

Summary consolidated and separate financial statements

as at 30 June 2020

REVIEW OF THE PERIOD

The Group has recorded an improvement in performance in the first six months with profit after tax of US\$14.3m representing a 181% increase on the same period last year. Profit attributable to shareholders also improved materially to US\$8.7m, a 92% increase on the same period last year. Excluding Zimbabwe, Group profit is 21% ahead of the same period last year at US\$8.7m.

The impact of COVID-19 being experienced across our operating markets resulted in a slowdown in economic activities and consequently lending opportunities. However, the Group had put in place robust plans to deal with the impact of COVID-19 at an early stage with initiatives aimed at safeguarding our staff and customers and making banking services more easily accessible. There has therefore been a limited impact on business thus far with the Group's total asset base growing marginally to US\$1.09bn from US\$1.05bn.

Zimbabwe continues to experience hyperinflation, hence our business there has continued to report under IAS 29 – *Financial Reporting in Hyperinflationary Economies*. For the first six months of this year Zimbabwe has reported a profit of US\$5.6m, driven primarily by property revaluations, which are countered by translation losses reported in other comprehensive income.

| | Profit after tax | | |
|--------------------------|------------------|-----------|-----------|
| US\$’ millions | 30-Jun-20 | 30-Jun-19 | 31-Dec-19 |
| Botswana | 3.39 | 1.89 | 4.48 |
| Malawi | 5.31 | 4.80 | 8.16 |
| Mozambique | 0.51 | 0.54 | 1.09 |
| Zambia | 0.51 | 1.00 | 0.63 |
| Mauritius | (1.01) | (1.06) | (3.44) |
| Total excluding Zimbabwe | 8.71 | 7.17 | 10.92 |
| Zimbabwe | 5.58 | (2.09) | (29.53) |
| Total Group | 14.29 | 5.08 | (18.61) |

Outlook

The Group's emphasis this year is to consolidate and stabilise our business, including the tight management of the situation in Zimbabwe. While the Group has had a solid start to the second half of the year, we would caution that the medium term outlook inclusive of the 2020 full year outlook remains, to an extent, unpredictable given the uncertainties arising from the impacts of COVID-19 and macroeconomic instability in Zimbabwe.

The capital adequacy and liquidity ratios of all Group banks comfortably meet the prescribed prudential minimum ratios in their respective territories giving us capacity to selectively grow our balance sheet. We will, however, continue to exercise prudence in our balance sheet management across the territories where we operate.

Dheeraj Dikshit

Mahendra Gursahani

Director

Director

| Summary Statements of Financial Position | | | | | | |
|---|---------------------------------|---------------------|--------------------------------|---------------------------------|---------------------|--------------------------------|
| | Consolidated | | | Separate | | |
| US\$ | 6 months to 30-Jun-20 Unaudited | 30-Jun-19 Unaudited | 12 months to 31-Dec-19 Audited | 6 months to 30-Jun-20 Unaudited | 30-Jun-19 Unaudited | 12 months to 31-Dec-19 Audited |
| ASSETS | | | | | | |
| Cash and cash equivalents | 294 875 536 | 280 041 835 | 247 157 290 | 4 993 244 | 2 516 268 | 1 222 774 |
| Money market investments | 173 427 741 | 148 428 572 | 208 260 305 | – | 268 805 | – |
| Loans and advances to customers | 364 167 174 | 353 496 946 | 394 978 354 | – | – | – |
| Finance lease receivables | 2 010 614 | 1 309 558 | 2 448 642 | – | – | – |
| Repurchase agreements | 132 529 932 | 37 110 210 | 67 071 019 | – | – | – |
| Deferred tax asset | 1 578 288 | – | 1 185 179 | – | – | – |
| Current tax asset | 2 130 543 | 2 706 516 | 2 692 689 | – | – | – |
| Investments at fair value through profit or loss | 5 640 480 | 7 450 904 | 6 295 311 | – | – | – |
| Investment in subsidiary companies | – | – | – | 134 904 875 | 129 996 498 | 134 904 875 |
| Investment in Joint Venture | 12 014 452 | 14 829 149 | 14 456 648 | – | – | – |
| Investment property | 4 824 992 | 5 818 306 | 5 441 927 | – | – | – |
| Intangible assets | 9 638 845 | 8 546 306 | 11 954 100 | 1 580 531 | 627 298 | 1 776 281 |
| Property and equipment | 48 577 748 | 57 097 135 | 50 343 097 | 1 068 464 | 367 220 | 810 683 |
| Right of use assets | 7 369 368 | – | 8 912 787 | 236 730 | – | 241 469 |
| Assets held for sale | 3 074 367 | 1 000 945 | 3 903 980 | – | – | – |
| Financial assets at fair value through other comprehensive income | 1 056 118 | 827 877 | 1 664 939 | – | – | – |
| Other assets | 32 072 071 | 32 073 371 | 25 485 850 | 7 267 740 | 6 870 088 | 7 774 181 |
| Total assets | 1 094 520 626 | 950 737 630 | 1 052 252 117 | 150 051 584 | 140 646 177 | 146 730 263 |
| LIABILITIES AND EQUITY | | | | | | |
| Liabilities | | | | | | |
| Balances due to other banks | 207 288 658 | 87 457 253 | 143 932 626 | – | – | – |
| Customer deposits | 663 710 655 | 641 073 860 | 681 390 892 | – | – | – |
| Other payables | 45 188 446 | 52 771 031 | 30 250 550 | 4 749 303 | 1 484 558 | 4 421 265 |
| Lease liabilities | 5 894 483 | – | 6 920 823 | 174 839 | – | 129 835 |
| Subordinated debt | 15 522 459 | 26 277 731 | 26 599 027 | – | – | – |
| Deferred Tax liabilities | 6 877 220 | 981 753 | 6 144 054 | – | – | – |
| Income tax payable | 1 298 157 | 481 918 | 14 058 | – | – | – |
| Provisions | 1 519 084 | 1 064 011 | 2 253 721 | – | – | – |
| Loans payable | 15 070 008 | 6 500 000 | 15 950 009 | 15 070 008 | 9 500 000 | 15 950 009 |
| Redeemable preference shares | 10 786 747 | 10 786 747 | 10 786 747 | 10 786 747 | 10 786 747 | 10 786 747 |
| Total liabilities | 973 155 917 | 827 394 286 | 924 242 507 | 30 780 897 | 21 771 305 | 31 287 856 |
| Equity | | | | | | |
| Share capital | 117 409 081 | 117 409 081 | 117 409 081 | 117 409 081 | 117 409 081 | 117 409 081 |
| Restructuring reserve | (54 510 623) | (54 510 623) | (54 510 623) | – | – | – |
| Property revaluation reserve | 4 245 921 | 2 442 665 | 4 245 921 | – | – | – |
| Loan loss reserve | 4 131 354 | 3 399 442 | 4 058 845 | – | – | – |
| Non distributable reserves | 640 751 | 783 148 | 574 931 | – | – | – |
| Translation reserve | (32 397 979) | (31 985 153) | (22 107 529) | – | – | – |
| Retained earnings | 37 002 011 | 37 396 625 | 28 545 590 | 1 861 606 | 1 465 791 | (1 966 674) |
| Total equity attributable to equity holders of the company | 76 520 516 | 74 935 185 | 78 216 216 | 119 270 687 | 118 874 872 | 115 442 407 |
| Non-controlling Interest | 44 844 193 | 48 408 159 | 49 793 394 | – | – | – |
| Total equity | 121 364 709 | 123 343 344 | 128 009 610 | 119 270 687 | 118 874 872 | 115 442 407 |
| Total equity and liabilities | 1 094 520 626 | 950 737 630 | 1 052 252 117 | 150 051 584 | 140 646 177 | 146 730 263 |
| Summary Statements of Cash flows | | | | | | |
| | Consolidated | | | Separate | | |
| US\$ | 6 months to 30-Jun-20 Unaudited | 30-Jun-19 Unaudited | 12 months to 31-Dec-19 Audited | 6 months to 30-Jun-20 Unaudited | 30-Jun-19 Unaudited | 12 months to 31-Dec-19 Audited |
| Cash flows from operating activities | | | | | | |
| Interest and Fees received | 65 614 476 | 61 707 867 | 111 470 717 | 1 969 | 3 352 | 1 189 138 |
| Interest paid | (13 264 090) | (11 457 161) | (22 499 054) | (965 527) | (593 504) | (856 436) |
| Cash paid to suppliers and employees | (26 055 003) | (29 104 353) | (87 389 473) | (1 017 406) | (2 073 488) | (1 716 233) |
| | 26 295 383 | 21 146 353 | 1 582 190 | (1 980 964) | (2 663 641) | (1 383 531) |
| Increase/(decrease) in net customer balances | 13 568 971 | (38 041 569) | (67 685 230) | – | – | – |
| Cash generated/(used) from operations | 39 864 354 | (16 895 216) | (66 103 040) | (1 980 964) | (2 663 641) | (1 383 531) |
| Dividend received | 391 279 | – | 471 332 | 4 479 924 | – | 92 075 |
| Income taxes paid | (4 412 778) | (3 864 822) | (7 978 274) | (6 158) | – | (13 302) |
| Cash generated/(used) in operating activities | 35 842 855 | (20 760 038) | (73 609 982) | 2 492 802 | (2 663 641) | (1 304 758) |
| Cash Flows from investing activities | | | | | | |
| Maturities of money market investments | 34 832 564 | 78 127 413 | 17 147 823 | – | 357 934 | 598 693 |
| Purchases of currency swaps (net) | (65 458 913) | (7 141 076) | (37 905 394) | – | – | – |
| Sale of investments at fair value through profit or loss | – | – | 495 864 | – | – | – |
| (Purchases)/maturities of investment securities | 12 752 | – | (58 910) | – | – | – |
| Payment for acquisition of business, net of cash acquired | – | – | (631 820) | – | – | – |
| Subscription of shares in subsidiary company | – | – | – | – | – | (8 963 836) |
| Proceeds from sale of equipment | 34 336 | – | 121 565 | – | – | – |
| Acquisition of property and equipment and intangibles | (1 628 776) | (8 605 101) | (11 527 413) | (402 275) | (896 372) | (2 652 897) |
| Cash inflows/(outflows) applied to investing activities | (32 208 037) | 62 381 236 | (32 358 285) | (402 275) | (538 438) | (11 018 040) |
| Cash Flows from financing activities | | | | | | |
| Capital subscription by non-controlling interests | – | – | 4 746 846 | – | – | – |
| Proceeds from issue of shares | 1 265 | – | – | – | – | – |
| Loan to subsidiary company | – | – | – | 1 807 697 | – | (2 678 242) |
| Proceeds/(repayment) of borrowings | 51 399 463 | 9 418 213 | 115 386 542 | (127 754) | (1 055 459) | 9 450 009 |
| Cash flows from financing activities | 51 400 728 | 9 418 213 | 120 133 388 | 1 679 943 | (1 055 459) | 6 771 766 |
| Net (decrease)/Increase in cash and cash equivalents | 55 035 546 | 51 039 411 | 14 165 121 | 3 770 470 | (4 257 538) | (5 551 032) |
| Cash and cash equivalents at 1 January | 247 157 290 | 242 823 101 | 242 823 101 | 1 222 774 | 6 773 806 | 6 773 806 |
| Effect of changes in exchange rate and hyperinflation | (7 317 300) | (13 820 677) | (9 830 932) | – | – | – |
| Cash and cash equivalents at the end of the period | 294 875 536 | 280 041 835 | 247 157 290 | 4 993 244 | 2 516 268 | 1 222 774 |

| Summary Statements of Profit or Loss and other Comprehensive Income | | | | | | | |
|---|--------------------|---------------------------------|---------------------|--------------------------------|---------------------------------|---------------------|--------------------------------|
| | | Consolidated | | Separate | | | |
| US\$ | Notes | 6 months to 30-Jun-20 Unaudited | 30-Jun-19 Unaudited | 12 months to 31-Dec-19 Audited | 6 months to 30-Jun-20 Unaudited | 30-Jun-19 Unaudited | 12 months to 31-Dec-19 Audited |
| Interest income | | 41 358 444 | 39 114 732 | 78 913 127 | 1 969 | 31 262 | (97 174) |
| Interest expense on deposits and other accounts | | (12 298 423) | (11 457 161) | (23 169 176) | (965 527) | (593 504) | (1 466 154) |
| Net interest income/(expense) | | 29 060 021 | 27 657 571 | 55 743 951 | (963 558) | (562 242) | (1 563 328) |
| Fees and commissions | | 13 521 574 | 13 662 831 | 29 350 083 | – | – | – |
| Income from investments (including investment properties) | | (352 747) | 225 513 | (1 628 114) | 4 479 924 | – | 186 706 |
| Gain/(loss) on foreign exchange transactions | | 10 366 239 | 6 334 722 | 18 322 488 | 852 159 | (27 911) | (451 023) |
| Other operating income | | 368 219 | (273 233) | 3 329 072 | 1 704 564 | 3 104 879 | 3 574 246 |
| Total non-interest income | | 23 903 285 | 19 949 833 | 49 373 529 | 7 036 647 | 3 076 968 | 3 309 929 |
| Total operating income | | 52 963 306 | 47 607 404 | 105 117 480 | 6 073 089 | 2 514 726 | 1 746 601 |
| Staff and training costs | | (15 619 890) | (16 736 010) | (35 100 313) | (663 928) | (1 508 158) | (2 931 448) |
| Premises and equipment costs | | (6 036 150) | (6 492 118) | (12 568 982) | (768 180) | (443 672) | (992 887) |
| Depreciation and amortisation | | (4 097 699) | (3 052 558) | (9 487 523) | (386 767) | (92 353) | (308 744) |
| Other expenses | | (10 241 627) | (9 280 568) | (28 122 490) | (419 776) | (641 934) | (1 104 075) |
| Impairment loss on financial assets | | (2 242 017) | (4 239 398) | (9 547 419) | – | – | – |
| Total expenses | | (38 237 383) | (39 800 652) | (94 826 727) | (2 238 651) | (2 686 116) | (5 337 154) |
| Operating profit/(loss) | | 14 725 923 | 7 806 752 | 10 290 753 | 3 834 438 | (171 390) | (3 590 553) |
| Net monetary loss | | (1 262 290) | – | (6 056 792) | – | – | – |
| Impairment recovery/(impairment loss) on owner occupied property | | 3 480 534 | – | (7 823 115) | – | – | – |
| Fair value gain/(impairment loss) on investment in joint venture | | 2 048 216 | – | (5 978 437) | – | – | – |
| Fair value gain/(impairment loss) on investment property | | 974 276 | – | (1 752 143) | – | – | – |
| Share of profit in joint venture | | 25 453 | – | 555 811 | – | – | – |
| Gain on a bargain purchase | | – | – | 95 642 | – | – | – |
| Profit/(loss) before income tax expense | | 19 992 112 | 7 806 752 | (10 668 281) | 3 834 438 | (171 390) | (3 590 553) |
| Income tax expense | | (5 701 327) | (2 727 105) | (7 941 027) | (6 158) | – | (13 302) |
| Profit/(loss) for the year | | 14 290 785 | 5 079 647 | (18 609 308) | 3 828 280 | (171 390) | (3 603 855) |
| Other comprehensive income | | | | | | | |
| Items that will not be classified to profit or loss | | | | | | | |
| Revaluation surplus on property | | – | (1 775 419) | – | – | – | – |
| Deferred tax on revalued property | | – | 457 171 | 1 240 627 | – | – | – |
| Fair value loss on investment net of deferred tax | | (118 192) | (225 486) | (760 606) | – | – | – |
| Items that may be reclassified subsequently to profit or loss | | | | | | | |
| Exchange differences on translating foreign operations incorporating effect of hyperinflation | | (20 813 381) | (13 820 677) | 5 978 524 | – | – | – |
| Total other comprehensive income/(loss) for the year | | (20 931 573) | (15 364 411) | 6 458 545 | – | – | – |
| Total comprehensive income/(loss) for the year | | (6 640 788) | (10 284 764) | (12 150 763) | 3 828 280 | (171 390) | (3 603 855) |
| Profit or loss attributable to: Owners of the parent | | 8 648 091 | 4 497 095 | (4 974 291) | 3 828 280 | (171 390) | (3 603 855) |
| Non-controlling interest | | 5 642 694 | 582 552 | (13 635 017) | – | – | – |
| Profit/(loss) for the year | | 14 290 785 | 5 079 647 | (18 609 308) | 3 828 280 | (171 390) | (3 603 855) |
| Total comprehensive income/(loss) attributable to: | | | | | | | |
| Owners of the parent | | (1 306 081) | (4 329 473) | (2 348 367) | 3 828 280 | (171 390) | (3 603 855) |
| Non-controlling interest | | (5 334 707) | (5 955 291) | (9 802 396) | – | – | – |
| Total comprehensive income/(loss) for the year | | (6 640 788) | (10 284 764) | (12 150 763) | 3 828 280 | (171 390) | (3 603 855) |
| Summary Statements of Changes in Equity | | | | | | | |
| | | Consolidated | | Separate | | | |
| US\$ | | 6 months to 30-Jun-20 Unaudited | 30-Jun-19 Unaudited | 12 months to 31-Dec-19 Audited | 6 months to 30-Jun-20 Unaudited | 30-Jun-19 Unaudited | 12 months to 31-Dec-19 Audited |
| As at the beginning of the period | | 128 009 610 | 134 237 340 | 134 237 340 | 115 442 407 | 119 046 262 | 119 046 262 |
| Profit/(loss) for the year | | 14 290 785 | 5 079 647 | (18 609 308) | 3 828 280 | (171 390) | (3 603 855) |
| Total other comprehensive income | | (20 931 573) | (15 364 411) | 6 458 545 | – | – | – |
| Other movements | | (4 113) | (609 232) | 1 176 187 | – | – | – |
| Other transactions with owners | | – | – | 4 746 846 | – | – | – |
| As at the end of the period | | 121 364 709 | 123 343 344 | 128 009 610 | 119 270 687 | 118 874 872 | 115 442 407 |
| NOTES TO THE FINANCIAL STATEMENTS | | | | | | | |
| 1 Investment in subsidiary companies | | | | | | | |
| At the end of the reporting year, the Company's portfolio of investments in subsidiary companies comprised: | | | | | | | |
| | | Holding % | | US\$ | | | |
| | Nature of Business | Type of Investment | June 2020 | December 2019 | June 2020 | December 2019 | |
| First Capital Bank Plc (Malawi) | Banking | Equity Shares | 100.00 | 100.00 | 88 034 224 | 88 034 224 | |
| Afcarme Zimbabwe Holdings (Private) Limited | Banking | Equity Shares | 81.00 | 81.00 | 17 420 080 | 17 420 080 | |
| First Capital Bank (Zambia)Limited | Banking | Equity Shares | 49.00 | 49.00 | 4 634 343 | 4 634 343 | |
| First Capital Shared Services Ltd | Shared Service | Equity Shares | 100.00 | 100.00 | 105 | 105 | |
| First Capital Bank Ltd (Botswana) | Banking | Equity Shares | 38.60 | 38.60 | 3 046 405 | 3 046 405 | |
| First Capital Bank Ltd (Botswana) | Banking | Preference Shares | 100.00 | 100.00 | 2 475 355 | 2 475 355 | |
| First Capital Bank S.A. (Mozambique) | Banking | Equity Shares | 80.00 | 80.00 | 19 294 363 | 19 294 363 | |
| | | | | | 134 904 875 | 134 904 875 | |
| There has been no change in the investment in subsidiaries over the current period. The preference shares currently earn a dividend at the Bank of Botswana rate plus 300 basis points, currently 7.5% per annum. | | | | | | | |
| BOTSWANA • MALAWI • MAURITIUS • MOZAMBIQUE | | | | | | | |