-quality liquid assets		
	Level 1 Assets	50,966
	Total high-quality liquid assets	**50,966**
Cash outflows		
	Stable deposits	404
	Less stable deposits	3,563
	Operational deposits (all counterparties) and deposits in networks of cooperative banking institutions	1,271
	Non-operational deposits (all counterparties)	27.113
	Other contractual funding obligations	2,621
	Total cash outflows	**34,972**
Cash inflows		
	Other contractual cash inflows	15,360
	Total cash inflows	**15,360**
	Total high-quality liquid assets	**50,966**
	Total net cash outflows	**19,612**
	Liquidity coverage ratio (%)	260%

Liquidity profiling as at 30 June 2023

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 2023

Assets held for managing liquidity risk (contractual maturity dates)	Less than 1 month USD000	1 to 3 months USD000	3 to 6 months USD000	6 to 12 months USD000	1 to 5 years USD000	5+ years USD000	Total USD000	Carrying amount USD000
Cash and bank balances	42,396	1,556	2,295	4,361	2,916	-	53,524	53,524
Derivative financial assets	5	-	-	-	-	-	5	5
Investment securities	247	2,071	3,326	127	10,308	-	16,079	16,079
Loans and receivables from banks	4,409	-	-	-	-	-	4,409	4,409
Loans and advances to customers	24,227	15,285	12,139	14,727	16,829	-	83,207	79,535
Other assets	(3,072)	-	-	-	35,218	21,282	53,428	53,428
Total assets	**68,212**	**18,912**	**17,760**	**19,215**	**65,271**	**21,282**	**210,652**	**206,980**
Liabilities								
Lease liabilities	-	-	-	-	2,977	-	2,977	2,977
Deposits from Banks	1,452	-	-	-	11,063	-	12,515	12,515
Deposits from customers	2,892	14,959	22,052	41,809	27,810	-	109,522	109,522
Provisions	1,110	-	-	-	-	-	1,110	1,110
Other liabilities	63,078	1,227	-	2,265	11,871	-	78,441	78,441
Current income tax liabilities	-	76	77	154	-	-	307	307
Balances due to Group companies	2,108	-	-	-	-	-	2,108	2,108
Total liabilities - (contractual maturity)	**70,640**	**16,262**	**22,129**	**44,228**	**53,721**	**-**	**206,980**	**206,980**
Liquidity gap	**(2,428)**	**2,650**	**(4,369)**	**(25,013)**	**11,550**	**21,282**	**3,672**	
Cumulative liquidity gap	**(2,428)**	**222**	**(4,147)**	**(29,160)**	**(17,610)**	**3,672**		

30 Risk management (continued)

Contingent liabilities and commitments as at 30 June 2023

	Less than 1 month USD000	1 to 3 months USD000	3 to 6 months USD000	6 to 12 months USD000	1 to 5 years USD000	Total USD000
Assets						
Commitment to lend	2,097	1,194	1,278	1,397	2,503	8,469
Total assets	**2,097**	**1,194**	**1,278**	**1,397**	**2,503**	**8,469**
Liabilities						
Commitment to lend	8,469	-	-	-	-	8,469
Total liabilities	**8,469**	**-**	**-**	**-**	**-**	**8,469**
Liquidity gap	(6,372)	1,194	1,278	1,397	2,503	-
Cumulative liquidity gap	**(6,372)**	**(5,179)**	**(3,901)**	**(2,503)**	**-**	**-**

31 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 Group's business is done within the established governance and regulatory control framework of the Reserve Bank of Zimbabwe and other regulatory bodies. A dedicated legal and compliance unit is in place to monitor legal and compliance requirements and ensure that they are met on a daily basis.

Reputation risk

The Group adheres to very strict reputation standards set based on its chosen set of values. The Human Resources Committee of the Board assists the Board in ensuring that staff complies with set policies and practices consistent with the reputation demands of both the Group and the industry. The compliance unit and human resources function monitor compliance by both management and staff with the Group'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 Group'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 Group'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 Group employs the standardised approach to determine capital required to cover operational risk. Each function carries out a risk and control assessment of their processes on a regular basis. The assessment results are reviewed by Operational Risk Management department. Internal Audit audits selected functions at given times.

Risks and Ratings

The Central Bank conducts regular examinations of bank and financial institutions it regulates. The last on-site examination of the bank was as at 30 June 2023 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 Components

CAMELS component	Currrent Examination June 2023	Prior Examination November 2016
Capital	2 - Satisfactory	1 - Strong
Asset Quality	2 - Satisfactory	2 - Satisfactory
Management	2 - Satisfactory	2 - Satisfactory
Earnings	2 - Satisfactory	1 - Strong
Liquidity and Funds Management	2 - Satisfactory	2 - Satisfactory
Sensitivity to Market Risk	2 - Satisfactory	1 - Strong
Overall Composite Rating	**2 - Satisfactory**	**2 - Satisfactory**

First Capital Bank Risk Matrix as at 30 June 2023

Type of risk	Level of inherent risk	Adequacy of risk management systems	Overall composite risk	Direction of overall composite risk
Credit risk	Moderate	Acceptable	Moderate	Stable
Liquidity risk	Low	Acceptable	Low	Stable
Interest rate risk	Low	Acceptable	Low	Stable
Foreign exchange	Moderate	Acceptable	Moderate	Stable
Operational & Cyber risk	High	Acceptable	High	Increasing
Legal risk	Low	Strong	Low	Stable
Reputational risk	Low	Strong	Low	Stable
Compliance	Moderate	Acceptable	Moderate	Stable
Strategic risk	Moderate	Acceptable	Moderate	Stable
Overall	**Moderate**	**Acceptable**	**Moderate**	**Stable**

31 Other risks (continued)

Interpretation of risk matrix

Level of inherent risk

Low - reflects a 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 control 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 recognized 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 polices and limits are put in place. The policies comprehensively define the bank's risk tolerance, responsibilities and accountabilities are effectively communicated.

The Board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place.

The policies comprehensively define the Group's risk tolerance. Responsibilities and accountabilities are effectively communicated.

Overall composite risk

Low - would be assigned to low inherent risk areas. Moderate risk areas may be assigned 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 mitigate 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, even in some cases where the systems are considered strong.

Direction of overall composite risk

Increasing- based on the current information, composite risk is expected to increase in the next twelve months

Decreasing - based on current information, composite risk is expected to decrease in the next twelve months

Stable - based on the current information, composite risk is expected to be stable in the next twelve months.

External Credit Ratings

	Latest credit ratings	Previous credit ratings
Rating agent	**2022/23**	**2021/22**
Global Credit Rating Co.	A+(ZW)	A+(ZW)

32 Fair value of financial instruments not held at fair value

The disclosed fair values of these financial assets and financial liabilities measured at amortised cost approximate their carrying value because of their short term nature.

	Reviewed 30.06.2023 Carrying amount USD000	Fair value USD000	Audited and translated* 31.12.2022 Carrying amount USD000	Fair value USD000
Financial Assets				
Cash and bank balances	53,524	53,524	78,002	78,002
Loans and receivables from banks	4,409	4,409	328	328
Loans and advances to customers	79,535	79,535	6,650	6,650
Other assets	5,169	5,169	65,973	65,973
Total	**142,637**	**142,637**	**150,953**	**150,953**
Financial Liabilities				
Deposits from banks	12,515	12,515	1,165	1,165
Deposits from customers	109,522	109,522	136,063	136,063
Lease liability	2,977	2,977	2,653	2,653
Other liabilities	12,193	12,193	17,682	17,682
Balances due to group companies	2,108	2,108	69	69
Total	**139,315**	**139,315**	**157,632**	**157,632**

33 Segment results of operations

30-Jun-23	Retail Banking USD000	Corporate Banking USD000	Treasury USD000	Total USD000
Net interest income	3,761	5,451	2,394	11,606
Net fee and commission income	6,956	4,366	191	11,513
Net trading and foreign exchange income	-	-	9,789	9,789
Net investment and other income	-	-	376	376
Fair value loss on investment property	-	-	(1,136)	(1,136)
Total Income	**10,717**	**9,817**	**11,614**	**32,148**
Impairment losses on financial assets	(75)	(2,603)	(175)	(2,853)
Net operating income	**10,643**	**7,214**	**12,492**	**30,349**
Staff costs	(4,931)	(2,186)	(1,304)	(8,421)
Infrastructure costs (excluding depreciation)	(2,715)	(1,195)	(901)	(4,811)
General expenses	(2,876)	(2,492)	(1,676)	(7,044)
Operating expenses	**(10,522)**	**(5,873)**	**(3,881)**	**(20,276)**
Segment contribution	**121**	**1,341**	**8,611**	**10,073**
Share of profits of joint ventures	-	-	-	(3,795)
Taxation				(948)
Profit for the period	**-**	**-**	**-**	**4,276**
Total assets	**20,417**	**61,939**	**124,624**	**206,980**
Total liabilities	**26,305**	**85,913**	**32,282**	**144,500**

34 Related parties

The Group is controlled by Afcarme Zimbabwe Holdings (Private) Limited incorporated and domiciled in Zimbabwe which owns 52.5% (2022: 52.5%) of the ordinary shares. 15% is held by an Employee Share Ownership Trust (ESOT) and the remaining 32.5% of the shares are widely held. The ultimate parent of the Group is FMB Capital Holdings PLC incorporated in Mauritius. There are other companies which are related to First Capital Bank through common shareholdings or common directorship.

34.1 Directors and key management compensation

	Reviewed 30.06.2023 USD000	Audited and translated* 31.12.2022 USD000
Salaries and other short term benefits	1,119	1,336
Post-employment contribution plan	44	13
Share based payments	-	4
Total	**1,163**	**1,353**

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

34.2 Loans to directors and key management

	Reviewed 30.06.2023 USD000	Audited and translated* 31.12.2022 USD000
Deposits	(57)	(21)
Loans and advances	358	251
Net balances (due to)/ from directors & key management	**301**	**230**

34.3 Balances with group companies

Bank balances due from group companies	298	274
Total	**298**	**274**
Other balances due from group companies	6	-
Other balances due to group companies	(2,114)	(69)
Total	**(2,108)**	**(69)**

34 Related parties (continued)

35 Events after the reporting date

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

36 Going concern

The Directors have no reason to believe that the Group will not be a going concern in the period ahead. Going concern assessment was performed by review of the economic conditions under which the Group is expected to perform over the next 12 months, its ability to adapt its strategy, business and operating models to the projected macro environment, financial forecasts and business underwriting capacity. The Group has sufficient capital, human and physical resources as well as sources of sustainable deposits which are well diversified and is therefore able to address shortterm stress factors within reasonable parameters. The Group's financial statements as at 30 June 2023 have therefore been prepared on the going-concern assumption.

37 Other information

Zimbabwe Dollar Historical Consolidated Statement of Profit or Loss and Other Comprehensive Income

Whilst USD has been shown as the reporting currency, the performance and financial position of the group has also been presented in historical ZWL giving indication of the performance and financial position had the functional currency remained as ZWL.

	Historical unaudited 30.06.2023 ZWL000	Historical unaudited 30.06.2022 ZWL000
Interest income	20,373,543	2,162,205
Interest expense	(1,295,071)	(141,543)
Net interest income	**19,078,472**	**2,020,662**
Net fee and commission income	20,834,207	2,298,437
Net trading and foreign exchange income	80,703,750	2,600,517
Net investment and other income	614,265	78,111
Fair value gain on investment property	22,297,470	1,604,625
Total non interest income	**124,449,693**	**6,581,690**
Total income	**143,528,164**	**8,602,352**
Impairment losses on financial assets	(22,509,877)	(218,605)
Net operating income	**121,018,287**	**8,383,747**
Operating expenses	(40,594,152)	(3,744,602)
Share of profit from joint venture	77,143,005	3,820,330
Profit before tax	**157,567,140**	**8,459,475**
Taxation	(12,420,388)	(1,203,648)
Profit for the period	**145,146,752**	**7,255,827**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Gain on property revaluations	75,606,499	8,227,570
Deferred tax	(18,689,926)	(1,001,650)
Gain on financial assets at fair value through other comprehensive income	53,838,257	2,019,406
Deferred tax	(10,691,167)	(113,318)
Net gain on other comprehensive income	**100,063,663**	**9,132,008**
Total other comprehensive income	**100,063,663**	**9,132,008**
Total comprehensive income	**245,210,415**	**16,387,835**

Zimbabwe Dollar Historical Consolidated Statement of Financial Position

	Historical unaudited 30.06.2023 ZWL000	Historical unaudited 31.12.2022 ZWL000
Assets		
Cash and bank balances	331,991,208	53,609,309
Derivative financial instruments	28,989	12,576
Investment securities	91,301,188	13,225,558
Loans and receivables from banks	532,385	225,622
Loans and advances to customers	456,512,749	45,342,180
Other assets	26,064,473	7,710,234
Investment properties	27,551,021	4,080,000
Investment in joint venture	90,622,453	13,479,449
Property and equipment	92,057,693	18,814,882
Intangible assets	7,420	8,941
Right of use assets	7,846,885	1,042,315
Current tax asset	-	1,072,374
Total assets	**1,124,516,464**	**158,623,440**
Liabilities		
Derivative financial instruments	2,097	-
Lease liabilities	17,088,245	1,823,304
Balances due to banks	71,831,331	800,769
Deposits from customer	628,635,024	93,514,048
Employee benefit accruals	4,621,685	1,166,032
Other liabilities	115,070,815	12,183,437
Current tax liabilities	3,133,268	-
Balances due to group companies	9,985,417	47,628
Deferred tax liabilities	27,905,200	3,834,865
Total liabilities	**878,273,082**	**113,370,083**
Equity		
Capital and reserves		
Share capital	216	216
Share premium	24,160	24,160
Retained earnings	168,812,434	26,403,501
Non - distributable reserve	7,785	7,785
Fair value through other comprehensive income reserve	6,815,683	3,601,907
Property revaluation reserve	70,446,723	15,083,797
General reserve	126,981	126,981
Share - based payment reserve	9,400	5,010
Total equity	**246,243,382**	**45,253,357**
Total ZWL Capital equity and liabilities	**1,124,516,464**	**158,623,440**

The table below summarises the composition of regulatory capital and the ratios in Zimbabwe dollar currency as required by the Reserve Bank of Zimbabwe

	Reviewed 30.06.2023 ZWL000	Audited and translated* 31.12.2022 ZWL000
Share capital	216	216
Share premium	24,160	24,161
Accumulated profits	144,816,142	25,398,969
Share based payment reserve	9,400	5,010
Fair value through OCI reserve	49,457,178	6,311,658
Currency translation reserve	3,508	3,508
Total core capital	**194,310,604**	**31,743,522**
Less market and operational risk capital	(9,802,137)	(2,678,733)
Tier 1 capital	**184,508,467**	**29,064,789**
Currency translation reserve	4,277	4,277
Revaluation reserves	58,558,416	13,530,151
General provisions (limited to 1.25% of weighted risk assets)	4,154,131	78,682
Tier 2 capital	**62,716,824**	**13,613,110**
Total tier 1 & 2 capital	**247,225,291**	**42,677,899**
Market risk	3,550,757	503,088
Operational risk	6,251,380	2,175,645
Tier 3 capital	**9,802,137**	**2,678,733**
Total tier 1, 2 & 3 capital base	**257,027,428**	**45,356,632**
Deductions from capital	(3,990,908)	(3,211,694)
Total capital base	**253,036,520**	**42,144,938**
Credit risk weighted assets	802,333,970	88,629,784
Operational risk equivalent assets	78,142,244	27,195,562
Market risk equivalent assets	44,384,467	6,288,596
Total risk weighted assets (RWAs)	**924,860,681**	**122,113,942**
Tier 1 capital ratio	**20%**	**24%**
Tier 1 and 2 capital ratio	**27%**	**35%**
Total capital adequacy ratio	**27%**	**35%**


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REPORT ON REVIEW OF INTERIM FINANCIAL RESULTS FOR THE SIX PERIOD ENDED 30 JUNE 2023

We have reviewed the accompanying condensed statement of financial position of First Capital Bank Limited and its subsidiary (the "Group") as of 30 June 2023, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the six-month period then ended.

Management is responsible for the preparation and presentation of the interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting", the requirements of the Banking Act (Chapter 24:20) and the Securities and Exchange (Victoria Falls Stock Exchange Listings Requirements) Rules, 2020.

Our responsibility is to express a conclusion on the interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standards on Interim Financial Reporting, the requirements of the Banking Act (Chapter 24:20) and the Securities and Exchange (Victoria Falls Stock Exchange Listings Requirements) Rules, 2020.

Deloitte & Touche

Deloitte & Touche
Per: Lawrence Nyajeka
Partner
PAAB Practice Certificate Number 0598

30 August 2023

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