

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 Gursah
Director	Direc

Summary consolidated and separate financial statements as at 30 June 2020

Summary Statements of Financial Position							
27 27 1111	Consolidated Separate						
	6 months to		12 months to	6 months to	·	12 months to	
LICC Notes	30-Jun-20	30-Jun-19	31-Dec-19	30-Jun-20	30-Jun-19	31-Dec-19	
US\$ Notes	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited	
ASSETS	204.075.526	200 044 025	247 457 200	4.002.244	2.546.260	4 222 774	
Cash and cash equivalents	294 875 536	280 041 835		4 993 244	2 516 268	1 222 774	
Money market investments Loans and advances to customers	173 427 741 364 167 174	148 428 572 353 496 946		_	268 805	_	
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	37 110 210	1 185 179	_	_	_	
Current tax asset	2 130 543	2 706 516		_	_	_	
Investments at fair value through	2 130 343	2700510	2 072 007				
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		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	50 343 097	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 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		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	45.070.000		45.050.000	
Loans payable 6		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)			_	_	-	
Property revaluation reserve	4 245 921	2 442 665	4 245 921	-	_	_	
Loan loss reserve Non distributable reserves	4 131 354 640 751	3 399 442 783 148	4 058 845 574 931	_	_	_	
Translation reserve	(32 397 979)	(31 985 153)		_	_	_	
Retained earnings	37 002 011	37 396 625	28 545 590	1 861 606	1 465 791	(1 966 674)	
	37 002 011	37 390 023	26 343 390	1 80 1 000	1 403 / 91	(1900074)	
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	119 270 007	1100/40/2	113 442 407	
	121 364 709	123 343 344	128 009 610	119 270 687	118 874 872	115 442 407	
Total equity							
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 flow	vs						
		Consolidate	ed		Separate		

Total equity and habitities	074 320 020	730 737 030	032 232 117	130 031 304	170 070 177	170 730 20.	
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 t 31–Dec–1 Audite	
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			(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 23	
	26 295 383	21 146 353	1 582 190	(1 980 964)	(2 663 641)	(1 383 53	
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 53	
Dividend received	391 279		471 332	4 479 924		92 07	
Income taxes paid	(4 412 778)	(3 864 822)	(7 978 274)	(6 158)	-	(13 30	
Cash generated/(used) in operating							
activities	35 842 855	(20 760 038)	(73 609 982)	2 492 802	(2 663 641)	(1 304 75	
Cash flows from investing activities							
Maturities of money market investments	34 832 564	78 127 413	17 147 823	_	357 934	598 69	
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			(624.020)				
cash acquired Subscription of shares in subsidiary company	_	_	(631 820)	_	_	(8 963 83	
Proceeds from sale of equipment	34 336	_	121 565	_	_	(6 903 63	
Acquisition of property and equipment and			121 303				
intangibles	(1 628 776)	(8 605 101)	(11 527 413)	(402 275)	(896 372)	(2 652 89	
Cash inflows/(outflows) applied to	,	,	,		,		
investing activities	(32 208 037)	62 381 236	(32 358 285)	(402 275)	(538 438)	(11 018 04	
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 24	
Proceeds/(repayment) of borrowings	51 399 463	9 418 213	115 386 542	(127 754)	(1 055 459)	9 450 00	
Cash flows from financing activities	51 400 728	9 418 213	120 133 388	1 679 943	(1 055 459)	6 771 76	
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 03	
Cash and cash equivalents at 1 January	247 157 290	242 823 101	242 823 101	1 222 774	6 773 806	6 773 80	

(7 317 300) (13 820 677) (9 830 932)

294 875 536 280 041 835 247 157 290 4 993 244 2 516 268 1 222 774

Effect of changes in exchange rate and

Cash and cash equivalents at the end of

the period

Summary Statements of Profit or Loss and other Comprehensive Income							
		Consolidated	ated Separate				
	6 months to	20 1 10	12 months to	6 months to		12 months to	
US\$ Notes	30–Jun–20 Unaudited	30–Jun–19 Unaudited	31–Dec–19 Audited	30–Jun–20 Unaudited	30–Jun–19 Unaudited	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	(40.000.400)	(44.457.464)	(22.450.475)	(0.55.507)	(502.504)	(4.466.454)	
other accounts Net interest income/(expense)	(12 298 423) 29 060 021	(11 457 161) 27 657 571	(23 169 176) 55 743 951	(965 527) (963 558)	(593 504) (562 242)	(1 466 154) (1 563 328)	
Fees and commissions	13 521 574	13 662 831	29 350 083	(903 336)	(362 242)	(1 303 320)	
Income from investments (including investment properties) Gain/(loss) on foreign exchange	(352 747)	225 513	(1 628 114)	4 479 924	-	186 706	
transactions Other operating income	10 366 239 368 219	6 334 722 (273 233)	18 322 488 3 329 072	852 159 1 704 564	(27 911) 3 104 879	(451 023) 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)	,	(35 100 313)	(663 928)	(1 508 158)	(2 931 448)	
Premises and equipment costs Depreciation and amortisation	(6 036 150) (4 097 699)	(6 492 118) (3 052 558)	(12 568 982) (9 487 523)	(768 180) (386 767)	(443 672) (92 353)	(992 887) (308 744)	
Other expenses	(10 241 627)		(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 Impairment recovery/(impairment loss)	(1 262 290)	_	(6 056 792)	_	_	_	
on owner occupied property Fair value gain/(impairment loss) on	3 480 534	_	(7 823 115)	_	-	-	
investment in joint venture Fair value gain/(impairment loss) on	2 048 216	-	(5 978 437)	-	-	-	
investment property	974 276	_	(1 752 143)	-	_	_	
Share of profit in joint venture Gain on a bargain purchase	25 453	_	555 811 95 642	_	_	_	
Profit/(loss) before income tax		_	93 042	_	_		
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 Fair value loss on investment net of	-	457 171	1 240 627	-	_	_	
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	(6 640 700)	(10 284 764)	(12 150 763)	3 828 280	(171 200)	(3 603 855)	
Profit or loss attributable to:	(0 040 700)	(10 284 764)	(12 130 763)	3 828 280	(171 390)	(3 603 633)	
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:	/·	(4.000.470)	(0.0.40.0.57)		(4=4,000)	(0.400.055)	
Owners of the parent Non-controlling interest	(1 306 081) (5 334 707)	(4 329 473) (5 955 291)	(2 348 367) (9 802 396)	3 828 280	(171 390)	(3 603 855)	
Total comprehensive income/(loss)	(3 334 101)	(5 555 251)	(2 002 320)				
for the year		(10 284 764)	(12 150 763)	3 828 280	(171 390)	(3 603 855)	
Summary Statements of Changes in	Equity						
		Consolidated	1		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	
		134 237 340	134 237 340		119 046 262		
As at the beginning of the period Profit/(loss) for the year	128 009 610 14 290 785	5 079 647	(18 609 308)	3 828 280	(171 390)	(3 603 855)	
Total other comprehensive income		(15 364 411)	6 458 545	-	-	_	

NOTES TO THE FINANCIAL STATEMENTS

1 Investment in subsidiary companies

Other transactions with owner

As at the end of the period

At the end of the reporting year, the Company's portfolio of investments in subsidiary companies comprised:

			Holdi	ing %	U	S\$
	Nature of	Type of	June	December	June	December
	Business	Investment	2020	2019	2020	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

(609 232) 1 176 187

121 364 709 123 343 344 128 009 610 119 270 687 118 874 872 115 442 407

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.

NOTES TO THE FINANCIAL STATEMENTS

2 IAS 29 – Financial Reporting in Hyperinflationary Economies

During 2019, the Zimbabwe economy had been deemed to be hyperinflationary and we applied IAS 29 – Financial Reporting in Hyperinflationary Economies, at Group level for the December 2019. This situation continues this year; hence the 2020 financial statements of Afcarme Zimbabwe Holdings have been adjusted to reflect the impact of inflation in its functional currency, the Zimbabwe dollar, prior to translation to the US dollar for Group consolidation. The general price index used was the Zimbabwe CPI which increased by 162% over the period to June 2020. In the same period, the Zimbabwe dollar exchange rate to US\$ moved from 16.77 to 63.74, an increase of 280%.

3 Property investments

5 Troperty investments							
	Investmen	t Property	Property and	d equipment	Investm	ent in JV	
US\$	6 months to 30-Jun-20 Unaudited	30-Jun-19 Unaudited		30-Jun-19 Unaudited		30-Jun-19	
Balance at beginning of	f						
period	5 441 927	6 545 861	74 722 022	71 305 151	14 456 649	_	
Additions	_	_	1 101 657	2 849 167	_	_	
Reclassification	_	_	15 601	_	_	_	
Effect of changes in exchange rate and	/	(4 500 50 4)	((, , , , , , , , , , , , , , , , , , ,	(400040)	
hyperinflation	(1 591 211)	(1 599 706)	(11 900 516)	208 237	(4 490 413)	(100 810	
Fair value gain/ (impairment loss)	974 276	872 151	3 480 534	_	2 048 216	_	
Disposals	_	_	(137 729)	(25 255)	_	_	
Transfers	_	_	2 208 510	(1 536 267)	-	14 929 959	
Total cost/valuation Accumulated	4 824 992	5 818 306	69 490 079	72 801 033	12 014 452	14 829 149	
depreciation/ amortisation	_	_	(20 912 331)	(15 703 898)	-	_	
Carrying amount at ending of period	4 824 992	5 818 306	48 577 748	57 097 135	12 014 452	14 829 149	

4 Balances due to other banks

us\$	6 months to 30-Jun-20 Unaudited	30-Jun-19 Unaudited	12 months to 31-Dec-19 Audited
nter bank borrowings	52 266 951	46 217 162	53 512 694
Currency swaps	132 529 932	37 110 210	67 071 019
European Investment Bank (EIB)	2 432 716	4 129 863	3 269 579
FMO Line of Credit	20 059 059	-	20 079 334
	207 288 658	87 457 235	143 932 626

The increase in currency swap liabilities arose from First Capital Bank Malawi contracts with the Reserve Bank of Malawi as the counterparty. In addition, currency swaps in First Capital Bank Botswana were entered into with ABSA Botswana. The corresponding assets to these liabilities are disclosed as repurchase agreements in the Statement of financial position. On the maturity dates of the contracts, FCB Malawi and FCB Botswana and the contract counterparties will settle the liabilities and the corresponding assets.

The EIB and FMO facilities were provided to subsidiaries of the Group for the purpose of on lending to banking customers. The EIB facilities are repayable in equal bi-annual instalments ending June 2022. In addition, the FMO facilities are repayable in equal quarterly instalments from March 2021 to December 2023.

Balances due to other banks are stated at amortised cost. Inter bank borrowings are availed to assist in the management of day to day liquidity of Group banks and are short term in nature.

5 Subordinated debt

US\$	6 months to 30-Jun-20 Unaudited	30-Jun-19 Unaudited	12 months to 31-Dec-19 Audited
Notes issued by FCB Malawi	-	9 060 491	9 488 993
Notes issued by FCB Botswana	15 522 459	17 217 240	17 110 034
Total notes in issue	15 522 459	26 277 731	26 599 027

The subordinated debt notes constitute direct, subordinated and unsecured obligations as follows:

- a) In 2019, FCB Botswana received additional capital in the form of subordinated debt of P104 million (US\$ 9.8 million) which qualified as Tier II capital maturing on 31 May 2029. The bank has an early optional redemption date of 30 April 2024 subject to prior consent from the Bank of Botswana.
- b) On 1 July 2018, FCB Botswana issued P33 million (US\$ 3 085 496) notes maturing on 25 January 2028. The bank has an early optional redemption date of 25 January 2023 subject to prior written consent from Bank of Botswana.
- In 2017, FCB Botswana issued P30 million (US\$ 3 038 958) notes maturing on 18 January 2022 FCB Malawi fully settled the subordinated debt of US\$ 9 488 993.
- d) During the same year 2017, FCB Botswana also issued P15 million (US\$ 1 519 479) notes maturing on 1 July 2027 and. FCB Botswana also has an early optional redemption date of 18 January 2022 subject to prior written consent from the Bank of Botswana.

6 Loans Payable

JS\$	6 months to 30-Jun-20 Unaudited	30-Jun-19 Unaudited	12 months to 31-Dec-19 Audited
Related parties	6 500 000	6 500 000	6 500 000
Other lenders	8 570 008	_	9 450 009
	15 070 008	6 500 000	15 950 009

Related party loans are unsecured and repayable in full in 2023. Interest on loans from other lenders is payable annually.