

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.

US\$' millions	Profit after tax		
	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 *Director* **Mahendra Gursahani** *Director*

Summary Statements of Financial Position

US\$	Notes	Consolidated			Separate		
		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	1	–	–	–	134 904 875	129 996 498	134 904 875
Investment in Joint Venture	3	12 014 452	14 829 149	14 456 648	–	–	–
Investment property	3	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	3	48 577 748	57 097 135	50 343 977	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	25 485 580	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	4	207 288 658	87 457 235	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	5	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	6	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

US\$	Notes	Consolidated			Separate		
		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	–	(2 678 243)
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

US\$	Notes	Consolidated			Separate		
		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							