ZB FINANCIAL HOLDINGS

ANNUAL REPORT 2021

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CORPORATE INFORMATION

ZB FINANCIAL HOLDINGS LIMITED
Registered Office
21 Natal Road
Avondale
Harare
Telephone: +263 (0) 867 700 2001
E-mail: zb@zb.co.zw
Facsimile: +263 (242) 251029
Web address: www.zb.co.zw

Company Registration Number
1278/89

Date of Incorporation
29 May 1989

Group Company Secretary
Mr. T. F. A. Masiiwa

External Auditors
KPMG Zimbabwe
Mutual Gardens
100 The Chase (West)
Emerald Hill
P O Box 6 Harare
Zimbabwe
Tel: +263 (242) 303700, 302600
Fax: +263 (242) 303699
Website: www.kpmg.com

Board of Directors
Mrs. P. Chiromo (Chairman)
Mr. S. T. Fungura (Group Chief Executive)
Mrs. E. N. Mungoni (Group Finance Director)
Mrs. A. Makamure
Ms. T. Sibanda
Mr. K. Maukazuva
Mr. J. Mutevedzi
Mr. P. M. V. Wood
Mr. L. Zembe
Mr. S. Dimairho

PURPOSE, VISION, MISSION AND VALUES

Our Purpose

- Improving people's lives through sustainable and innovative financial solutions.

Our Vision

- To be a globally acclaimed provider of total financial solutions firmly rooted in Zimbabwe.

Our Mission

- Our unmatched talent will deliver superior value to our stakeholders with commitment and a passion to serve.

Our Core Values

- Accountability
- Empathy
- Excellence
- Innovation
- Integrity

Notice to Shareholders

NOTICE IS HEREBY GIVEN THAT the 33rd Annual General Meeting of the shareholders of ZB Financial Holdings Limited will be held virtually via the Zoom Communication application, on Friday 24 June 2022, commencing at 1030 hours to transact the following business:

ORDINARY BUSINESS

1. Financial Statements and Statutory Reports

To receive, consider, and adopt, if appropriate, the financial statements, and the reports of the Directors and Auditors for the year ended 31 December 2021.

2. Dividend

To confirm the final dividend of ZW144.93 cents per Ordinary Share as recommended by the Board.

3. Directorate

i) In terms of Article 68 of the Company's Articles of Association, Messers Agnes Makamure, Thenjiwe Sibanda and Kangai Maukazuva retire by rotation and are eligible for re-election.

ii) Messrs Peter Michael Victor Wood, Luxon Zembe and Samuelle Dimairho, who were appointed to the Board after the last Annual General Meeting of the Company, retire at the end of the meeting in terms of Article 62 of the Company's Articles of Association. Being eligible, they also offer themselves for re-election.

4. Remuneration of Directors

To approve the remuneration of Directors for the past financial year.

(NOTE: In terms of Section 3 of Practice Note 4 issued by the ZSE on the 17th of January 2020, the Director's Remuneration Report shall be available for inspection by members at the registered office of the Company).

Notice to Shareholders (continued)

5. External Auditors

5.1 To approve the remuneration to KPMG Chartered Accountants (Zimbabwe), the Company's Auditor for the past financial year's audit, in terms of Article 112 of the Articles of the Company.

5.2 To appoint auditors for the ensuing year until the conclusion of the next Annual General Meeting. KPMG Chartered Accountants (Zimbabwe), the current auditors of the Company have indicated their willingness to continue as auditors of the Company. KPMG Chartered Accountants (Zimbabwe) have served as auditors of the Company for two (2) financial periods.

6. Any Other Business

To transact any other business as may be transacted at an Annual General Meeting.

Notes

i. Appointment of Proxy

In terms of the Companies and Other Business Entities Act (Chapter 24:31), a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote and speak in his/her stead.

The proxy form must be delivered at the registered office of the Company not less than 48 hours before the meeting is scheduled to commence.

A proxy need not be a member of the Company.

ii. General Information

a) The minutes of the last Annual General Meeting held on 30 July 2021 are available for inspection at the Company's registered office.

b) Electronic copies of the Company's 2021 Annual Report comprising of the Directors Report, the Independent Auditor's Report and the consolidated and separate Company's financial statements for the year ended 31 December 2021, can be accessed on the Company's website https://www.zb.co.zw/investor-updates/. Copies have been emailed to shareholders whose e-mail addresses are on record.

c) Physical attendance at the meeting may be difficult for some members due to the need to observe social distancing rules. The Company will therefore facilitate electronic participation at the meeting for any such affected members, subject to that any voting for such member must be in the form of a duly executed form of proxy to be received by the company in the manner prescribed under the "Appointment of Proxy" section above.

Notice to Shareholders (continued)

Members requiring log in credentials or any other assistance with regards to electronic participation should contact ZB Transfer Secretaries on **+263-08677002001** or **+263-242 2934 585.** In the alternative, e-mails can be sent to Robert Mutakwa (rmutakwa@zb.co.zw) or Samuel Chatitima (schatitima@zb.co.zw) or transfersecretaries@zb.co.zw.

By order of the Board

T. F. A. MASIIWA
Group Company Secretary
01 June 2022
First Floor, 21 Natal Road
Avondale
HARARE

Shareholder Information

ANALYSIS OF SHAREHOLDERS as at 31 December 2021

Size of Shareholding	Number of Shareholders	% Holding	Number of Shares	% of Total Shares
1 - 500	281	19.68	57 065	0.0326
501 - 1 000	463	32.42	265 582	0.1516
1 001 - 10 000	372	26.05	1 539 256	0.8786
10 001 - 20 000	202	14.15	2 820 616	1.6100
20 001 - 50 000	68	4.76	1 783 206	1.0179
50 001 - 100 000	7	0.49	477 689	0.2727
100 001 - 500 000	17	1.19	3 046 706	1.7391
500 001 - 10 000 000	15	1.05	46 884 250	26.7618
10 000 001 - 10 000 000 000	3	0.21	118 316 272	67.5357
Totals	1 428	100	175 190 642	100.00

ANALYSIS BY CATEGORY

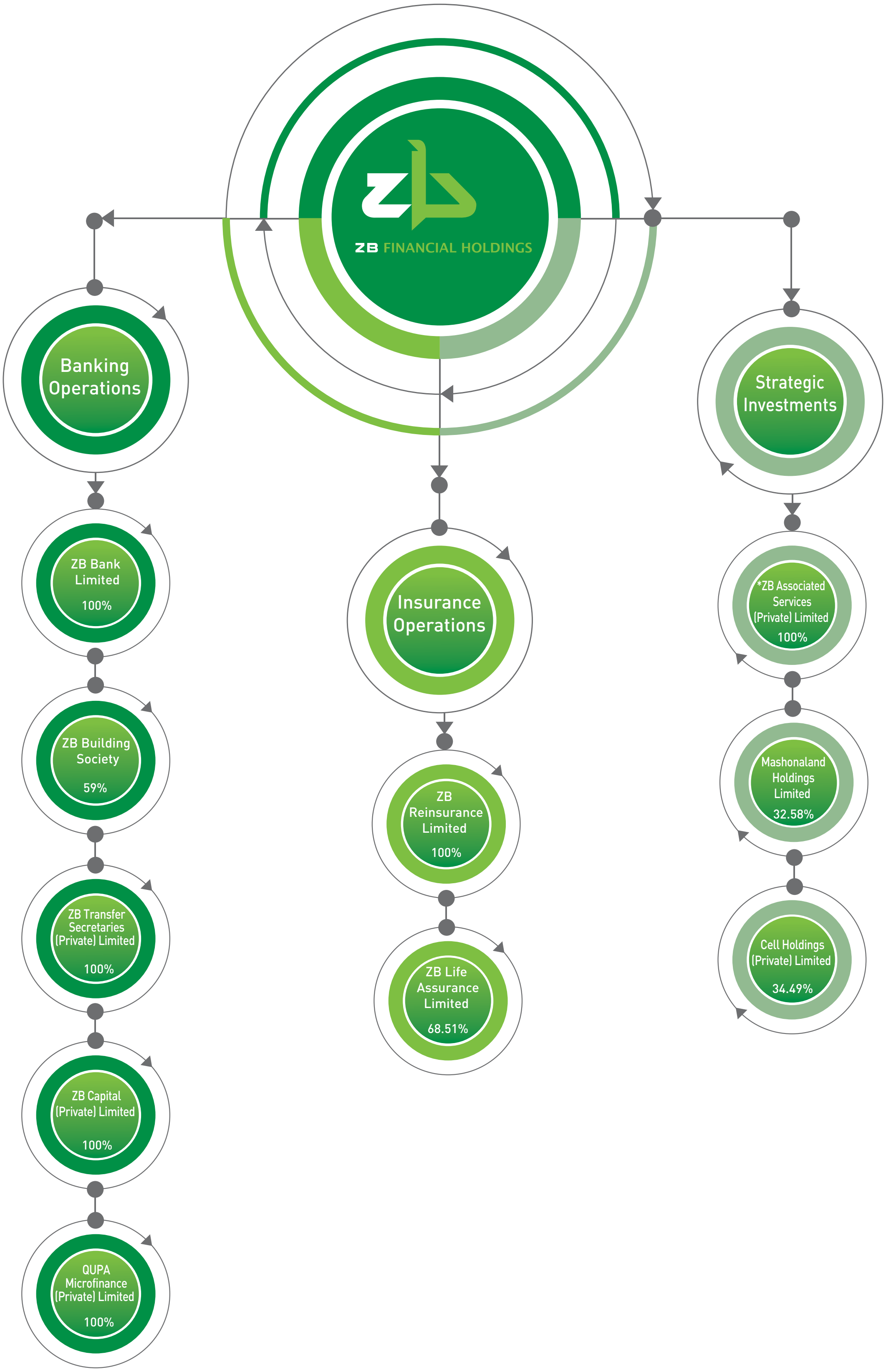
Category	Number of Shareholders	% Holding	Number of Shares	% of Total Shares
CHARITABLE AND TRUSTS	3	0.21	5 282 968	3.02
COMPANIES	129	5.61	90 800 947	51.52
FOREIGN CURRENCY DENOMINATED ACCOUNTS RESIDENT AND NEW NON-RESIDENT	21	1.18	71 997	0.04
INDIVIDUALS	1 201	59.76	6 461 751	2.69
INSURANCE COMPANIES	3	0.21	140 233	0.08
INVESTMENT, TRUST AND PROPERTY COMPANIES	11	0.76	66 805	0.04
NOMINEE COMPANIES	27	2.63	69 554 500	39.70
PENSION FUNDS	33	2.56	2 811 441	1.60
TOTAL	1 428	100.00	175 190 642	100.00

TOP ELEVEN SHAREHOLDERS as at 31 December 2021

Holder Number	Holder Name	Total Holding	Percentage of total issued shares
422401	DATVEST NOMINEES (PRIVATE) LIMITED	59 569 800	34.00
958071	TRANSNATIONAL HOLDINGS LIMITED	41 078 732	23.45
949635	ZB FINANCIAL HOLDINGS LIMITED	17 667 740	10.08
960020	QUANTAFRICA WEALTH MANAGEMENT	7 287 064	4.16
959939	QUANTAFRICA WEALTH MANAGEMENT	6 963 790	3.97
670139	MASHONALAND HOLDINGS LIMITED	5 281 975	3.01
6438	FINHOLD GROUP STAFF TRUST	5 273 438	3.01
957423	OLD MUTUAL LIFE ASSURANCE OF ZIMBABWE LIMITED	5 263 091	3.00
955257	PIM NOMINEES (PRIVATE) LIMITED	5 135 282	2.93
959840	GENESIS ENVIRO SOLUTIONS	2 720 614	1.55
961066	AKRIBOS WEALTH MANAGERS NOMINEES	2 027 400	1.16
	TOTAL HOLDING OF TOP SHAREHOLDERS	158 268 926	90.34
	REMAINING HOLDING	16 921 716	9.66
	TOTAL ISSUED SHARES	175 190 642	100

Group Corporate Structure

The Group's business focus areas and significant entities operating thereunder are as follows:-



*ZB Associated Services is a discontinued operation.

Company and Product Profile

ZB Financial Holdings Limited (ZBFH)

ZB Financial Holdings Limited was incorporated in May 1989, as the holding company for a group of companies providing commercial banking, merchant banking and other financial services since 1951.

The business of, products and services offered by its key operating subsidiaries are described below:

ZB Bank Limited (ZB Bank)

ZB Bank is the flagship operation of ZBFH. Banking operations commenced in 1951 when the Netherlands Bank of South Africa opened a branch in then Salisbury, now Harare. These operations, which were sold to the Netherlands Bank of Rhodesia in August of 1967, maintained a steady growth through acquisitions and expansion of operations. The Company changed its name to Rhodesia Banking Corporation Limited in 1972 and then Rhobank in 1979. After the acquisition of a majority shareholding in the Company by the Government of Zimbabwe in 1981 the Company changed its name to Zimbabwe Banking Corporation Limited. The Bank became a subsidiary of Zimbabwe Financial Holdings Limited (FINHOLD) in 1992 following a restructuring of operations in which non-banking operations were removed from the Bank. The Bank was renamed ZB Bank Limited in 2006 following the adoption of a monolithic brand by the Group. The Bank provides the following banking services:

Products and Services

Retail Banking
- Savings accounts
- Current accounts
- Call banking
- Bancassurance
- Personal loans
- Mortgage loans, and
- Home improvement loans
- Diaspora banking
- Agents banking

Micro-banking
- Micro business loans
- Savings accounts
- Advisory

Electronic Banking
- Internet banking
- Mobile banking
- Automated teller machines (ATMs)
- Point of Sale (POS) machines

Corporate Banking
- Agricultural financing
- Term loans
- Overdrafts
- Advisory services
- Corporate savings accounts
- Corporate current accounts
- Asset finance
- Premium finance
- Corporate mortgages

Treasury and Investments
- Fixed deposits
- Treasury bills
- Bankers acceptances
- Savings deposit account
- Foreign currency accounts
- Structured facilities
- Investments advisory services
- Project finance

International Banking
- Correspondent banking
- Commodity finance
- Import and export finance
- Exchange control and advisory services
- Clean documentary collections
- Documentary letters of credit
- Foreign lines of credit

Company and Product Profile (continued)

ZB Building Society (ZBBS)

ZB Building Society was incorporated in Rhodesia (Zimbabwe) as Founders Building Society and received its trading licence in 1961. The Society changed its name to Intermarket Building Society and later to ZB Building Society, following the acquisition of a majority shareholding in Intermarket Holdings Limited (IHL) by ZBFH.

The main business of the Society is the mobilization of deposits from which it makes advances to the public and corporate bodies on the security of mortgages over immovable property, and loans to public and corporate bodies on the security of their deposits with the Society.

Products and Services

Savings products

- Cash connect plus
- Cash link accounts
- Senior citizens
- Student accounts
- Cash connect
- Club account corporate accounts
- Savings accounts
- FX target accounts
- Funeral cover

Investments Products

- Negotiable certificates of deposit
- Savings certificate of deposit
- Treasury bills
- Paid up permanent shares

Mortgage Products

- Flexi mortgages plan
- Flexi corporate plan
- Individual mortgage plan
- Corporate mortgage plan

ZB Capital (Private) Limited (ZB Capital)

ZB Capital (Private) Limited specialises in venture capital finance, corporate finance and advisory services.

The Corporate Finance & Advisory Services unit provides transaction evaluation, financing and deal management advice to private and public companies. The unit offers a considerable range of corporate finance services namely:

- Floatations and public offerings;
- Acquisitions and disposals;
- Takeovers and mergers;
- Capital raisings (both local and International);
- Research;
- Business proposal construction;
- Privatisation/ commercialisation advice;
- Rights offer and placements;
- Joint ventures;
- Management buy-outs;
- Valuations and appraisals;
- Private and public partnerships; and
- Project finance and management

ZB Life Assurance Limited (ZB Life)

ZB Life Assurance Limited, then known as Southampton Insurance Company Limited, commenced operations in 1964 as a subsidiary of The African Life Assurance Society. After several reorganisations the Company became wholly owned by Southern Life Association of South Africa in 1985. In line with the local majority shareholding requirement of the Insurance Act, Southern Life reduced its stake in the Company to 49% in 1994. On 1 May 1998 Southern Life's remaining stake was sold to Intermarket Holdings Limited ("IHL") who became the major shareholder in the Company with a shareholding of 57%. In April 2002, the Company changed its name to Intermarket Life Assurance Limited.

After the acquisition of a majority shareholding in IHL by ZBFH, Intermarket Life Assurance Limited changed its name to ZB Life Assurance Limited on 1 July 2007.

ZB Life Assurance Limited specializes in mobilizing financial resources and managing the process of wealth creation and protection through life assurance solutions.

ZB Life has two major product lines namely the Individual Life Business and the Employee Benefits Business, which comprises Defined Benefit and Defined Contribution Schemes.

Company and Product Profile (continued)

Individual Life Products

- Whole life policies
- Unit linked endowment policies
- Unit linked retirement annuity policies
- Variable immediate annuities
- With profits immediate annuities
- Term assurances
- Capital disability benefits
- Funeral assurance plans
- Hospital cash plan

Employee Benefits Products

ZB Life provides a unique offering in retirement benefits, through designing and managing:

- Employer sponsored occupational pension arrangements covering defined benefit and defined contribution plans as well as hybrids of the two.
- Group insured benefits schemes from group life assurance, group mortgage protection, group credit life assurance solutions right through to group funeral assurance plans.

Consultancy Services

ZB Life Assurance also offers solutions to a whole range of challenges relating to the provision of employee benefits. These include benefits design together with the impact of legislative, demographic as well as economic changes and other relevant social trends on the provision of employee benefits.

Consultancy service areas include

- Administration or secretarial
- Actuarial
- Insured risk benefits underwriting
- Investment

ZB Reinsurance Limited (ZBRe)

ZB Reinsurance Limited is the re-insurance arm of ZBFH, offering a diverse range of re-insurance services.

Established as Intermarket Reinsurance Limited in a joint venture between Hollandia Reinsurance of South Africa and Intermarket Holdings Limited in 1997, the company was renamed ZB Reinsurance subsequent to the acquisition of a majority shareholding in IHL by ZB Financial Holdings Group (ZBFH) in 2006.

ZBRe provides facultative and treaty reinsurance solutions and financial security to local and regional insurance companies, reinsurers, medical aid societies and special type clients/consortiums. It offers risk management solutions and technical reinsurance training to its clients.

ZBRe has over the years cultivated lasting partnerships with renowned insurance and reinsurance companies both regionally and internationally, with the view to ultimately entrenching a regional presence.

Products

ZB Reinsurance is active in the provision of both treaty and facultative business for the following classes:

- Fire
  This covers fire and allied perils, including business interruption insurance cover.
- Engineering
  Includes machinery breakdown, contractors all risks, electronic equipment, plant all risks, erection all risks as well as loss of profits.
- Motor
  This includes comprehensive cover and Third Party Insurance cover for personal and commercial lines.
- Marine
  This covers marine risks, both the hull and cargo including liabilities.
- Miscellaneous accident
- Fidelity guarantee
- Bonds and Guarantees
- Glass, money and casualty business, including liabilities and personal accident.

ZB Transfer Secretaries (Private) Limited (ZBTS)

ZB Transfer Secretaries (Private) Limited is a wholly owned subsidiary of ZBFH incorporated on 31 December 2010 and provides services listed below:

- Scrip management
- Transfer secretarial services

ZB Associated Services (Private) Limited (ZBAS)*

This entity provided a wide range of security services to the Group and non - Group customers. The company's operations were affected by the cash heist that took place in January of 2021 which involved cash in transit for ZB Bank Limited. Upon preliminary reports, ZB Financial Holdings made a resolution to wind-up the operation of ZB Associated services on 13 December 2021. The entity was incorporated on 17 December 2009 and is 100% owned by ZBFH. Its services included:

- Cash in transit (CIT) services
- Guard services
- Investigations
- Security advisory services

*ZB Associated Services (Private) Limited is a discontinued operation.

Company and Product Profile (continued)

Qupa Microfinance

Qupa Microfinance is a newly established, wholly owned subsidiary of ZBFH, it was licensed by the Reserve Bank of Zimbabwe on 3 December 2020. It is a registered credit-only Micro Finance Institution. Its focus area is to cater for the financial inclusion of the unbanked market segments. It provides micro consumer loans, small to medium size enterprises (SMEs) business loans as well as advisory services to its customers.

Associate Companies

Mashonaland Holdings Limited (Mash)

Mash is a listed company in which the Group has significant influence through a 32.58% shareholding, with 27.8% being held primarily through the life fund policyholders and the life assurance subsidiary's own proprietary book, with the remaining 4.87% portion of the shareholding held through the holding company. Mash was incorporated in 1966 and its services include:-

- Property research and development:-
  The company has undertaken landmark developments which include significant residential, commercial and industrial projects.

- Property management:-
  The company is involved in the letting and maintenance of an owned portfolio of rental units.

Cell Holdings (Private) Limited (Cell)

ZBFH has significant influence in Cell, through a 34.49% stake, having become an equity partner in the business in 2007. Cell is a provider of short term insurance products specialising in the rent- a-cell concept.

Cell is also the technical partner to ZB Bank for the bancassurance products offered to customers through the bank's branch network.

Products

- Cell captive (Rent-a-Cell)
- Enterprise wide risk management
- Bancassurance
- Conventional short term insurance products
- Medical aid funds
- Medical services

Corporate Evolution Ladder

2020

Qupa Micro-Finance

ZBFH invested in a credit only Microfinance unit.

2009

ZB Associated Services (Private) Limited

ZBFH invested in a security services company. This operation was discontinued in 2021.

2008

ZB Securities (Private) Limited

Formed ZB Securities Limited, a stockbroking company active on the Zimbabwe Stock Exchange. This operation was discontinued in 2014.

2007

Cell Insurance

Acquisition of an associate interest (32%) in Cell Insurance Company (Cell) was completed. Cell is involved in the provision of short term insurance solutions, medical fund management and provision of medical services.

2007

Acquisition of a controlling interest in Intermarket Holdings Limited (IHL) (84.26%) was completed. IHL subsidiaries are involved in banking, life assurance, reinsurance and property management businesses.

2006

FINHOLD was renamed ZB Financial Holdings Limited with the objective of bringing all Group operations under one brand.

2004

SYFAM

Syfrets Asset Management Company (now ZB Asset Management) was formed to carry out fund management services in terms of the regulatory requirements. Operations were discontinued in 2014.

1996

Sybank

Sybank was merged into Zimbank

1990

CONTINENTAL CAPITAL (PRIVATE) LIMITED

Continental Capital (Private) Limited (now ZB Capital) was formed in order to carry out venture capital activities for the Group.

Corporate Evolution Ladder (continued)

1989

FINHOLD
ZIMBABWE FINANCIAL HOLDINGS LIMITED

Zimbabwe Financial Holdings Limited (FINHOLD) was formed with the objective of bringing all subsidiary and associate companies under one Holding Company. This was executed in December of 1992. Zimbank was made a subsidiary of FINHOLD.

1981

Zimbank

The Government acquired a 61% shareholding and the Company changed its name to Zimbabwe Banking Corporation Limited (Zimbank).

1979

RHOBANK

Company changed name to Rhobank

1974

SYFRETS TRUST &
EXECUTOR LIMITED

Acquired the entire shareholding of Syfrets Trust & Executor Limited

1972

RHODESIAN BANKING
CORPORATION LIMITED

Company changed name to Rhodesian Banking Corporation Limited

1970

ALEXANDERFORBES

Company acquired interests in Willis Faber Syfrets (now Alexander Forbes Zimbabwe), a firm of local insurance brokers. Shareholding in Alexander Forbes was disposed of in 2014.

1967

Scotfin

Netherlands Bank of Rhodesia Limited incorporated and took over Rhodesian operations of Netherlands Bank of South Africa. Acquired the entire issued capital of Scottish Rhodesian Finance Limited (later known as Scotfin). Neficrho Limited (later known as Sybank), another wholly owned subsidiary was registered as a financial institution. Company obtained listing on the Rhodesia Stock Exchange.

1951

NETHERLANDS BANK
OF SOUTH AFRICA

Foreign branch of Netherlands Bank of South Africa was opened in Salisbury (now Harare).

Corporate Governance Report

ZBFH is listed on the Zimbabwe Stock Exchange (ZSE). The Group operates in several regulated sectors and is committed to complying with legislation, regulations and codes of best practice by seeking to maintain the highest standard of corporate governance, including transparency and accountability in all aspects of its operations. The establishment of subsidiaries within the Group, is carefully managed to ensure compliance with best practices recommended by the King IV Report on Corporate Governance of South Africa and the National Code on Corporate Governance Zimbabwe.

The Board of Directors of ZBFH is responsible for the overall corporate governance of the Company and its subsidiaries. The Group also complies with the Continuing Listing Requirements of the ZSE, the Companies and Other Business Entities Act [Chapter 24:31], the Banking Act [Chapter 24:20], the Building Societies Act [Chapter 24:02], the Insurance Act [Chapter 24:07], the Securities and Exchange Act [Chapter 24:25], the Microfinance Act [Chapter 24:29], and any regulations made under these acts, general laws governing trade in Zimbabwe and the provisions of its own Memorandum and Articles of Association.

In order to align with the developments presented by the enactment of the Companies and Other Business Entities Act [Chapter 24:31] (COBE Act), the Company undertook, in the prior year, a process to review its Articles and Memorandum of Association as well as those of its subsidiaries. The revised constitutional documents were tabled at the 2020 Annual General Meeting (AGM) and were approved. The constitutional documents have been lodged with the Registrar of Companies for registration.

THE BOARD OF DIRECTORS

The Composition of the Board

The Board of Directors comprises two executive directors and eight Non-Executive Directors. Six of the eight Non-Executive Directors are independent. The Board Chairman is a Non-Executive Director.

The following were the directors of the company as at 31 December 2021:

NAME OF DIRECTOR	DATE OF APPOINTMENT
Mrs Pamela Chiromo (Chairman)	04 August 2017
Mr Jacob Mutevedzi	04 August 2017
Mrs Agnes Makamure	01 March 2019
Mr Kangai Maukazuva	01 March 2019
Ms Thenjiwe Sibanda	01 March 2019
Mr Shepherd T. Fungura (Group Chief Executive)	01 August 2021
Mr Peter M. V. Wood	23 September 2021
Mr Luxon Zembe	27 September 2021
Mr Samuelle Dimairho	27 September 2021
Mrs Emmah N. Mungoni (Group Finance Director)	01 January 2022

Corporate Governance Report (continued)

Messrs Sydney Bvurere and Olatunde Akerele resigned from the Board on 3 May 2021 and Mr Ronald Mutandagayi resigned as Group Chief Executive from the Board and the Company on 31 May 2021.

Mr Peter B Nyoni and Alexio Z Mangwiro resigned from the Board on 16 July 2021 and 28 July 2021, respectively.

Mr Shepherd Fungura was appointed on 1 August 2021 as the substantive Group Chief Executive Officer.

Mr Fanuel Kapanje, the former Group Finance Director, resigned from the Board and the Company with effect from 30 November 2021. Mrs Emmah N. Mungoni was appointed on 1 January 2022 as the substantive Group Finance Director.

The Group's Non-Executive Directors are appointed on the basis of their different skills and expertise to enable them to exercise independent competent judgment on the issues affecting the Group from time to time.

2021 saw the appointment of new Non-Executive Directors to the ZBFH Board namely:

i.	Peter Victor Michael Wood	23 September 2021
ii.	Luxon Zembe	29 September 2021
iii.	Samuel Dimairho	29 September 2021

The Group's operations are controlled by the Group Executive Committee, the Group Chief Executive, the Managing Directors of subsidiary companies and the respective company executive officers who are accountable, through regular reports, to the Board.

Board meetings

The Board schedules quarterly meetings during the year. Additional meetings may be held where necessary.

The Board's Role and Responsibilities

The Company has a Board Charter which governs the Board's roles and responsibilities. The Charter includes the following as part of the Board's broad mandate:

a. Setting the strategic direction of ZBFH and monitoring the implementation of that strategy by ZBFH's management;
b. Oversight of the Group, including its control and accountability systems;
c. Appointing and removing the Group Chief Executive Officer;
d. Board and Executive Management development and succession planning;
e. Monitoring compliance with all relevant legal, tax and regulatory obligations; and
f. Reviewing and monitoring systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure and other significant corporate policies.

Appointment and Induction of Directors

The appointment of Directors is made in terms of a formal and transparent process. The Board Nominations Committee is tasked with ensuring that the appointment of the Directors is in line with the needs of the business. New Directors go through an induction process that focuses on their duties and responsibilities to the Company and its stakeholders. The Directors are informed of any new relevant legislation and changing commercial risks that affect the Company.

Directors are aware that they are entitled to seek independent professional advice, where necessary and at the Company's expense, on the affairs of the Company in the furtherance of their duties. All directors have access to the Company secretary who is responsible to the Board as a whole for ensuring Company compliance with procedures and applicable statutes and regulations.

Corporate Governance Report (continued)

Board evaluation

The Board introduced a self-assessment evaluation in the last quarter of 2020 and this is expected to become an annual assessment going forward. The results are used to improve Board processes and effectiveness.

Board Committees

The Board's focus is on superintending over issues affecting the Group and formulating a strategy for the Group as a whole. In order to assist it in carrying out its mandate, the Board has the following standing Committees:

i. The Audit Committee;
ii. The Information Technology Committee;
iii. The Human Resources and Remuneration Committee;
iv. The Nominations Committee;
v. The Governance Risk and Compliance Committee;
vi. The Strategy Committee; and
vii The Marketing Committee.

The Board has a full complement of Directors to constitute separate committees. The Board Committees have clearly defined and written terms of reference setting out their roles, functions and responsibilities.

The Audit Committee

The Committee comprises four Non-Executive Directors. Its terms of reference include:

a. To review the quality of financial information, interim and financial statements, and other public and regulatory reporting of the Group;
b. To review the annual report and accounts of the Group, to ensure that they present a balanced and understandable assessment of the position, performance and prospects of the Group;
c. To review the external auditor's proposed audit report;
d. To review the results of work performed by the internal audit function in relation to financial reporting, corporate governance, internal control, and any significant investigations and management responses; and
e. To review the co-ordination between the internal audit function and the external auditor and to deal with any issues of material or significant concern.

The Information Technology (IT) Committee

The Committee comprises four Non-Executive Directors. Its terms of reference include:

a. To review and approve Group IT policies with the ultimate objective of achieving an efficient use of IT resources available within the Group; and
b. To endeavour to develop ideas on a regular basis to achieve cost reduction on the use of IT products and processes while also ensuring compliance with safe and reliable standards.

The Human Resources and Remuneration Committee

The Committee comprises four Non-Executive Directors. Its terms of reference include:

a. To review and determine on a regular basis remuneration policies and conditions of service for employees of the Group;
b. To monitor adherence to approved Human Resources policies of the Group;
c. To determine the remuneration levels and conditions of service of all employees falling under the executive grade of the Group;
d. To receive for consideration and approval if deemed appropriate, proposals of reviews of salaries and conditions of services for employees of the Group; and
e. To receive information from management on a regular basis on the prevailing salaries and conditions of service of employees in the financial services sector generally, for purposes of comparison with the Group's own salaries and conditions of service.

Corporate Governance Report (continued)

The Nominations Committee

The Committee comprises four Non-Executive Directors. Its terms of reference include:

a. To lead the process of identifying, assessing, and recommending to the Board, candidates for appointment as directors of the Company;
b. To review on a regular basis, and to make recommendations to the Board, any changes on the membership of Board committees; and
c. To review at least once a year, the structure, the size and the composition of the Board and the skills available to the Board, and to make recommendations on any changes, or additions to the Board, which in the Committee's view may be necessary to enhance the Board's effectiveness.

The Governance, Risk and Compliance Management Committee

The Committee comprises four Non-Executive Directors. Its terms of reference include:

a. To review the adequacy and overall effectiveness of the business Units risk management functions and their performance, and reports on internal control and any recommendations;
b. To review the adequacy of insurance coverage for Group assets;
c. To review risk identification and measurement methodologies; and
d. To review the effectiveness of ZBFH's implementation of its risk management system and internal control framework.

The Strategy Committee

The Committee comprises four Non-Executive Directors. Its terms of reference include:

a. To consider and review on an on-going basis the Group's capital structure and funding;
b. To review on an on-going basis the Group's capital management plan;
c. To approve the strategy and objectives of the Group;
d. To monitor on a regular basis the performance of all business units of the Group against the agreed strategy and set objectives; and
e. To monitor the state of the relationship between the Group and its various stakeholders.

The Marketing Committee

The Committee comprises four Non-Executive Directors. Its terms of reference include:

a. To give policy direction, guidance and counsel on ZBFH Group's overall marketing strategy with an emphasis on brand visibility and reputation, innovation and new product development, product profitability and pricing, as well as channel management initiatives;
b. To approve the marketing plans and thereafter monitor adherence to the approved marketing plans by all Group companies;
c. To review and approve submissions from management on the annual strategic marketing plan objectives, marketing strategies and the marketing budget; and
d. Ensure compliance with the ZB Financial Holdings Limited brand standards and style guides on the management and promotion of the Group's identity, image and personality.

Corporate Governance Report (continued)

BOARD ATTENDANCE DURING THE YEAR

ENTITY TOTAL MEETINGS	ZBFH 7	ZBBL 5	ZBBS 5	ZBRE 4	ZBLA 5
P CHIROMO	7	X	X	X	X
J MUTEVEDZI	7	X	X	X	X
T SIBANDA	6	X	X	X	X
A MAKAMURE	6	X	X	X	X
K MAUKAZUVA	7	X	X	X	X
**********S FUNGURA	2	1	X	1	X
***********E N MUNGONI	X	X	X	X	X
*******L ZEMBE	1	X	X	X	X
*********P M V WOOD	1	X	X	X	X
********S DIMAIRHO	1	X	X	X	X
S A SIBANDA	X	5	X	X	X
P M MATUPIRE	X	5	X	X	X
C MANDIZVIDZA	X	5	X	X	X
G N MAHLANGU	X	5	X	X	X
G CHIKOMO	X	5	X	X	X
F NYAMBIRI	X	5	X	X	X
K J LANGLEY	X	5	X	X	X
P MURENA	X	4	X	X	X
E MASINIRE	X	5	X	X	X
O MANDIMIKA	X	X	5	X	X
S K CHIGANZE	X	X	5	X	X
T KAPUMHA	X	X	5	X	X
J KATSIDZIRA	X	X	5	X	X
F B CHIRIMUUTA	X	X	X	4	X
B SHUMBA	X	X	X	4	X
P MURAMBINDA (MRS)	X	X	X	4	X
A NYAKONDA	X	X	X	4	X
M SHONIWA	X	X	X	4	X
C MASIMBE	X	X	X	4	X
E T Z CHIDZONGA	X	X	X	X	4
L MAWIRE (MRS)	X	X	X	X	4
C MAKONI	X	X	X	X	4
A MANGORO	X	X	X	X	4
R DZIMBA-MABVURUNGE (MRS)	X	X	X	X	4
T SANDURA	X	X	X	X	3
*R MUTANDAGAYI	1	X	1	1	1
**O AKERELE	4	X	X	X	X
***T S BVURERE	4	X	X	X	X
****F KAPANJE	6	X	X	X	X
*****A Z MANGWIRO	5	X	X	X	X
******B P NYONI	5	X	X	X	X

Corporate Governance Report (continued)

*R Mutandagayi resigned from the ZBFH, ZBBL, ZBBS, ZBRE and ZBLA Boards on 31 May 2021
**O Akerele resigned from ZBFH Board on 3 May 2021
***T S Bvurere resigned from ZBFH Board on 3 May 2021
****F Kapanje resigned from ZBFH Board on 30 November 2021
*****A Z Mangwiro resigned from ZBFH Board on 28 July 2021
******P B Nyoni resigned from ZBFH Board on 16 July 2021
*******L Zembe was appointed to the ZBFH Board with effect from 29 September 2021
********S Dimairho was appointed to the ZBFH Board with effect from 29 September 2021
********* P M V Wood was appointed to the ZBFH Board with effect from 23 September 2021
**********S Fungura was appointed to the ZBFH Board with effect from 1 August 2021
***********E N Mungoni was appointed to the ZBFH Board post December 2021

KEY

ZBFH	-	ZB Financial Holdings Limited Board
ZBBL	-	ZB Bank Limited Board
ZBBS	-	ZB Building Society Board
ZBRE	-	ZB Reinsurance Company Board
ZBLA	-	ZB Life Assurance Board

Independent Auditor

Messrs. KPMG Chartered Accountants (Zimbabwe) were re-appointed as the Group's Auditors for the 2021 financial year.

Directorate

Pamela Chiromo
Chairman

Masters of Business Adminstration (UK),
Bachelor of Accounting Science (UNISA),
Association of Chartered Certified
Accountants (ACCA) (UK)

Shepherd T Fungura
Group Chief Executive

Actuary
BCom (Hons) (NUST), FASSA,
FIA

Emmah N Mungoni
Group Finance Director

BAcc (Honors) (UZ);
Chartered Accountant (CA) (Z):
MBA, (University of Pretoria) (UP)

Agnes Makamure
Non Executive Director

Bachelor of Accountancy (Honours) (UZ),
Chartered Accountant (Z)

Kangai Maukazuva
Non Executive Director

DBL Candidate (MSU),
EMBA (AU), PostGrad Dip Mgt (UZ), Dip
IT (BCI UK), CGEIT (ISACA), FIoDZ

Directorate (continued)

Jacob Mutevedzi
Non Executive Director

Bachelor of Laws (LLB) (Honours) (UZ)

Thenjiwe Sibanda
Non Executive Director

MSc in Investment Analysis, Masters in Banking and Finance, B.A. Economics (Hons)

Peter M V Wood
Non Executive Director

Fellow of the Institute of Bankers in Zimbabwe (FIBZ), Certified Associate of the Institute of Bankers of South Africa (CAIB) SA, Fellow of the Zimbabwe Institute of Management (FZIM).

Samuelle Dimairho
Non Executive Director

BSc (Hons) Applied Accounting, (Oxford Brookes University),
Advanced diploma in Accounting and Business (ACCA).

Luxon Zembe
Non Executive Director

Master of Business Administration (MBA) (Henley International Business School), Chartered Fellow of the Chartered Institute of Personnel Development (CIPD) (UK).

Corporate Social Investments 2021

The 2021 Group Corporate Social Investments Report provides an overview of the operations and impact as they relate to the objective of supporting smart, sustainable and inclusive growth despite the challenging economic environment. The COVID-19 pandemic had left many companies destabilized with others facing the real prospect of collapse. ZB recognizes that recovery efforts must focus on sustainable, green development that can serve as a foundation for the future. The Group's value creation model seeks to engender long term sustainability; and this compels it to strike a balance between the welfare of the people it serves, the preservation and promotion of the environment in which it operates, and the quest for profit.

In this regard the Group is committed to direct its resources towards supporting government initiatives aimed at promoting sustainable and inclusive growth while protecting the natural and social environments.

In order to provide a structure and give meaning to the sustainability agenda, The Group has enrolled for the Sustainability Standards & Certification Initiative (SSCI) for Financial Institutions spearheaded by the European Organization for Sustainable Development (EOSD). The certification is anticipated to deliver a holistic, robust, evolving, and locally-sensitive set of standards to make value-driven financial institutions more resilient and profitable. The Group in adopting this philosophy, has incorporated "sustainability" as an integral aspect to the business operations by embedding it into its strategy, its business processes and its culture.

Purpose Statement: Improving people's lives through sustainable and innovative financial solutions.

The Group will seek to improve the lives of Zimbabweans through the provision of sustainable and innovative financial solutions which should empower them to reach their dreams whilst operating in their communities. In doing so, the Group expects to make a contribution, in the achievement of the United Nations' Sustainable Development Goals and the national development agenda as enunciated in the Zimbabwe National Development Strategy (NDS)1, 2021-2025.

High Impact Goals:

Goal Number 1: Promote financial inclusion.
Goal Number 2: Foster investments in sustainable infrastructure.
Goal Number 3: Stimulate the real economy.

In its quest to provide financial solutions, the Group aims to ensure that no one is left behind, and that the inclusivity cuts across all aspects of life, from helping to end poverty to enhancing empowerment and fostering equality. Particular focus will be placed on aligning the Group's social investment programs going forward with the following social development agendas:

Reference point	Area of focus
Sustainable Development Goal # 3	• Good health and well being
Sustainable Development Goal # 4	• Quality education
Sustainable Development Goal # 5	• Gender equality
Sustainable Development Goal # 6	• Clean water and sanitation
Sustainable Development Goal # 7	• Affordable and clean energy
Sustainable Development Goal # 9	• Industry, Innovation and Infrastructure
Sustainable Development Goal # 11	• Sustainable cities and communities
National Development Strategy 1 (2021-2025)	• Strengthen Social Infrastructure and Social Safety nets under the priority area "Transport, Infrastructure & Utilities"
National Budget Priority Area	• Infrastructure ICT and Digital Economy
National Financial Inclusion Strategy [NFS]	• Inclusive Growth & Macro Stability

Corporate Social Investments 2021 (continued)

Going forward, tracking of the Group's performance will be progressively modified in accordance with the reporting framework established under the sustainability certification initiative.

ZB Financial Holdings Limited Going Green

ZB Financial Holdings Limited supports initiatives that are set to protect the environment. These include but not limited to the following;

- Planting and preserving trees in all the areas that it is involved in as a business.

All new construction projects have set standards on preventing land degradation by avoiding the cutting of trees that do not hinder construction progress. The Group conducts its operations in a manner designed to minimise harm to the environment, minimizing usage of water and any adverse effects on its quality and upholding a high level of responsibility in energy use,

- chemical use and waste disposal. Tree seedlings are given to customers and stakeholders at key events which included ZB@70 celebrations and Night of thanksgiving in the year under review. The key message was on driving the agenda for climate change and sustainability by planting trees. Meanwhile the Group is concluding a partnership arrangement with Zimbabwe National Parks to drive awareness on trees and tree planting throughout the country.

Sustainable energy solutions

The Group is invested in adopting alternative and sustainable energy sources for its operations. It has embarked on solar installations as part of the greening initiatives across the Group in order to reduce its carbon emissions. Each installation depends on the site conditions with most at the moment being intended as back-up power.

In essence, the installations are expected to assist in reducing consumption of grid power as well as reducing the fuel requirement for generators.

In the period under review, solar installations were done as follows:

- A 52kwp On-Grid Solar System at the ZBFH Head Office, 21 Natal Road, Avondale, Harare. This site is under surveillance to report on any efficiencies and/or deficiencies pending negotiation for a net-metering agreement with the power utility company. A substantial reduction in energy cost has been realized during the period since the commissioning of the site.

- 5 branch locations have been kitted with solar systems of varying sizes as power back-up solutions.

Additionally, solar street lighting solutions provided by the Group at the Chinhoyi University of Technology (CUT), the Midlands State University (MSU) in Gweru, National University of Science and Technology (NUST) in Bulawayo, Gwanda and Plumtree have continued to provide much needed lighting in these locations.

Further solar installations are planned at the Group's data centers and selected branches throughout the country.

A responsible institution

The Group strives to inculcate responsible behavior and to uphold a customer-centric culture based on a high level of transparency and accountability. It seeks to constantly improve the organization by undertaking internal brand engagement exercises that are designed to create a passion to serve.

Staff members are encouraged to participate in social initiatives either individually or as part of programs initiated by the Group.

As a learning organization, the Group takes suggestions and feedback from its staff, customers and the community very seriously and endeavours to incorporate improvements in its operations guided by these insights.

The Group endeavours to afford equal employment opportunities to all and life-long learning experiences to its staff. Training programs for staff were structured to complement this commitment yielding common good for the organization and the people within it and ultimately the customers served by the Group.

Corporate Social Investments 2021 (continued)

ZB in the community

Giving back to the community is a principle that the Group holds in as much regard as the need to grow the bottom line. Some of the community initiatives undertaken in 2021 are described under the banner of relevant SDGs as below:

Goal 2 -Zero Hunger

In 2021, the "Spread the Cheer Campaign" continued targeted at making donations to welfare organizations that look after the disadvantaged, especially during the festive season. Beneficiary institutions include orphanages and old peoples' homes.

Donations of food hampers were made in 2021 with events being mostly punctuated by tears of joy, poetry, dance, songs, prayers and speeches of gratitude from the recipients. ZBFH staff members were able to spend time with the young and old alike. The Group's commitment to these communities will continue into the future.

Goal 3 - Good Health and Well being

Due to the COVID-19 pandemic, the Group deployed a considerable amount of resources funding Personal Protective Equipment (PPE) and relevant assistance to some of its stakeholders that included hospitals, clinics and churches. The Group adopted a three dimensional approach as follows:

a) **Direct fight against COVID-19 –** these are donations made to support frontline staff in the direct fight against the spread of COVID-19 and in the provision of treatment to those affected by the pandemic.

b) **Indirect interventions –** this sought to support clinics and hospitals in the provision of health services to people with underlying medical conditions who were identified as a high risk demography in the event of their getting exposed to COVID-19. These include patients suffering from cancer, diabetes, high blood pressure, tuberculosis and people living with HIV.

c) **Post COVID-19 interventions –** the Group, introduced finance facilities to assist institutions whose operations were affected by COVID-19. These facilities assisted in the procurement of PPE as well as in supporting the resumption of operations upon the lifting of lock-downs. Beneficiaries were largely Small to Medium Enterprises (SMEs), schools and universities, quasi government and other institutions.

In order to mitigate the effects of COVID -19 the Group took wide ranging measures to protect its employees guided by the World Health Organization (WHO) and the Ministry of Health and Child Care.

These measures included;

- Communicating the need for all customers to avoid visiting banking halls and to use digital channels including the 24-hour Contact Centre, website- live Chat and social media for assistance
- Posters and social distance markings in banking halls and controlled access into banking halls to minimize crowding.
- Sanitization and temperature checks at all entry points, workspaces and exit points
- More frequent sanitization and cleaning of all workspaces and branches.
- Provision of PPE to all employees.
- Configuration of systems to enable remote working for staff, resulting in the decongestion of work-spaces by 50%.

Goal 4- Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

The Group continued to pay school fees for the students that are under its Education Assistance Program. The students are selected from underprivileged communities and are taken through school up to tertiary level as long as they continue to meet the qualification criteria. During the period under review there were seven high school students and three University students under this programme.

Goal 9 - Industry, Innovation and Infrastructure

ZB sponsored the Emergination Africa Business Case Competition for high school children. This initiative seeks to nurture innovation from the scholars so that, as they come out of school, they can begin to be self-sufficient by solving problems within their communities and the nation at large.
In the same vein, the Group continued to partner with several strategic national institutions during 2021, such as Zimbabwe Revenue Authority (ZIMRA), Zimbabwe National Chamber of Commerce (ZNCC), Institute of Public Relations and Communications Zimbabwe (IPRCZ), CEO Roundtable, Marketers Association of Zimbabwe (MAZ) and the Employers Confederation of Zimbabwe [EMCOZ] through sponsorship of various events, which were premised on shaping the future of industry and commence in particular and the nation at large.

Corporate Social Investments 2021 (continued)

ZB Financial inclusion

In line with the Reserve Bank of Zimbabwe's National Financial Inclusion Strategy (NFIS) which was officially launched on 11 March 2016 by the Minister of Finance and Economic Development, the Group remains committed to playing its part in deepening the provision of financial services to previously unbanked, underbanked, informal sector and other previously marginalised areas as follows;

a) Pauri-Khonapho Agency Banking;

Through agency banking, the group has expanded services into areas where it did not have sufficient incentive or capacity to establish a formal branch.

b) e-Wallet Know Your Customer (KYC) Light account;

This is a low KYC product offered in combination with a card and mobile wallet for non-account holders with the Pauri Card, branches continue targeting the unbanked, low income earners and seasonal workers who do not qualify to open conventional bank accounts. More than 550 000 users were enjoying this service as at 31 December 2021.

c) Qupa Microfinance

In an effort to expand financial services to include low income customers in all sectors of the economy, Qupa Microfinance was incorporated in 2020 to further the Group's financial inclusion role. It was officially licensed by Reserve Bank of Zimbabwe (RBZ) and launched in January 2021. Qupa will provide financial and non-financial tools via physical and digital channels to empower previously marginalized communities en route to wealth creation.

d) SMEs, Women and Youth

SMEs: Kukura Business Accelerator ("KBA") partnership:

The Group, entered into a partnership with Kukura Business Accelerator ("KBA") and launched the inaugural National Gazelles programme in Zimbabwe in 2020. The National Gazelles programme is a high impact business growth acceleration programme involving 100 SME businesses annually, of which 60 businesses will be high intensity focus recipients of multi-faceted growth and support interventions. The aim of the programme is to see the Zimbabwean SMEs grow and be able to compete with their peers both regionally and internationally. In the process, the SMEs will then contribute to the growth of the economy through job creation and innovation.

The program targets businesses that have shown growth capabilities and have a clear vision. In this light, the programme seeks to accelerate their growth, providing them with the relevant support and guidance which is being rolled out through the Bank's wide branch network with significant collaboration between the SMEs and other business associates and government departments.

For the inaugural launch, a total of 120 applications were received from prospective participants from which 50 were selected by the selection committee based on their current business position and prospects for growth. These 50 SMEs are undergoing intensive coaching, guidance and support and the impact on their businesses is being tracked. The Group has committed to be the anchor financial partner of this programme.

Women:

Financial products available to women include; the Informal Trader accounts, Business Loans, Lease hire facilities, overdraft, micro-loans and the RBZ Women's Empowerment Fund. 19.21% of the total SMEs portfolio supported by the Group in 2021 are women-owned. Furthermore, the Group partners a women's empowerment network organization, Women Excel, that seeks to enhance financial literacy and financial empowerment of women in Zimbabwe.

Youth:

Emergination Africa National Business Case Competition (NBCC)

Emergination Africa is an entity that is involved in creating opportunities for youth in society to showcase their talent and nurtures those with winning ideas. Established in 2012 as a Trust, its purpose is to advance Africa's transformation by developing young African learners to create opportunities for themselves and others.

With the aim of becoming the largest business competition, community and incubator of future business leaders in Zimbabwe, the Emergination Africa National Business Case Competition (NBCC) nurtures young talent to realize its potential and contribute positively to the advancement of the Zimbabwean economy. This is done through a program for learners across all 10 provinces of Zimbabwe in which they debate, analyze and present integrated solutions to business and economic challenges in Zimbabwe to a panel of industry leaders and policy makers.

Corporate Social Investments 2021 (continued)

The program is delivered in partnership with government and trust schools who participate yearly in the competition. ZB is the anchor sponsor for this program which started in 2019. The inaugural edition witnessed the participation of 60 schools, with a total reach of 1 230 students involving the participation of 88 teachers throughout the country.

Insights from 2019 pointed to the need to capacitate the teachers so that they are better able to train the students for the business case competition and this was also a key focus in 2021. The teachers training program was successfully carried out in all provinces.

Educator Venture Development Training Program; focused on supporting African Secondary School principals and senior teachers to permeate a 21st-century education mindset and culture across their institutions that can identify and nurture globally competitive African talent to build business ventures which led to the development of the Chief Executive Officer Innovative Launch pad. The Group has ensured that schools that bank with the banking institution participate in this valuable capacitation program and was being done virtually due to the COVID-19 induced restrictions.

The Global Venture Accelerator identifies and nurtures in school and out of school learners with demand driven professional skills, toolkits, etiquette and networks to be globally competitive and bring their business ventures and products to market. This is the Virtual Innovation Accelerator (VIA) which is the key platform used for the past two years due to COVID-19 restrictions.

Venture Development Competitions are 6 - 12-month long competitions focused on identifying and nurturing mass talent pools that can develop sustainable solutions utilizing the Venture Development Curriculum. During the year 2021, the following schools participated and achievements were noted as follows:

a) Northlea Park has registered its company and is producing and marketing a baobab juice branded NutriMed. They are at an advanced stage of developing a baobab coffee.
b) Nyatsime High School is producing and marketing avocado coffee with the brand name AvoNaturo under the company name Persea Brands.
c) Oriel Boys High School has formed a company named Lavish Biogas and formed a collaborative agreement with an already established company Lanforce Biogas to market its products.
d) Hippo Valley School acquired their small grains shelling machine and planning to produce stock feed from the shells.
e) Queen Elizabeth has developed a prototype biodegradable disposable diaper with over 90% local material and currently sourcing plant equipment for production.

ZB Education Assistance

Since 2007, the Group has been assisting up to 20 children throughout the country to pay for their school fees from Grade 7 up until Form 6 as it aims to break this cycle of poverty for children from disadvantaged backgrounds who are eager to learn. However, we have noted the need to provide a bit more than just school fees to include uniforms. With effect from 2022 provision for uniforms will be added to the school fees assistance scheme.

In 2022, the Group aims to introduce an annual scholarship scheme for University students who are talented and from disadvantaged communities with a bias towards the disabled, orphans, women and the girl child.

2021 Awards

The Group received the following awards on various platforms:

1. ZB Reinsurance - Short-term Reinsurance company of the year, Zimbabwe Independent Insurance Survey 2021.
2. ZB Bank - Diversity, Equity and Inclusion award for leveraging diversity to improve business performance, Zimbabwe CEO's Network 2021.
3. ZB Bank - Best Campaign Finance and Insurance, Zimbabwe Institute of Public Relations and Communications Zimbabwe 2021.
4. Qupa Microfinance - First Runner Up, the fastest outreach growing Microfinance of the year. Zimbabwe Association of Microfinance Institution 2021

Corporate Social Investments 2021 (continued)

Children:

Financial literacy must be inculcated in children from an early age. ZB offers banking accounts for savings- Junior and Senior Stash accounts for children from birth until university.

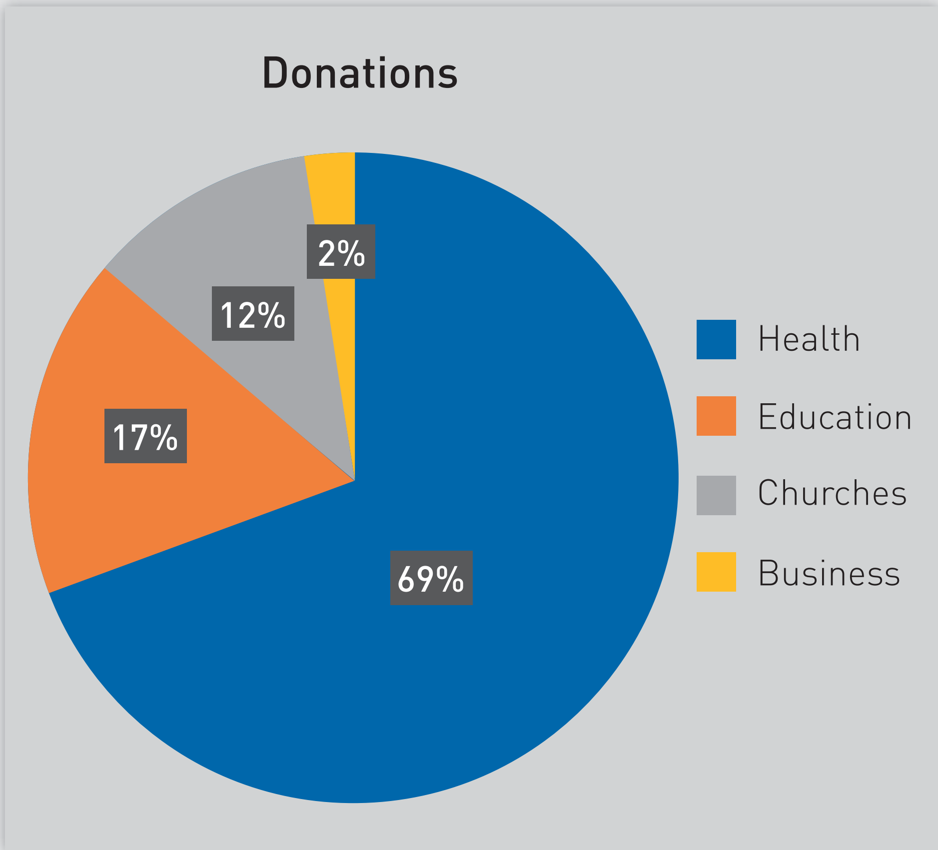
The Global Money Week

Every year, the Group through its banking arm, takes part in the Global Money Week celebrated in March. This is an international event coordinated locally through the Reserve Bank of Zimbabwe where banking institutions join the rest of the world by participating in various activities to raise awareness of financial products amongst children and young people, teaching them about the banking sector, financial markets, money matters, saving, understanding changes in the economic systems they live in, earning money through entrepreneurship, and building their foundations for the future.

The 2021 Global Money Week activities were impacted by the COVID-19 lockdown measures thus limiting activation to virtual, digital platforms and minimal physical interaction. The Group, through the bank participated as follows;

- Radio programs; utilized radio, to disseminate financial information around the Global Money Week theme.
- Social Media and Webinar; used Social media to disseminate financial literacy information around the global money week theme and the online activities culminated into a webinar featuring motivational speakers.
- ZB branches distributed promotional material to schools throughout the country.

The distribution of 2021 Corporate Social Investments (CSI):



Distribution is heavily skewed towards health due to the support towards Covid – 19 mitigation measures.

Corporate Social Investments 2021 (continued)

Honourable J Mudenda (Speaker of National Assembly) listening to proceedings at ZNCC 2021

Team ZB attending the ZNCC 2021 Cocktail themed ZB@70

ZB GCE, S. Fungura sharing a lighter moment during the Victoria Falls customer lunch

ZB all male team following proceedings at the 2021 Male Cancer Awareness luncheon

Cancer survivor giving testimonial during the 2021 Male Cancer Awareness luncheon

2021 Male Cancer Awareness luncheon

Corporate Social Investments 2021 (continued)

ZB Customer receiving an award from ZB including an exotic fruit tree seedling

ZB Brand Ambassador, Janet Manyowa receiving a tree for tree planting

Prize handover at the ZB Gazelles Award ceremony

Perm Sec delivering his speech during the ZB Gazelles Award ceremony

Queen Elizabeth School Team 2020 National Business case winners, after pitching their update on their biodegradable Diapers Business venture.

Queen Elizabeth presenting at the Virtual Innovation Accelerator presentations

Corporate Social Investments 2021 (continued)

Ladies enjoy a moment of music at the breast cancer event

Dr Nyakabau shares information on Breast cancer to the ladies at the breast cancer awareness

Chairman's Statement

Pamela Chiromo
Chairman

"Although inflation remained high during the year under review, there was a significant improvement in the inflation profile, from 362.63% year on year inflation recorded in January 2021, to end the year at 60.74% by December 2021."

Operating Environment:

Following a COVID-19 induced contraction in 2020, the domestic economy is estimated to have grown by 7.8% in 2021, underpinned by the good 2020/21 agriculture season, higher international mineral commodity prices, as well as reasonable success in the management of the COVID-19 pandemic.

In as much as COVID-19 continued to pose a significant operational challenge, with the second and third waves sweeping over the country, the national vaccination program gradually began to bear fruit. The number of cases and fatalities reduced progressively. Resultantly, lockdown restrictions were eased and businesses could operate normally.

Although inflation remained high during the year under review, there was a significant improvement in the inflation profile, from 362.63% year on year inflation recorded in January 2021, to end the year at 60.74% by December 2021.

Group Performance:

The Group posted a profitable performance for the year. This is discussed in greater detail by the Group Chief Executive in his report.

Capital Requirements:

As at 31 December 2021, all Group companies, with the exception of ZB Building Society, were in compliance with prescribed minimum capital requirements. The target was to finalise the consolidation of the Group's banking operations, that is, ZB Bank Limited, ZB Building Society and Intermarket Banking Corporation Limited (a property owning company), by 31 December 2021, but the transaction has taken longer than anticipated, and is now scheduled to be completed in 2022.

Dividends:

The Board has declared a dividend of ZW144.93 cents per share for the year ended 31 December 2021.

Chairman's Statement (continued)

Compliance & Regulatory Issues:

The Group has dealt with all governance issues which were the subject of a Corrective Order issued by the Reserve Bank of Zimbabwe (RBZ) on 7 March 2017 and reviewed in March 2018, and awaits the lifting of the order upon satisfactory review by the regulator.

Directorate:

Mr R. Mutandagayi resigned as the Group Chief Executive Officer on 30 May 2021 and Mr. F. Kapanje resigned as Group Finance Director on 30 November 2021. I would like to extend my gratitude and appreciation to them for their distinguished service to the Group.

Mr S. T. Fungura and Mrs E. N. Mungoni were appointed as Group Chief Executive Officer with effect from 1 August 2021 and as the Group Finance Director on 1 January 2022 respectively and I wish them both success in their new roles.

Messrs P.M.V. Wood, S. Dimairho and L. Zembe were appointed to the ZB Financial Holdings Limited Board as Non-Executive Directors with effect from the 23rd of September 2021 for Mr P.M.V. Wood and 29 September 2021 for Mr. S Dimairho and Mr L. Zembe. I look forward to their invaluable contributions towards the Group's continued success.

Outlook:

In the outlook, the domestic economy is projected to maintain the growth momentum in 2022 and beyond, with the Government of Zimbabwe projecting 5.5% GDP growth in 2022, supported by higher output in mining, manufacturing, agriculture, construction as well as the accommodation and food services (tourism) sector.

The inflation outturn is expected to continue improving in 2022, supported by a tight monetary policy, complemented by fiscal discipline. However, the slow-down in inflation remains under threat from possible expansion in the monetary base to fund obligations such as civil service wage increases and the 2023 harmonised national elections, the widening gap between the formal and alternative market exchange rates, among other factors.

Downside risks to the attainment of projected economic growth for 2022 pertain mainly to the possibility of a sub-optimal 2021/2022 agriculture season, following prolonged dry spells during the season, which look set to negatively impact on the food security situation. Furthermore, although the COVID-19 pandemic situation appears to have improved significantly, there remains significant uncertainty as regards the path that the virus will ultimately take, including the efficacy of vaccines to combat any future variants. Risk also arises from uncertainty in international commodity prices, and higher than anticipated international oil prices especially following the Russian invasion of Ukraine and resultant disruption of supply chains.

Conclusion:

I wish to extend my appreciation to all our valued stakeholders, for the continued support to the ZBFH Group. I would also like to express my gratitude to Board colleagues, Management and Staff, for their collective contributions to the 2021 performance.

P. Chiromo
Chairman

28 April 2022

Group Chief Executive's Report

Shepherd T Fungura
Group Chief Executive

> "The Group maintained a comfortable liquidity margin of safety, with the ratio of liquid assets to customer deposits being above 60% throughout the year against a prescribed minimum ratio of 30%. "

Introduction:

The Group's primary financial statements are adjusted for inflation in terms of International Accounting Standards (IAS 29) – Financial Reporting in Hyperinflationary Economies.

Historical cost financial statements have been presented for information purposes only.

Performance Outturn:

For the year 2021, the Group recorded a 122% increase in total income from ZW$5.288bn in 2020 to ZW$11.736bn. This performance outturn was on the back of improved non funded-income. Banking commissions and fees contributed significantly, rising by 83%, from ZW$1.836bn in 2020 to ZW$3.366bn in 2021. The fair value adjustments increased by 1526% from ZW$0.218bn in 2020 to ZW$3.548bn in 2021 mainly as a result of improved performance of the Zimbabwe Stock Exchange and investment property valuations.

Net interest income registered a solid performance during the year 2021, rising by 212%, from ZW$1.060bn in 2020 to ZW$3.304bn in 2021.

As the loans and advances book rose, loan impairment charges also rose by 37%, from ZW$0.453bn in 2020 to ZW$0.621bn in 2021. Resultantly, net income from lending activities rose from ZW$0.607bn in 2020 to ZW$2.683bn in 2021, a 342% increase.

Net insurance related earnings improved from a loss of ZW$0.003bn in 2020, to a profit of ZW$0.830bn in 2021, on the back of a 7% rise in gross premiums from ZW$1.845bn in 2020 to ZW$1.982bn in 2021, whilst a 38% decrease in insurance related expenses was recorded, from ZW$1.847bn in 2020 to ZW$1.152bn in 2021.

Meanwhile, operating costs rose by 83% from ZW$4.442bn in 2020 to ZW$8.124bn in 2021, largely as a result of the inflationary environment.

Group Chief Executive's Report (continued)

Profit from ordinary activities rose by 327%, from ZW$0.845bn in 2020 to ZW$3.612bn in 2021.

Transfer to the life fund declined by 51% from ZW$0.963bn in 2020 to ZW$0.472bn in 2021 due to a subdued performance in the underlying assets.

Net profit from continuing operations registered a 20% increase, from ZW$1.703bn attained in 2020 to ZW$2.058bn in 2021.

Meanwhile, the Group's total assets increased by 66% in inflation adjusted terms, from ZW$30.504bn as at 31 December 2020 to ZW$50.493bn as at 31 December 2021. The growth rate however remained below average inflation.

Deposits and other related funding account balances grew by 72%, from ZW$11.425bn as at 31 December 2020 to ZW$19.670bn as at 31 December 2021.

Earning assets increased by 80% from ZW$16.074bn as at 31 December 2020 to ZW$28.902bn as at 31 December 2021 whilst constituting 57% of total assets (53% at 31 December 2020).

The Group maintained a comfortable liquidity margin of safety, with the ratio of liquid assets to customer deposits being above 60% throughout the year against a prescribed minimum ratio of 30%.

The Group's total equity increased by 56%, from ZW$12.919bn as at 31 December 2020 to ZW$20.127bn as at 31 December 2021, underpinned by the positive performance outturn for the period, as well as gains on the revaluation of properties and equipment.

Operations Review:

Banking Operations:

ZB Bank Limited posted a profit after tax of ZW$1.865bn in 2021, as compared to ZW$1.018bn in 2020. Its total assets stood at ZW$37.029bn as at 31 December 2021, from ZW$19.986bn as at 31 December 2020.

ZB Building Society posted a profit after tax of ZW$0.817bn in 2021, as compared to a loss of ZW$0.089bn in 2020. The Society's total assets stood at ZW$2.936bn as at 31 December 2021, from ZW$1.798bn as at 31 December 2020.

Insurance Operations:

ZB Reinsurance posted a profit after tax of ZW$0.447bn in 2021 compared to ZW$0.139bn in 2020. Its total assets increased in inflation adjusted terms from ZW$1.349bn as at 31 December 2020 to close the current financial year at ZW$1.861bn.

The company maintained good relations with its cedants and retrocession partners during the year. Expansion into the Botswana market is set to be finalised in FY2022, after the company's subsidiary managed to secure an operating licence.

ZB Life Assurance posted a loss of ZW$0.028bn in 2021, compared to ZW$0.217bn in 2020. Its total assets increased in inflation adjusted terms from ZW$5.235bn as at 31 December 2020 to ZW$5.888bn as at 31 December 2021.

Other Strategic Operations:

The Group discontinued operations of ZB Associated Services during the year under review.

The Group's microfinance operation, which was launched in December 2020 and started trading in earnest in January 2021, continues to grow and contribute positively to the Group's performance.

Internal Processes:

The Group has embarked on a transformation program to improve customer service through the conversion of its bank branches into service centres for the convenience of customers across the different units of the Group. Central to the transformation is the digitisation of the business.

Group Chief Executive's Report (continued)

Group Human Resources and Training:

Despite the operating environment progressively becoming less competitive relative to other countries in the region and beyond, staff attrition in the Group remained within acceptable levels.

The Group continues to train and develop its staff to improve customer service.

The Group staff complement as at 31 December 2021 stood at 944 as compared to 967 as at 31 December 2020.

Industrial relations remained cordial during the year under review.

Appreciation:

I extend my gratitude to our valued customers and other stakeholders for their continued support as well as commitment to the ZBFH Group.

I also express my appreciation to Staff and the Management team for their contribution to the 2021 financial results.

Finally, I would like to thank the Board for its valuable contribution and wise counsel.

S. T. Fungura
Group Chief Executive

28 April 2022

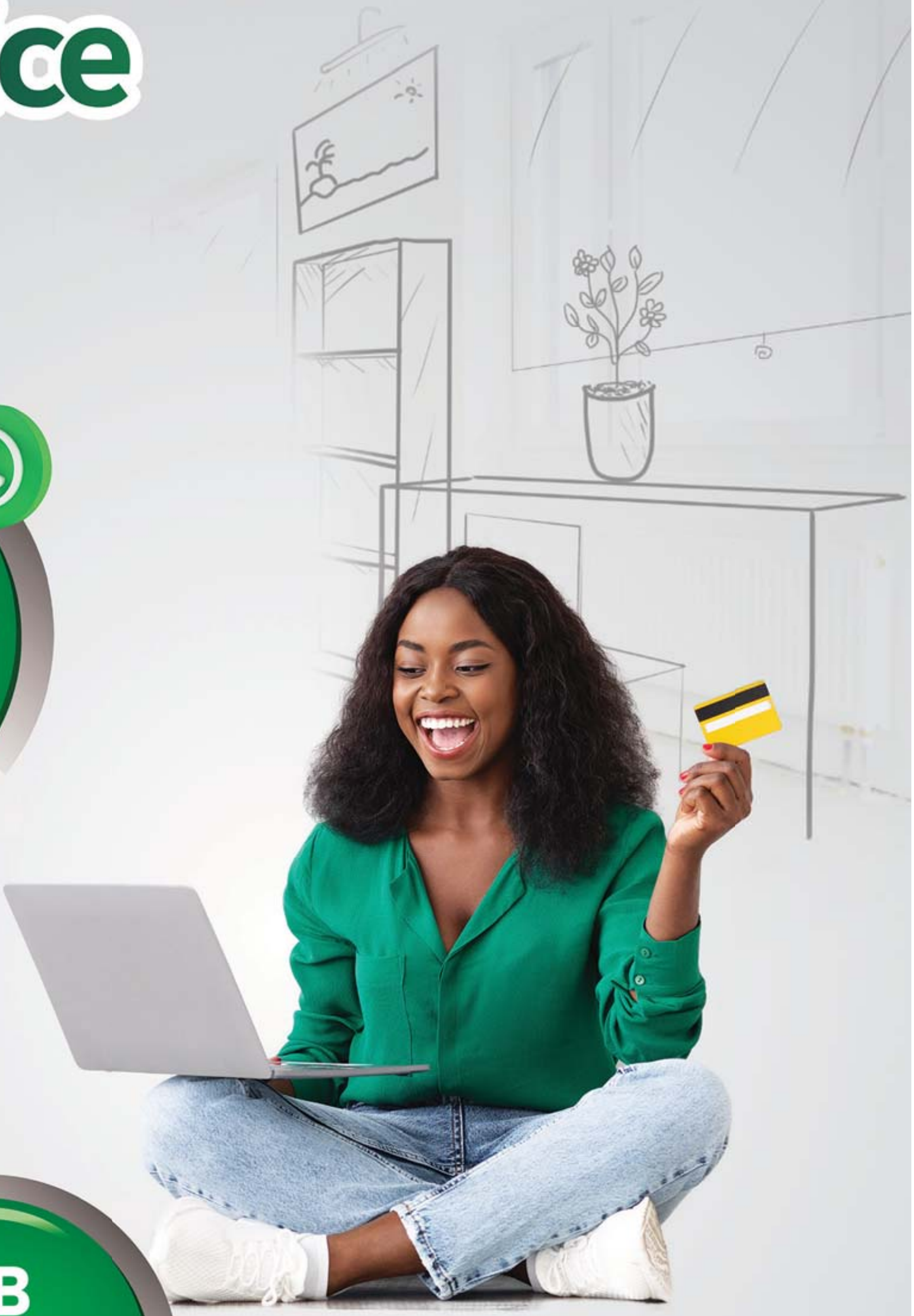
I am Spoiled for choice

I can shop, pay bills or re-charge on many ZB platforms.

ZB WhatsApp Banking

ZB eWallet

ZB Internet Banking



- Register for WhatsApp Banking, save **0731440440** and say hi via WhatsApp
- Internet Banking visit: **www.zbnet.zb.co.zw/online/login.html** and self register
- ZB e-Wallet *440*600#

Economic Overview

WORLD ECONOMY

According to the World Bank January 2022 Global Economic Prospects Report, the Global Economy is estimated to have grown by 5.5% in 2021, and is projected to grow at a slower rate of 4.1 % in 2022, reflecting continued COVID-19 flare-ups, diminished fiscal support, and lingering supply bottlenecks. Global growth is projected to soften further to 3.2% in 2023, as pent-up demand wanes and supportive macroeconomic policies continue to be unwound. The global outlook is clouded by various downside risks, including inter alia, new virus variants, unanchored inflation expectations, and financial stress. There also remains the likelihood that some countries may eventually require debt restructuring, and if this happens, then the recovery will be more difficult to achieve than in the past.

Growth in most advanced economies slowed unexpectedly in the second half of 2021 as a result of pandemic resurgence and supply bottlenecks. A recovery in demand, supply constraints, and earlier commodity price increases have contributed to notable inflationary pressures in most economies. Advanced economies are estimated to have grown by 5% in 2021 and projected to moderate to 3.8% in 2022 as the Omicron driven pandemic resurgence weighs on economic activity.

Emerging market and developing economies (EMDEs) are expected to record notably weaker and more fragile recoveries compared to those in advanced economies as a result of slower vaccination progress, a more limited policy response, and the pandemic's scarring effects. According to the World Bank, EMDEs growth rebounded to an estimated 6.3% in 2021, but is projected to slow to 4.6% in 2022, as macroeconomic policy support is withdrawn and external demand moderates. Higher energy prices are expected to shift growth momentum from energy importers to exporters.

The World Bank estimated that growth in Sub-Saharan Africa (SSA) reached 3.5% in 2021, on the back of a rebound in commodity prices and a gradual easing of social restrictions. Growth is forecast to firm to 3.6% in 2022 and 3.8% in 2023. The near-term recovery is expected to persist supported by elevated commodity prices as activity continues to rebound in the region's main trading partners (China, the Euro area, and the United States), albeit at a slower pace. Slow progress with vaccinations is expected to underpin only a gradual recovery of domestic demand, with substantial downside risks clouding the outlook.

Meanwhile, for Zimbabwe's biggest trading partner, South Africa, growth is forecast to revert to its pre-pandemic trend, with the economy projected to grow by 2.1% in 2022 and 1.5% in 2023. Improved control over virus outbreaks along with more widespread vaccinations (about 27% of the population had been fully vaccinated by the end of 2021) are expected to continue to support the recovery in services sectors, including tourism.

DOMESTIC ECONOMY

1.1 Economic Growth

In the 2022 National Budget Statement, the Government of Zimbabwe, through the Ministry of Finance and Economic Development, reviewed upwards its 2021 projected economic growth rate, from the initial 7.4% to 7.8%. Gross Domestic Product (GDP) growth for 2021 was underpinned by the good 2020/21 agriculture season, higher international mineral commodity prices, a stable macroeconomic environment that facilitated domestication of some value chains and reasonable success in the management of the COVID-19 pandemic.

The Government of Zimbabwe is projecting 5.5% GDP growth in 2022, supported by higher output in mining, manufacturing, agriculture, construction as well as the accommodation and food services (tourism) sector.

Meanwhile, the International Monetary Fund (IMF) revised downwards the country's 2021 growth forecast, from 6% to 5.1%, citing the sluggish pace at which the global economy is recovering. Potential risks to the projected growth include uncertainty in the future path of the COVID-19 pandemic, exchange rate volatility which may continue contributing to high inflation, a potential retreat in international commodity prices, and higher than anticipated international oil prices.

Economic Overview (continued)

1.2 REAL SECTORS

1.2.1. Agriculture Sector

The 2020/2021 agriculture season output was outstanding, benefiting from good rains and timely preparedness. The Government, in conjunction with development partners, supported vulnerable household farmers with agricultural inputs, while the banking sector provided loan financing to commercial farmers. According to the Ministry of Finance and Economic Development, growth of the agricultural sector in 2021 was revised upwards by 2.2 percentage points to 36.2% on account of higher than anticipated performance of tobacco, wheat and livestock, particularly beef, poultry, pork, sheep and goats. These support initiatives were complemented by contract farming arrangements and own farmer resources.

In 2022, the sector is projected to grow by a modest 5.1%, attributable to expected favourable rainfall season and implementation of Government support programmes. The livestock sub-sector is also expected to remain buoyant in support of this growth, on the back of good pastures and water availability. Downside risks in the outlook pertain to the potential for reduced output in view of the uneven distribution of rainfall, which culminated in a dry spell in some parts of the country in December 2021. Uncertainty surrounding the path and intensity of Cyclones during the season also add to the downside risks for the agriculture sector.

1.2.2. Manufacturing Sector

In the 2022 National Budget Statement, the Ministry of Finance and Economic Development made a downward revision of the manufacturing sector growth rate, from the initial projection of 7% to an estimated 6.2% in 2021. The revision was on account of COVID-19 national lockdown measures instituted towards part of the second half of 2021, delays in access to foreign currency on the forex auction system, as well as intermittent supply of electricity during the same period. Meanwhile, according to the Confederation of Zimbabwe Industries (CZI), the domestic industry's manufacturing capacity utilisation is estimated to have risen from around 47% in 2020 to 61% in 2021.

Going forward, in 2022, the sector is expected to grow by 5.5%, underpinned by the anticipated continuation of macroeconomic stability & improved access to foreign currency on the formal market.

1.2.3. Mining Sector

The Government of Zimbabwe main policy thrust in 2021 was aimed at finalising the mining legislative agenda, advancing the US$12 billion mining industry by 2023, capitalisation of the mining industry fund, finalisation of the mining cadastre system, promotion of exploration, investment mobilisation, instituting mining fiscal regime, sealing of mineral leakages, promotion of accountability and transparency in the mining sector.

The mining industry is estimated to have grown by 3.4% in 2021, mainly on account of the country's mining strategy, which is underpinned by increased exploration, expansion of existing mining projects, resuscitation of closed mines, opening of new mines, mineral beneficiation, and value addition. Gold miners are estimated to have delivered 29 tons of gold to Fidelity Printers and Refiners in 2021, up from 19 tons in 2020. Estimated gold production for 2021 was raised from an initial estimate of 25 tons, following improved deliveries from miners, mainly attributable to incentives put in place by the Government. Platinum output is estimated to have risen by 6% to 354,000 ounces in the first 9 months of 2021, from 333,000 ounces in the same comparative period in 2020.

Despite the lined up programs and support mechanisms put in place by Government, the sector continues to face a number of challenges that include antiquated equipment, unreliable power supply, water woes and shortage of foreign currency to import equipment and other inputs which are required in the extraction of minerals.

Economic Overview (continued)

1.2.4. Information, Communication and Technology (ICT) Sector

The ICT sector remains one of the biggest winners in the wake of the COVID-19 pandemic, with the outbreak resulting in increased demand and acquisition of ICT services. The sector is expected to continue evolving rapidly with increased innovation and enhanced connectivity in the country. Going digital is now more important than ever with the COVID-19 pandemic continuing to transform how people live, work and interact with one another. As the pandemic continues to disrupt normality, the importance of a robust and inclusive digital economy, together with reliable broadband services is imperative.

According to the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ), the total number of active mobile subscriptions increased by 9.01% from 12,783,785 in Q3 2020 to 13,935,233 in Q3 2021. Mobile penetration rate also increased by 5.80 percentage points from 87.70% in Q3 2020 to 93.50% in Q3 2021, whilst internet penetration rate rose by 2.70 percentage points from 59.90% in Q3 2020 to 62.60% in Q3 2021.

Going forward, the sector is expected to witness a surge in demand for communication services, in particular data and courier volumes as consumers adapt to "the new normal" brought about by COVID-19.

1.2.5. Tourism

According to the 2022 National Budget, the Tourism Sector is estimated to have recovered by 6.7% in 2021 with room occupancy rates estimated to reach 22%. The Tourism sector growth was mainly spearheaded by domestic tourism following the relaxation of COVID-19 travel restrictions, increased vaccination rates and promotional activities such as destination marketing.

In the outlook, the tourism sector is anticipated to record higher recovery levels, with growth projected at 18.8%, mainly driven by full resumption of domestic and international travel, removal of the country from the red list, resumption of flights into Harare by major airlines, and Government support.

1.3 MONETARY AND FISCAL DEVELOPMENTS

1.3.1. Monetary Developments

The Reserve Bank of Zimbabwe (RBZ) has continued to implement a conservative monetary targeting framework in order to contain money supply growth, reduce pressure on the exchange rate and stem inflationary pressures in the economy. In this regard, the RBZ tightened reserve money by reducing the quarterly growth in reserve money targets from 20% to 10% Q4 2021 and the first quarter of 2022. The decision to review the reserve money growth targets was informed by the reserve money growth outturn of 9.3% for Q3 2021.

Meanwhile, broad money supply (M3) increased by 137.5% year on year, rising from ZW$184.35 billion in November 2020 to ZW$437.92 billion in December 2021. The money stock was composed of local currency transferrable deposits (49.55%), foreign currency deposits (41.46%), time deposits (7.58%), negotiable certificates of deposits (0.91%) and currency in circulation (0.50%).

Going forward, broad money supply is expected to be on the rise on the back of increased Government expenditure, and an associated increase on Government domestic borrowing, the 2023 harmonized elections, as well as inflationary expectations.

Economic Overview (continued)

1.3.2. Inflation

In 2021, annual inflation dropped by 312.39 percentage points from 362.63% recorded in January 2021 to 50.24% recorded in August 2021. From August 2021 to December 2021 annual inflation increased by 10.50 percentage points to close 2021 at 60.74% with an average annual inflation of 143.26% in 2021. In terms of month on month inflation, the average for 2021 was 4% in 2021, down from an average of 13.86% in 2020.

In the outlook, going forward in 2022, inflationary pressures are expected to rise on the back of shortage of foreign currency on the auction market, delays in payments of allotments from the foreign exchange auction market, supply chain destructions, and the widening of the gap differential between the official and alternative market exchange rates, among other factors.

1.3.3. Exchange Rates

On the international foreign currency market, the US Dollar was a net gainer as it gained against 15 of the 18 major currencies. The US Dollar appreciated the most against the Zimbabwean Dollar (32.87%), Argentine Peso (22.14%) and Japanese Yen (11.53%) However, the US Dollar weakened the most against the Chinese Yuan Renminbi (2.69%) and the Canadian Dollar (0.53%) as shown in the table (inset).

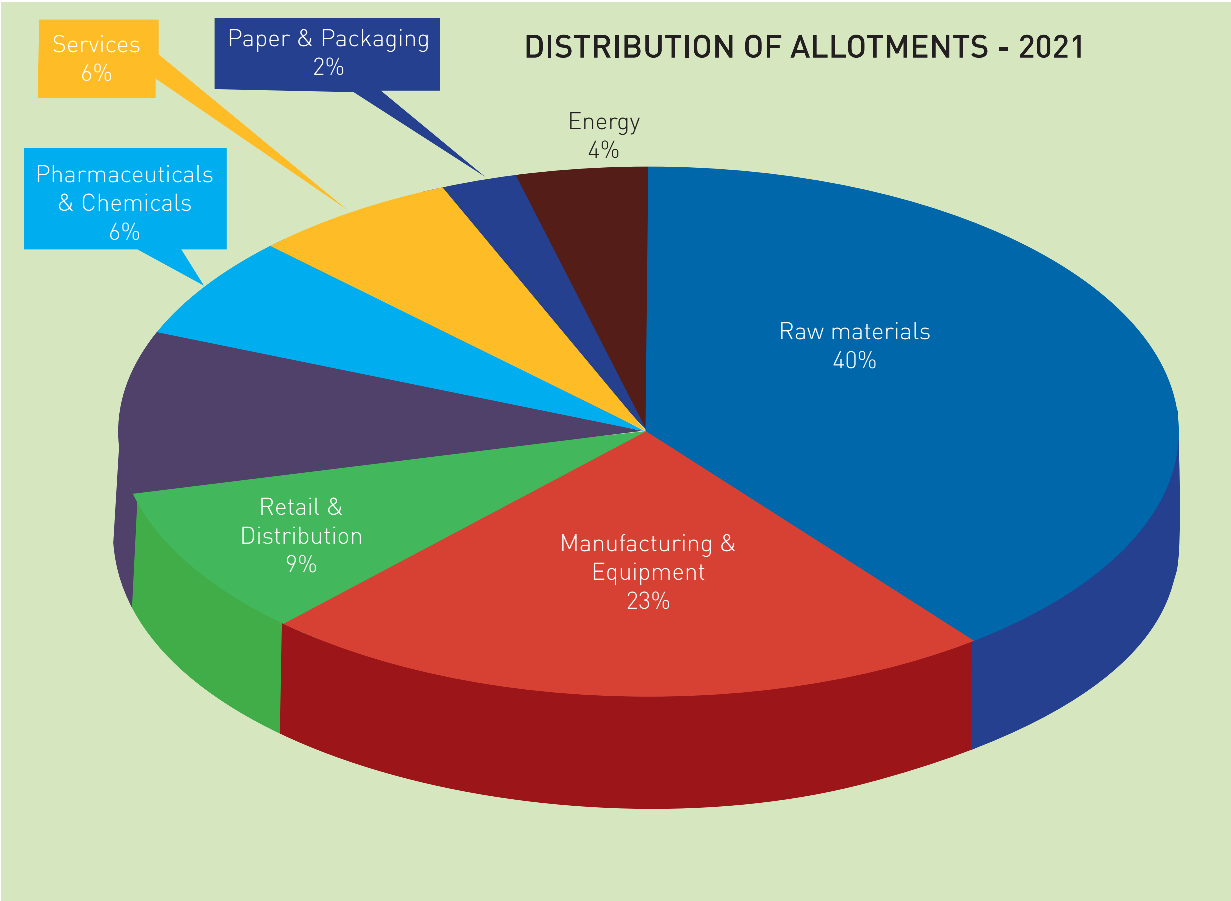
Going forward, as the Global Economy is now healing from the wounds of COVID-19, there is an anticipated increase in the demand of US Dollar mainly for international trade. This is likely going to increase the value of the US Dollar against other currencies.

Exchange Rate Analysis			
Currency/US$	**1-Jan-21**	**31-Dec-21**	**Change (%)**
Zimbabwean Dollar	81.7866	108.6660	32.87%
Argentine Peso	84.0707	102.6817	22.14%
Japanese Yen	103.2155	115.1209	11.53%
Swedish Krona	8.2303	9.0376	9.81%
South Korean Won	1087.4260	1190.4491	9.47%
Botswana Pula	10.7905	11.7334	8.74%
South African Rand	14.7066	15.9480	8.44%
Brazilian Real	5.1940	5.5714	7.27%
Euro	0.8230	0.8790	6.80%
Austrialian Dollar	1.3036	1.3759	5.55%
Norwegian Krone	8.5679	8.8109	2.84%
Swiss Franc	0.8916	0.9118	2.27%
Indian Rupee	73.0590	74.4997	1.97%
Russian Ruble	74.0008	75.0224	1.38%
HongKong Dollar	7.7495	7.7973	0.62%
British Pound	0.7411	0.7388	-0.31%
Canadian Dollar	1.2723	1.2656	-0.53%
Chinese Yuan Renmimbi	6.5306	6.3551	-2.69%
Source: X-rates.com; RBZ © ZB Financial Holdings			

Economic Overview (continued)

1.3.4. Foreign Currency Action Market

In 2021, cumulative foreign currency awarded through the main auction system amounted to US$1,640.05 million and the cumulative foreign currency awarded through the SME auction market amounted to US$325.96 million, to give a total of US$1,966.01 million allocated cumulatively in 2021. Of that US$1,966.01 million which was allocated in 2021, 40% went towards Raw Materials, 23% to Machinery & Equipment, 9% to Retail & Distribution as shown on the graph inset.



Economic Overview (continued)

1.3.5. Money Market and Interest Rates

In 2021, the RBZ Monetary Policy Committee (MPC) was seized with the interest rates regime in order to foster macro stability, fight speculative borrowing and promote a saving culture in the economy. Following MPC discussions, the Reserve Bank of Zimbabwe increased the Bank policy rate from 40% to 60% and the Medium Term Bank Accommodation (MBA) Facility interest rate from 30% to 40% with effect from 28 October 2021. Statutory reserve requirements for demand/call deposits were also increased from 5% to 10%, while maintaining the rate at 2.5% for savings and time deposits. In addition, minimum deposit rates for ZW$ savings and time deposits were also raised from 5% and 10% per annum to 7.5% and 20%, respectively, with a view to promoting the appeal of the ZW$ as an investment currency.

Going forward, the RBZ, through the MPC, is expected to continue to proactively guide the market on the expected path of interest rates as part of its efforts to build on policy confidence in the economy.

1.3.6. Equities Market

The Zimbabwe Stock Exchange (ZSE) market capitalization rose by 182% from ZW$434.86 billion in January 2020 to ZW$1.23 trillion in December 2021. On that same note, the industrial index and the mining index rose from 12,054.64 to 35,762.09 and 4,356.74 to 7,819.37 respectively during 2021. In USD terms, the market capitalization also rose by 115% to from US$5,259.79 million in January 2021 to US$11,293.99 million in December 2021.

Going forward, the equity market is expected to be largely buoyant as determined by actions of local investors seeking a hedge to preserve wealth against inflation.

1.3.7. Financial Sector

The banking sector remained stable in 2021, safe and sound, despite the disruptive impact of the COVID-19 pandemic. Government support and regulatory relief measures implemented thus far, have cushioned the economy and muted the potential adverse impact to the banking sector's performance. The measures ensured continued orderly functioning of the financial markets, continuous flow of credit and fostered financial sector stability. The table inset show indicators for the banking sector up to June 2021.

Key Indicators	Benchmark	June -20	Dec - 20	Mar - 21	June - 21
Total Assets (ZW$ Billion)	-	193.56	349.59	406.22	486.45
Total Loans & Advances (ZW$ Billion)	-	37.77	82.41	105.23	142.79
Net Capital Base (ZW$ Billion)	-	29.47	53.18	64.21	72.90
Total Deposits (ZW$ Billion)	-	97.40	204.13	241.74	304.95
Net Profit (ZW$ Billion)	-	13.46	34.24	6.58	15.09
Return on Assets (%)	-	10.53	13.55	0.96	4.78
Return on Equity (%)	-	27.38	45.54	5.90	18.71
Capital Adequacy Ratio (%)	12	61.72	34.62	30.04	35.32
Tier 1 Ratio (%)	8	34.35	22.65	19.43	25.05
Loans to Deposits (%)	70	37.71	39.45	43.53	45.84
Non-Performing Loans Ratio (%)	5	1.03	1.31	0.36	0.55
Liquidity Ratio (%)	30	74.85	73.06	68.36	66.89

Deposits: According to RBZ November 2021 statistics, local currency deposits in broad money registered a growth of 212.02% year on year, while currency in circulation increased by 104.89%.

In the short-to-medium term, bank deposits are expected to remain transitory in nature, partially reflecting low income levels. Sustained recovery of the banking sector however remains largely premised on the recovery of the country's real sectors.

1.3.8. Public Sector Finance

Zimbabwe Revenue Authority (ZIMRA) collections during the first 9 months of 2021 to September 2021 amounted to ZW$317.4 billion, against a projection of ZW$291.5 billion for the period, thus resulting in a positive variance of ZW$25.8 billion (8.9%). Tax revenues contributed 94.7%, with the remainder coming from non-tax revenue. Expenditures for the period January to September 2021 were ZW$351.7 billion, against a target of ZWL$305.3 billion. Of this amount, 35% was transferred to Acquisition of Non-Financial Assets (Capital expenditure), 31% to Cost of Employees, 13% to Use of Goods & Services, 9% to Grants and 6% to Social Benefits. These 5 constituted 94% of the total expenditure.

Economic Overview (continued)

The over-expenditure of ZW$10.5 billion (10.4%) was on account of hiring of additional personnel for critical posts in the education sector following recruitment of 3,000 teachers in January and 1,000 police officers effective 1 April 2021, as well as cost of living adjustments effected in February and April 2021. For the period January to September 2021, revenue collections were ZWL$317.4 billion against expenditures of ZW$351.7 billion, giving a deficit of ZWL$34.3 billion. By end of the year, a narrower deficit of ZW$14 billion is projected, to be entirely funded through domestic market borrowing.

1.4 EXTERNAL SECTOR

According to the 2022 National Budget, the country's external sector position remained strong, with the current account maintaining a surplus. Preliminary estimates show that the current account balance slightly narrowed, from a surplus of US$688.2 million in the first 9 months of 2020, to a surplus of US$684.4 million for the same period in 2021. Strong global commodity prices supported export performance during the greater part of 2021, while relatively subdued petroleum prices moderated the import bill, during the first third of 2021. This notwithstanding, the continued softening of prices for some key export commodities presents a potent risk to the outlook for exports in the medium term.

Merchandise exports increased by 19.2% to US$4,053.4 million recorded in the first 9 months of 2021, from US$3,400.3 million in 2020, spurred by increases in agriculture and mineral exports, while manufactured exports remained subdued. Merchandise imports increased by 27.3% to US$4,194.7 million in the first 9 months of 2021 from US$3,294.4 million for the comparable period in 2020. Fuel, machinery and raw material imports accounted for this increase.

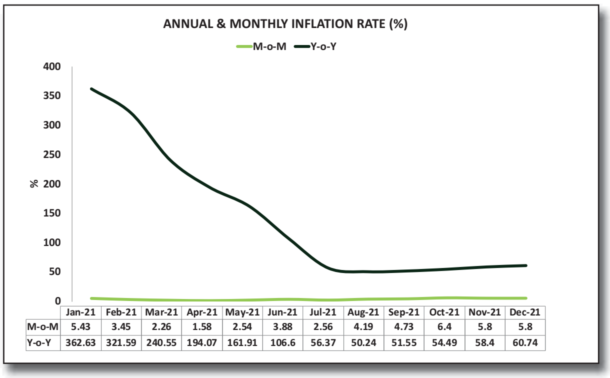
Going forward, performance of the export sector will continue to be largely determined by, among others, COVID-19 movements restrictions, international commodity prices, local production, competitiveness of local products, and US Dollar exchange rate movements, especially against currencies of the country's major trading partners.

The Government projected that the current account balance would remain in surplus in 2022 driven by secondary income, though at a much narrower level of US$723.2 million, compared to US$1,078.0 million estimated for 2021.

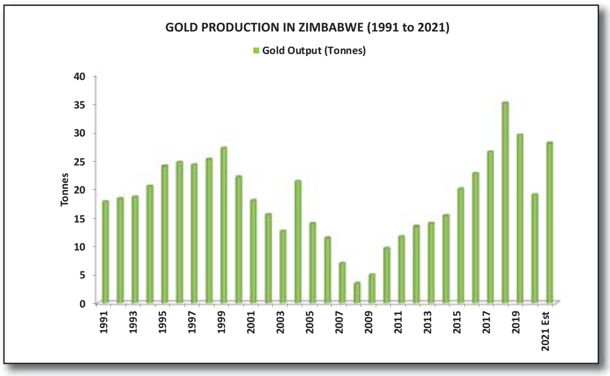
ECONOMIC OUTLOOK

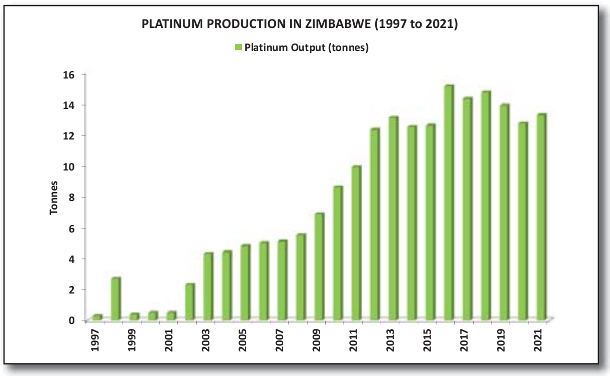
The Zimbabwean economy should rise from the negative effects of COVID-19 pandemic, but the downside risks remain, particularly regarding the possibility of the continued spread of the corona virus, despite the putting in place of a national vaccination program by the Government. In addition, capacitating production value chains, mechanisation, infrastructure development and supporting export oriented businesses continue to be pivotal in fostering economic growth.

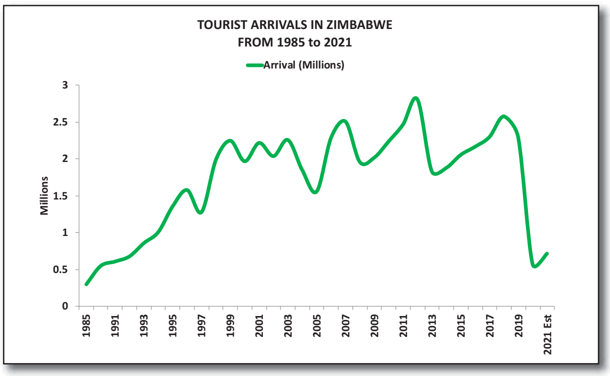
Economic Overview (continued)

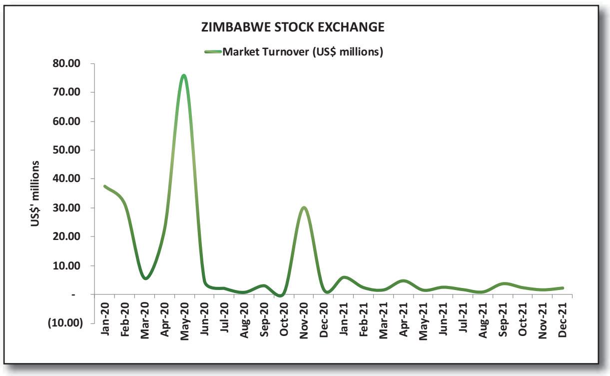


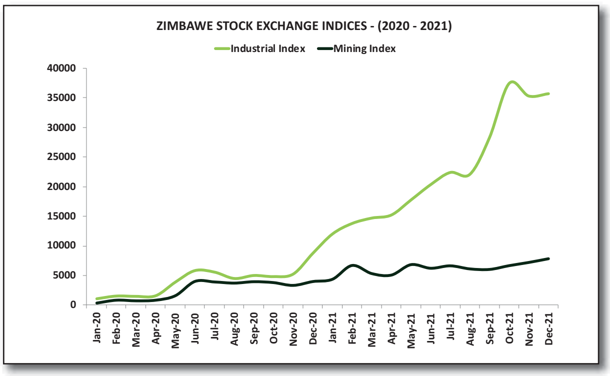
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
M-o-M	5.43	3.45	2.26	1.58	2.54	3.88	2.56	4.19	4.73	6.4	5.8	5.8
Y-o-Y	362.63	321.59	240.55	194.07	161.91	106.6	56.37	50.24	51.55	54.49	58.4	60.74

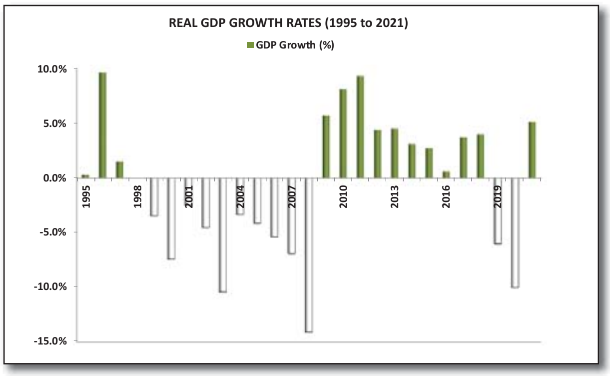




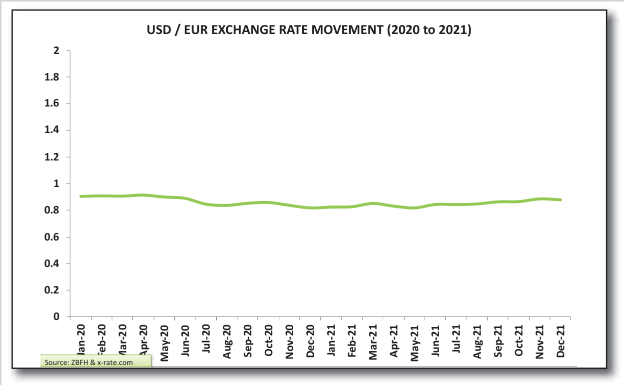


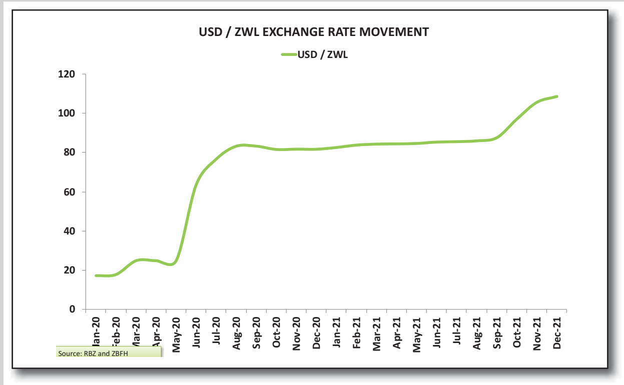


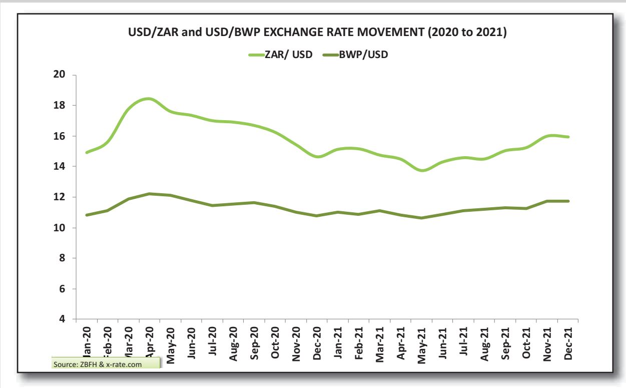


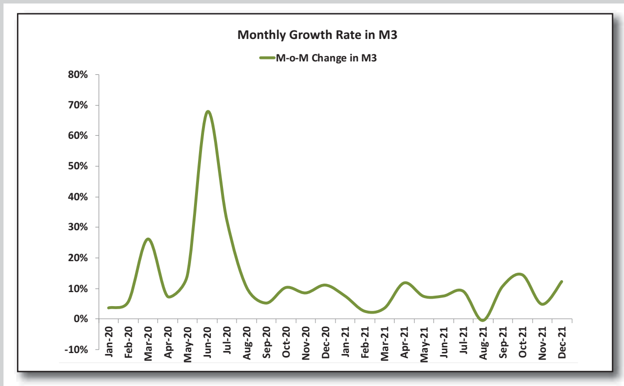


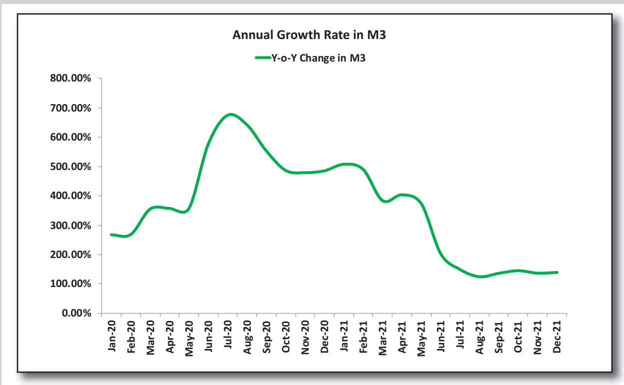
Economic Overview (continued)

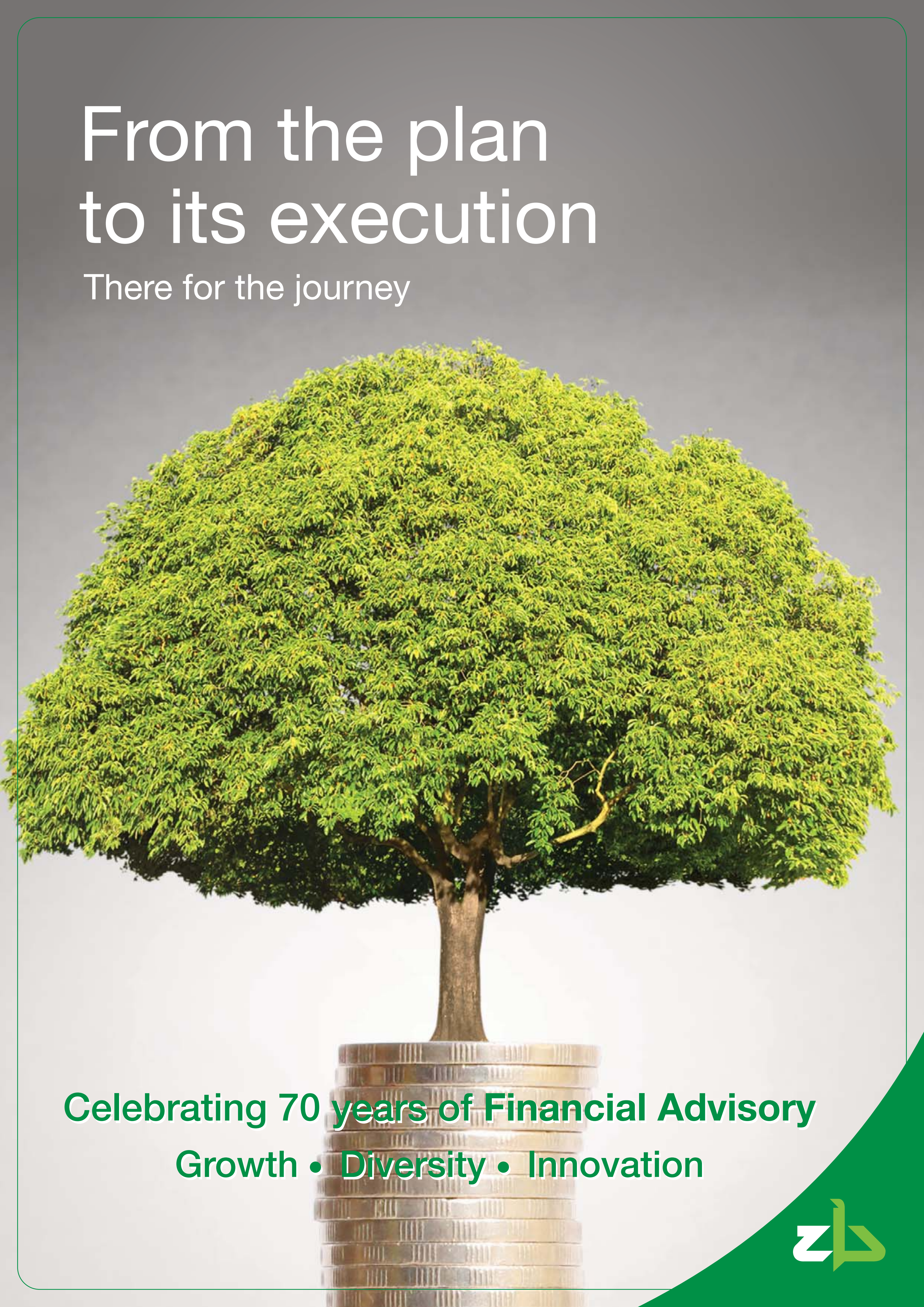











From the plan
to its execution
There for the journey
Celebrating 70 years of Financial Advisory
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CONTENTS

Financial Review

	Inflation adjusted				Unaudited Historical cost					
in ZW$	2021	2020	2019	2018	2021	2020	2019	2018	2017	2016
Income Statement										
Total income	11 735 836 580	5 287 792 530	5 875 795 925	3 783 041 244	12 440 691 682	4 771 093 571	830 603 010	83 527 263	68 951 738	65 069 820
Expected credit loss	621 274 564	453 008 587	545 458 805	249 181 709	486 046 039	205 384 931	49 666 837	4 920 365	2 995 395	771 021
Net income / (loss) after tax	2 057 975 443	1 711 761 347	3 117 141 167	(852 077 949)	6 232 798 809	4 185 927 033	775 387 293	21 789 462	14 151 465	11 430 911
Attributable income / (loss)	1 528 542 733	1 690 288 771	2 161 790 184	(675 899 403)	4 949 147 878	3 255 331 492	554 224 420	19 717 014	13 053 305	9 947 436
Balance Sheet										
Issued share capital	116 873 465	116 873 465	116 873 465	116 873 465	1 751 906	1 751 906	1 751 906	1 751 906	1 751 906	1 751 906
Shareholders' funds	17 594 426 753	10 916 764 837	8 596 233 567	4 364 818 689	16 928 725 873	6 385 626 243	1 166 317 794	98 112 015	78 649 359	69 146 210
Total equity	20 127 050 757	12 919 424 546	10 569 138 903	5 329 176 820	19 488 209 840	7 636 356 429	1 448 871 419	120 373 946	99 771 231	89 433 498
Deposits and other accounts	19 669 689 027	11 424 850 086	9 893 462 532	19 393 333 314	19 669 689 027	7 107 782 993	1 372 115 021	433 006 499	347 105 859	275 272 254
Cash and short term funds	9 712 078 202	8 176 195 747	7 157 777 610	6 443 562 214	9 712 078 202	5 086 686 008	992 705 450	143 869 250	106 816 218	82 193 499
Advances and other accounts	12 232 917 414	5 058 951 189	3 248 856 212	5 459 941 208	12 232 917 414	3 147 343 462	450 580 815	121 907 358	104 970 338	99 193 658
Risk provisions	710 032 117	442 389 663	482 827 065	639 988 128	710 032 117	275 225 469	66 962 832	14 289 396	7 616 804	6 684 196
Total assets	50 492 795 488	30 503 749 427	25 132 416 589	29 603 468 791	50 492 795 488	18 518 787 126	3 449 751 718	663 195 772	525 725 201	439 292 796
Statistics										
Number of shares at year end (net of treasury shares)	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902
Weighted average number of shares (000)	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902
Earnings per share (cents)	970.3622226	1073.043189	853.79	(59.51)	3 141.86	2 066.58	351.84	(12.52)	0.08287	0.06315
Net book asset value per share (cents)	12 777.22	8 201.62	4 174.26	469.2	12 371.67	4 847.78	919.78	76.42	63.34	56.77
Share price at year end (cents)	7 700.00	2 400.00	72	5.3	7 700.00	2 400.00	72	3.5	3.6	3.5
Number of employees at year end	944	967	967	1 046	944	967	967	1 046	1 009	922
Ratios (%)										
Return on average shareholders' funds	13%	15%	57.94%	(16.00%)	46%	92.15%	94.02%	19.90%	13.80%	13.44%
Return on average assets	10%	6%	13.63%	(2.46%)	18%	38%	26.01%	3.32%	2.71%	2.32%
Non interest income to total income	77%	89%	91%	69%	82%	95%	98%	77%	79%	73%
Operating expenses to total income	69%	84%	61%	108%	43%	32%	26%	70%	67%	76%

Inflation adjusted financial highlights

Total assets

31 Dec 2021
ZW$50,493bn

31 Dec 2020
ZW$30,504bn

66%

Total capital and reserves

31 Dec 2021
ZW$20,127bn

31 Dec 2020
ZW$12,919bn

56%

Net profit after tax

31 Dec 2021
ZW$2,058bn

31 Dec 2020
ZW$1,712bn

20%

Return on equity

31 Dec 2021
13%

31 Dec 2020
15%

2pps

Liquidity ratio

31 Dec 2021
62%

31 Dec 2020
79%

17pps

Cost to income ratio

31 Dec 2021
69%

31 Dec 2020
84%

15pps

pps - percentage points

Report of the Directors

For the year ended 31 December 2021

The directors have pleasure in presenting their report to shareholders for the year ended 31 December 2021.

Share capital

The authorised and issued share capital of the Company remained unchanged at 1 000 000 000 shares and 175 190 642 shares, respectively, at a nominal value of ZW$0.01 each. The total nominal value as at 31 December 2021 was ZW$1 751 906 (2020: ZW$1 751 906).

Consolidated financial results

The Group posted an inflation adjusted profit after taxation ZW$2 057 975 443 (unaudited historical cost profit of ZW$6 232 798 809) compared to an inflation adjusted profit after taxation ZW$1 711 761 347 (unaudited historical cost profit of ZW$4 185 927 033) in 2020.

The increase in equity arising from inflation adjusted other comprehensive income amounted to ZW$5 289 654 275 (unaudited historical cost other comprehensive income ZW$5 737 454 291) compared to an inflation adjusted other comprehensive income of ZW$824 516 871 (unaudited historical cost other comprehensive income of ZW$2 016 274 265) in 2020.

Inflation adjusted total assets as at 31 December 2021 amounted to ZW$50 492 795 488 (unaudited historical cost of ZW$49 849 833 950) compared to inflation adjusted total assets as at 31 December 2020 of ZW$30 503 749 427 (unaudited historical cost of ZW$ 18 518 787 126).

Dividends

The Board has declared a dividend of ZW144.93 cents per share for the year ended 31 December 2021.

Subsequent events

As at 31 December 2021, ZB Building Society was not in compliance with the new Reserve Bank of Zimbabwe's minimum capital requirements. The target was to finalise the consolidation of the banking and building society operations, by merging ZB Building Society and Intermarket Banking Corporation Limited (property owning company) into ZB Bank Limited by 31 December 2021, but the transaction has taken longer than anticipated, and is now scheduled to be completed in 2022. The Group is confident that the non-compliance by the Society will be remedied by consolidating ZB Building Society and Intermarket Banking Corporation Limited net assets and operations into the Bank before 31 December 2022.

The Directors are confident that the Society will meet the regulatory minimum capital requirements either through the proposed consolidation of the Society's operations with the rest of ZB Financial Holdings Limited's banking operations or through organic growth and capital injection as required and committed to in a letter of support provided by ZB Financial Holdings Limited to the Society.

Going concern

The directors have assessed the sustainability of business operations of the Company and its subsidiaries and believe that the Company and its subsidiaries, other than ZB Associated Services which has been classified as a discontinued operation, remain a going concern for the foreseeable future. The going concern basis has, therefore, been adopted for the preparation of these inflation adjusted financial statements.

However, the COVID–19 health pandemic remains as a development that has potential to affect the Group's operations. At the time of reporting, there were no significant adverse developments regarding the business model, sources of revenue, cost base and cash flows arising from the COVID -19 pandemic which were deemed to have a significant impact on the going concern status of the Company and its subsidiaries.

Directorate

In terms of Article 68 of the Company's Articles of Association, Messrs Agnes Makamure, Kangai Maukazuva and Thenjiwe Sibanda retire by rotation. Being eligible, they offer themselves for re-election at the forthcoming members' meeting.

Report of the Directors (continued)

For the year ended 31 December 2021

Messrs Peter Michael Victor Wood, Luxon Zembe and Samuelle Dimairho, who were appointed to the Board after the last Annual General Meeting of the Company, retire at the end of the meeting in terms of Article 62 of the Company's Articles of Association. Being eligible, they also offer themselves for re-election.

Mr. Ronald Mutandagayi resigned as Group Chief Executive Officer from the Board and the Company on 30 May 2021.

Mr. Fanuel Kapanje resigned as Group Finance Director from the Board and the Company on 30 November 2021.

Mr. Shepherd Tapiwanashe Fungura was appointed as Group Chief Executive Officer with effect from 1 August 2021.

Mrs. Emmah Nyaradzo Mungoni was appointed as Group Finance Director with effect from 1 January 2022.

The following director held shares, directly or indirectly, in the company as at 31 December 2021:

Directors name	Number of shares held
S.T. Fungura	3 503 815

Auditors

Shareholders will be requested to reappoint Messrs KPMG Chartered Accountants (Zimbabwe) as the Group's auditor in 2022 and approve their remuneration for the year ended 31 December 2021.

Messrs KPMG Chartered Accountants (Zimbabwe) have continued to meet the Banking Act requirement relating to the provision of audit services. Paragraph 41(4) of Part III of the Banking Act (Chapter 24:20) prohibits a banking institution from appointing as its auditor the same institution for a continuous period of more than five (5) years in any eight (8) year period. This provision will not be breached by the proposed reappointment.

By order of Board

P. Chiromo (Mrs) (Chairman)	S. T. Fungura (Group Chief Executive)	T. F. A. Masiiwa (Group Secretary)

Harare
28 April 2022

BOARD OF DIRECTORS

Mrs. P. Chiromo (Chairman)
Mr. S. T. Fungura (Group Chief Executive Officer)
Mrs. E. N. Mungoni (Group Finance Director)
Mrs. A. Makamure
Ms. T. Sibanda
Mr. K. Maukazuva
Mr. J. Mutevedzi
Mr. P. M. V. Wood
Mr. L. Zembe
Mr. S. Dimairho

Directors' Statement of Responsibility

The directors of the Company take full responsibility for the preparation and the integrity of the inflation adjusted consolidated and separate financial statements and other supplementary financial information included in this report. The Directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated and separate financial statements of ZB Financial Holdings Limited, comprising the inflation adjusted consolidated and separate statement of financial position as at 31 December 2021, and the inflation adjusted consolidated and separate statement of profit or loss and other comprehensive income, inflation adjusted consolidated and separate statement of changes in equity and the inflation adjusted consolidated and separate statement of cash flows for the year then ended, and the notes to the inflation adjusted consolidated and separate financial statements which include a summary of significant accounting policies and other explanatory notes. The inflation adjusted consolidated and separate financial statements as at 31 December 2021 are prepared in accordance with International Financial Reporting Standards (IFRS), the Companies and Other Business Entities Act (Chapter 24:31), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07), The Securities and Exchange Act (Chapter 24:25), Microfinance Act (Chapter 24:29) and relevant statutory instruments made there under.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the inflation adjusted consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In designing and implementing the systems of internal control the directors aim to provide reasonable but not absolute assurance as to the reliability of the inflation adjusted consolidated and separate financial statements, to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatements and losses. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate the occurrence of any material breakdown in the functioning of these controls, procedures and systems during the year under review.

All members of the Group Board Audit Committee are Non-Executive Directors. The committee meets regularly with the Group's internal and external auditors and executive management to review accounting, auditing, internal control and financial reporting matters.

The internal and external auditors have unrestricted access to the Audit Committee. The external auditor is responsible for reporting on whether the inflation adjusted consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

The inflation adjusted consolidated and separate financial statements of ZB Financial Holdings Limited and its subsidiaries which appear on pages 66 to 245, were approved by the Board on 28 April 2022.

The Group's independent external auditor, KPMG (Zimbabwe), has audited the inflation adjusted consolidated and separate financial statements and its report is attached to these inflation adjusted consolidated and separate financial statements on pages 66 to 245.

Preparer of consolidated and separate inflation adjusted financial statements

These inflation adjusted consolidated and separate financial statements have been prepared under the supervision of E. N. Mungoni and have been audited in terms of the Companies and Other Business Entities Act (Chapter 24:31).

E. N. Mungoni CA (Z)
Registered Public Accountant number 3585

P. Chiromo (Mrs) (Chairman)	S. T. Fungura (Group Chief Executive)	T. F. A. Masiiwa (Group Secretary)

Harare
28 April 2022

Extracts from the Report of the Independent Actuary

INDEPENDENT ACTUARIES & CONSULTANTS

CERTIFICATE OF THE CONSULTING ACTUARY

To the Directors,

ZB LIFE ASSURANCE LIMITED

Actuarial liabilities at 31 December 2021

I certify that – on the Published Reporting Basis – the actuarial liabilities of ZB Life Assurance Limited at 31 December 2021 were as follows:

Type of Business	**ZW$**
Life Assurance Business	1 523 277 421
Retirement Annuity Pensions, Group Pensions, Immediate and Deferred Annuities	1 639 038 256
Total	3 162 315 677

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Consulting Actuary
Independent Actuaries & Consultants (Pty) Ltd
20 April 2022

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Independent Actuaries & Consultants (Pty) Ltd | Keymix Investments Group Company
Authorised Financial Services Provider | **REG No.** 2002/000342/07 | **FSP No.** 6832
Directors: M.L. Bikwani (Non-Executive Director) | A. Gani (MD) | V.G.Q. Faria | K.S. Lewis

Extracts from the Report of the Independent Actuary (continued)

iAC | INDEPENDENT ACTUARIES & CONSULTANTS

INSURANCE ACT 1987 (Sections 24 and 30)

INSURANCE REGULATIONS, 1989 (Sections 3 and 8)

CERTIFICATE AS TO SOLVENCY OF AN INSURER,

WHO CARRIED ON LIFE ASSURANCE BUSINESS ONLY

I hereby certify that, to the best of my knowledge and belief, the value of the assets, including shareholders' funds, in respect of all classes of life assurance business carried on by

ZB LIFE ASSURANCE LIMITED

AT 31 DECEMBER 2021

exceeds the amount of the liabilities in respect of those classes of insurance business by ZW$ 2 090 521 621.

I wish to note the following:

- The excess assets shown above are on the Published Reporting Basis.
- The reported excess assets reflect the accounting basis ZB Life Assurance Limited adopted for investments in associate entities.

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Consulting Actuary
Independent Actuaries & Consultants (Pty) Ltd
20 April 2022

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KPMG
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Independent Auditors' Report

To the shareholders of ZB Financial Holdings Limited

Qualified Opinion on the Inflation Adjusted Consolidated Financial Statements and Unmodified Opinion on the Inflation Adjusted Separate Financial Statements

We have audited the inflation adjusted consolidated and separate financial statements of ZB Financial Holdings Limited (the Group and Company), set out on pages 66 to 245, which comprise:

- the inflation adjusted consolidated and separate statements of financial position at 31 December 2021;
- the inflation adjusted consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the inflation adjusted consolidated and separate statements of changes in equity for the year then ended;
- the inflation adjusted consolidated and separate statements of cash flows for the year then ended; and
- the notes to the inflation adjusted consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for opinions* section of our report, the inflation adjusted consolidated financial statements present fairly, in all material respects, the inflation adjusted consolidated financial position of ZB Financial Holdings Limited at 31 December 2021, and its inflation adjusted consolidated financial performance and inflation adjusted consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the manner required by the Companies and Other Business Entities Act (Chapter 24:31), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Securities and Exchange Act (Chapter 24:25), the Microfinance Act (Chapter 24:29) and the Insurance Act (Chapter 24:07).

In our opinion, the inflation adjusted separate financial statements present fairly, in all material respects, the inflation adjusted separate financial position of ZB Financial Holdings Limited at 31 December 2021, and its inflation adjusted separate financial performance and inflation adjusted separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the manner required by the Companies and Other Business Entities Act (Chapter 24:31).

Basis for Opinions, including Qualified Opinion on Inflation Adjusted Consolidated Financial Statements and Unmodified Opinion on Inflation Adjusted Separate Financial Statements

Inconsistent application of fair value measurement principles related to valuation of investment properties and owner occupied properties between ZB Financial Holdings Limited and its subsidiaries and an associate in the prior year and the residual impact in the current year

During the prior year, despite having engaged the same external property valuer, the valuation basis applied between ZB Financial Holdings Limited, its subsidiaries and its associate over owner occupied and investment properties, was inconsistent with the valuation basis adopted in prior years, as well as within the group entities.

As International Financial Reporting Standard 13 *'Fair Value Measurement'* (IFRS 13) paragraph 65 requires valuation techniques used to measure fair value to be applied consistently, the change in the valuation basis to include the valuation of investment properties of the associate on the basis of direct Zimbabwe dollar (ZW$) valuations in the prior year compared to United States dollar (USD) valuations in the earlier years did not comply with the conditions in the standard that allow for a change in valuation technique due to limited ZW$ market evidence during the prior year.

The Directors of ZB Financial Holdings Limited did not adjust the comparative inflation adjusted consolidated financial statements for the year ended 31 December 2020 to align the valuation approaches between the Group and its associate. Had the directors adjusted the inflation adjusted consolidated financial statements to align the valuation approaches between the Group and the associate for the preceding financial year, the following financial statement captions would have resulted in decreases in the prior year as shown below:

- Equity accounted investments ZW$ 1 533 167 976;
- Deferred tax liability ZW$ 78 908 554;
- Life assurance funds liability ZW$ 328 395 162;
- Retained income ZW$ 1 125 864 261;
- Share of profit from equity accounted investments ZW$ 1 533 167 976;
- Changes to policyholder liabilities ZW$ 328 395 162; and
- Income tax expense ZW$ 78 908 554

For the financial year ended 31 December 2021, the Group, its subsidiaries and its associate undertook an exercise to ensure alignment of the valuation approaches by undertaking direct Zimbabwe dollar valuations using Zimbabwe dollar inputs and adopting these for 31 December 2021 reporting purposes, which also included the full alignment of reporting periods. Despite this alignment on the closing values, the Group has not restated the comparative inflation adjusted consolidated financial statements, as required by International Accounting Standard 8 *'Accounting Policies, Changes in Accounting Estimates and Errors'* (IAS 8), to resolve the matter of non-compliance with IFRS 13 and IAS 28 as reflected in the previous paragraph which resulted in the modified opinion being issued in the prior year. This resulted, in the residual income statement effect on the current year which impacted an increase in the share of profit from equity accounted investments by ZW$ 1 533 167 976, the changes in policy holder liabilities by ZW$ 328 395 162 and the income tax expense by ZW$ 78 908 554 which are considered material to the inflation adjusted consolidated financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the inflation adjusted consolidated and separate financial statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the inflation adjusted consolidated and separate financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the inflation adjusted consolidated financial statements and our unmodified opinion on the inflation adjusted separate financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the inflation adjusted consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Opinions, on inflation adjusted consolidated and separate financial statements* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

1. Valuation of owner-occupied property and equipment and investment properties

This matter relates to both the inflation adjusted consolidated and separate financial statements.

Refer to the property and equipment accounting policy note 3.7, the investment property accounting policy note 3.16, critical accounting judgements and key sources of estimation uncertainty note 2.2.2.4, the investment properties consolidated and separate note 12, the property and equipment consolidated and separate note 14 and the fair value adjustments consolidated and separate note 30 to the inflation adjusted consolidated and separate financial statements.

Key Audit Matter	How the matter was addressed in our audit
The Group and the Company hold owner occupied properties and equipment that are measured at fair value in accordance with IAS 16 - *Property, Plant and Equipment* (IAS 16). The Group also holds investment property which is measured at fair value in accordance with IAS 40 - *Investment Property* (IAS 40). As at reporting date, the Group and Company had owner occupied properties and equipment amounting to ZW$ 9 380 million inflation adjusted and ZW$ 241 million inflation adjusted respectively, whilst the Group and Company had investment properties amounting to ZW$ 4 449 million inflation adjusted and ZW$ 72 million inflation adjusted respectively. In the current year, there was a change to the basis of estimating the fair values of the abovementioned categories, in that property and equipment valuations were performed directly in ZW$ currency, compared to prior periods where valuations were in USD and translated to the ZW$ currency at the auction (official) rate, due to common market practice. The key inputs and assumptions used in the valuations for commercial and industrial properties, such as, rental rates per square meter and capitalisation rates are determined in an environment where there is limited market activity in the local currency. For residential properties and equipment, the valuer used the market approach, by making reference to comparable completed properties transactions as well as property listing prices, and for valuing equipment sought quotations from suppliers and obtained transaction references from auction houses.	Our procedures included the following: • Evaluating the professional competence and objectivity of the external valuers engaged by the directors to value the properties and equipment and specifically evaluating the independence of the external valuers by enquiring about their interests and relationship with the Group and Company and validating their membership to professional associations; • Evaluating the appropriateness of the valuation methodologies used by the valuers, specifically in relation to the change in valuation currency, based on our knowledge of the industry and the requirements of IFRS 13 - *Fair Value Measurement* (IFRS 13); and challenging the valuers over the inputs used to value properties and requesting market supportable evidence in respect of the 2021 values in ZW$; • Review of specific valuation inputs and market comparable used by management's valuation specialist in determining fair values, including performing reasonableness assessments; • Consulting with independent property and equipment valuation specialists with regards to the appropriateness of performing valuations in the local currency (ZW$) in the current year as well as adequacy of ZW$ valuation sources of information, in addition to market developments with respect to ZW$ valuations and

Key Audit Matter	How the matter was addressed in our audit
Given the quantitative impact of the decision to change the valuation technique for the year end property and equipment valuations, the degree of complexity involved in determining appropriateness of key ZW$ inputs and assumptions used therein and the significant judgement and estimation required in determining the fair values, the valuation of the Group and the Company's owner occupied properties and equipment, and the Group and Company's investment properties was considered a key audit matter.	• Assessing the adequacy of the disclosures in the financial statements in respect of the valuation of owner occupied properties, equipment and investment properties in accordance with IAS 16, IAS 40 and IFRS 13, including the impact of the change in valuation technique.

2. Expected credit loss allowance on loans and advances

This matter relates to the inflation adjusted consolidated financial statements.

Refer to the key sources of estimation uncertainty computation of expected credit losses note 2.2.2.8, impairment of financial assets accounting policy note 3.4.1.5, mortgages and other advances note 7 and credit risk note 39.2.4.

Key Audit Matter	How the matter was addressed in our audit
The Group provides mortgages and advances to individuals, corporates and, small and medium enterprises (SMEs). At reporting date, the Group had mortgages and other advances of ZW$ 11 917 million inflation adjusted. The Group uses an Expected Credit Loss (ECL) model to determine the allowance for loans and advances impairments. The ECL methodology incorporates the expected future credit losses due to forward looking macro-economic variables.	Our procedures included the following: • Assessing and testing the design, implementation and operating effectiveness of the key controls over credit origination and monitoring; • Assessing whether the Group's credit policies are aligned with IFRS 9, *Financial Instruments (IFRS 9)*;

Key Audit Matter	How the matter was addressed in our audit
The Group's ECL model includes certain judgements and assumptions such as: • the credit grade allocated to the counterparties; • the probability of a loan becoming past due and subsequently defaulting (probability of default (PD)); • the determination of the Group's definition of default; • the magnitude of the likely loss if there is default (loss given default (LGD)); • the expected exposure in the event of a default (exposure at default (EAD)); • the criteria for assessing significant increase in credit risk (SICR); • the rate of recovery on the loans that are past due and in default; • the identification of impaired assets and the estimation of impairment, including the estimation of future cash flows, market values and estimated time and cost to sell collateral; and • the incorporation of forward-looking information related to the expected outlook on the country's inflation rates, central bank interest rates, exchange rates and the gross domestic product used in determining the expected credit losses in the loans and advances portfolios. Due to the significance of the loans and advances balance to the inflation adjusted consolidated statement of financial position of the Group and the level of judgement applied in determining the ECL, the expected credit loss on loans and advances was considered a key audit matter.	• Engaging our Financial Risk Management specialists to evaluate the appropriateness of the Group's IFRS 9 expected credit losses model by using our own independent models to recompute the ECL and reviewing the reasonability of the methodology updates within the Group's IFRS 9 ECL model since the prior year; • Using available external and independent information to challenge management's judgements and assumptions in determining expected credit losses; • Engaging our Information Risk Management specific team members to re-perform the extraction of the entire loan portfolio from the core systems and performing independent classification into stage 1, stage 2 and stage 3 in accordance with IFRS 9 staging requirements based on delinquency dates and comparing against management's IFRS 9 calculations and investigating variances in staging; • Assessing the completeness, accuracy and validity of data and inputs used during the development and application of the ECL model; • For a sample of loans and advances, we evaluated the appropriateness of the credit risk grade through the performance of credit reviews and an analysis of the financial performance of selected entities; and • Assessing the adequacy of the Group's disclosures in respect of ECL as required in terms of IFRS 9.

3. **Valuation of insurance liabilities and life assurance funds**

This matter relates to the inflation adjusted consolidated financial statements.

Refer to the insurance liabilities accounting policy note 3.17.2, and trade and other payables consolidated note 18 to the inflation adjusted consolidated financial statements. Also refer to the key sources of estimation uncertainty valuation of the life fund note 2.2.2.7 and the life assurance funds note 21 to the inflation adjusted consolidated financial statements.

Key Audit Matter	How the matter was addressed in our audit
The Group holds insurance liabilities which, on an inflation adjusted basis, comprise of Incurred But Not Reported Claims Reserve (IBNR) of ZW$ 110 million (note 18.2), net outstanding claims of ZW$ 64 million (note 18.3), and unearned premium reserve (UPR) of ZW$ 102 million (note 18.1) included under Trade and Other Payables ZW$ 4 207 million, and has life assurance funds amounting to ZW$ 3 162 million (note 21) at 31 December 2021. The directors engaged two actuarial experts (one for the reinsurance subsidiary and another for the life assurance subsidiary) to assess the appropriateness of the valuation of the IBNR, net outstanding claims, UPR and the life assurance funds (policyholder liabilities). The determination of the insurance liabilities is an area that makes use of significant qualitative and quantitative judgments and estimates due to the level of subjectivity inherent in the estimation of the occurrence and severity of insurable events that have occurred as at the end of the reporting year. Significant estimation and judgement is applied over key valuation assumptions used to determine the insurance contract liabilities such as valuation discount rates, expense inflation and mortality basis. Because of the inherent susceptibility of the insurance liabilities (technical reserves) to estimation uncertainty as well as their quantitative impact, we considered the valuation of these insurance liabilities to be a key audit matter.	Our procedures included the following: • Testing the design, implementation and operating effectiveness of key controls over the identification, measurement and recording of the Group's calculation of insurance contract liabilities; • Evaluating the appropriateness of the methodology applied and assumptions used by the Group to determine the insurance liabilities using our knowledge and industry experience; • Engaging our own actuarial specialist to interrogate the methodology and assumptions used in the determination of the insurance liabilities by testing the principles and integrity of the data and models used by management and their actuaries; • Assessing the reasonability and accuracy of the liabilities by comparing the prior year claims recognised against the results of current year claims actually reported that related to the prior financial period. • Confirming the amounts recoverable from the reinsurers; • Re-computing, from date of the origination of premiums, the allocation of premiums received between current year and future periods based on time allocation, together with the amounts for future periods being recognized as UPR; and • Assessing the disclosures in the inflation adjusted consolidated financial statements, paying particular attention to the disclosure of the assumptions used and judgements made.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, the Group Chief Executive's Report, the Report of the directors, the Directors' statement of responsibilities, extracts from the report of the independent actuary and the unaudited financial information in the inflation adjusted consolidated and separate financial statements titled "Unaudited Historical Cost", but does not include the inflation adjusted consolidated and separate financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the "ZB Financial Holdings Limited 2021 Annual Report", which is expected to be made available to us after that date.

Our opinions on the inflation adjusted consolidated and separate financial statements do not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the inflation adjusted consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the *Basis for qualified opinion on the inflation adjusted consolidated financial statements* section above, given the non-compliance with IFRS 13 and IAS 28 in the prior year, the current year's inflation adjusted consolidated financial statements may not be comparable with the prior year. We have therefore concluded that the other information is materially misstated for the same reasons with respect to the amounts or other items in the Chairman's Statement, the Group Chief Executive's Report, the Report of the directors, the Directors' statement of responsibilities, extracts from the report of the independent actuary, and the unaudited financial information in the inflation adjusted consolidated and separate financial statements titled "Unaudited Historical Cost".

Responsibilities of the directors for the inflation adjusted consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated and separate financial statements in accordance with International Financial Reporting Standards and the manner required by the the Companies and Other Business Entities Act (Chapter 24:31), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Securities and Exchange Act (Chapter 24:25), the Microfinance Act (Chapter 24:29) and the Insurance Act (Chapter 24:07), and for such internal control as the directors determine is necessary to enable the preparation of inflation adjusted consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted consolidated and separate financial statements, the directors are responsible for assessing the Company and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/ Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the inflation adjusted consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these inflation adjusted consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the inflation adjusted consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the inflation adjusted consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated and separate financial statements, including the disclosures, and whether the inflation adjusted consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the inflation adjusted consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the inflation adjusted consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Michael de Beer
Chartered Accountant (Zimbabwe)
Registered Auditor
PAAB Practicing Certificate Number 0369

29 April 2022

For and on behalf of, KPMG Chartered Accountants (Zimbabwe), Reporting Auditors

Mutual Gardens
100 The Chase (West)
Emerald Hill
P.O Box 6, Harare
Zimbabwe

Consolidated Statements of Financial Position

As at 31 December 2021

	Notes	Inflation adjusted		*Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
ASSETS					
Cash and cash equivalents	5	9 712 078 202	8 176 195 747	9 712 078 202	5 086 686 008
Treasury bills	6	2 410 330 922	832 802 107	2 410 330 922	518 114 164
Mortgages and other advances	7	12 232 917 414	5 058 951 189	12 232 917 414	3 147 343 462
Financial assets at fair value through profit or loss	8.1	4 074 467 484	1 483 448 893	4 074 467 484	922 903 385
Financial assets at amortised cost	8.2	591 167 359	120 981 012	591 167 359	75 266 351
Investments in associates	9.1	5 144 121 331	5 076 504 623	4 816 276 853	2 902 113 354
Inventories	10	79 038 179	81 797 817	72 791 173	36 230 398
Trade and other receivables	11	1 992 460 506	974 328 580	1 992 460 506	606 162 537
Investment properties	12	4 448 949 501	3 500 852 370	4 448 949 501	2 177 997 851
Right of use assets	13	221 354 379	106 462 757	102 568 596	66 234 057
Property and equipment	14	9 377 013 779	4 743 911 252	9 373 518 085	2 951 346 535
Intangible assets	15	202 454 204	347 513 080	22 206 622	28 389 024
Deferred tax asset	23	6 442 228	-	101 233	-
Total assets		50 492 795 488	30 503 749 427	49 849 833 950	18 518 787 126
LIABILITIES					
Deposits and other accounts	16	19 669 689 027	11 424 850 086	19 669 689 027	7 107 782 993
Short term borrowings	17	403 331 507	-	403 331 507	-
Trade and other payables	18	4 251 843 409	1 897 797 058	4 251 843 409	1 180 683 296
Current tax liabilities	19	120 342 809	149 137 826	120 342 809	92 783 651
Long term borrowings	20	16 947 671	25 944 008	16 947 671	16 140 639
Life assurance funds	21	3 162 315 677	2 690 348 469	3 162 315 677	1 673 756 150
Offshore borrowings	22	657 911 243	390 923 496	657 911 243	243 206 638
Deferred tax liabilities	23	1 963 675 848	893 486 940	1 959 555 227	498 499 777
Lease liabilities	24	119 687 540	111 836 998	119 687 540	69 577 553
Total liabilities		30 365 744 731	17 584 324 881	30 361 624 110	10 882 430 697
EQUITY					
Share capital	25.2	116 873 465	116 873 465	1 751 906	1 751 906
Share premium	25.2	1 806 678 461	1 806 678 461	27 081 696	27 081 696
Other components of equity	25.3	8 429 040 895	3 209 773 438	8 077 241 786	2 410 826 591
Retained income	25.4	7 241 833 932	5 783 439 473	8 721 358 380	3 844 673 945
Functional currency translation reserve	25.6	-	-	101 292 105	101 292 105
Attributable to equity holders of parent		17 594 426 753	10 916 764 837	16 928 725 873	6 385 626 243
Non-controlling interests	25.5	2 532 624 004	2 002 659 709	2 559 483 967	1 250 730 186
Total equity		20 127 050 757	12 919 424 546	19 488 209 840	7 636 356 429
Total equity and liabilities		50 492 795 488	30 503 749 427	49 849 833 950	18 518 787 126

Approved by the Board and signed on its behalf by:

P. Chiromo (Mrs)
(Chairman)

S. T. Fungura
(Group Chief Executive)

T. F. A. Masiiwa
(Group Secretary)

28 April 2022

*The historical cost financial information is shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result, the auditors have not expressed an opinion on the historical cost financial information.

Separate Statements of Financial Position

As at 31 December 2021

		Inflation adjusted		*Unaudited Historical cost	
	Notes	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
ASSETS					
Cash and cash equivalents	5	17 158 657	3 435 388	17 158 657	2 137 270
Financial assets at fair value through profit or loss	8.1	636 474 830	107 105 294	636 474 830	66 633 801
Loan receivable	8.2	403 353 425	-	403 353 425	-
Investments in associates	9.1	209 870 484	85 704 969	151 238 103	45 447 161
Investments in subsidiaries	9.2	15 772 838 412	9 797 565 223	15 522 908 571	5 918 973 978
Trade and other receivables	11	190 627 434	53 045 117	190 627 433	33 001 149
Investment properties	12	72 200 000	47 457 653	72 200 000	29 525 000
Right of use assets	13	222 245 719	174 633 852	177 094 997	108 645 585
Property and equipment	14	241 238 945	51 856 086	241 238 945	32 261 413
Deferred tax asset	23	-	863 223	-	537 040
Total assets		17 766 007 906	10 321 666 805	17 412 294 961	6 237 162 397
LIABILITIES					
Short term borrowings	17	403 331 507	-	403 331 507	-
Trade and other payables	18	143 843 977	85 779 839	143 843 977	53 366 519
Long term borrowings	20	16 947 671	25 944 008	16 947 671	16 140 639
Deferred tax liabilities	23	53 757 207	-	53 757 204	-
Lease liabilities	24	198 862 144	185 262 397	198 862 144	115 257 960
Total liabilities		816 742 506	296 986 244	816 742 503	184 765 118
EQUITY					
Share capital	25.1	116 873 465	116 873 465	1 751 906	1 751 906
Share premium	25.2	1 806 678 461	1 806 678 461	27 081 696	27 081 696
Revaluation reserve	25.3	167 926 066	38 054 607	165 904 240	21 989 500
Retained income	25.4	14 857 787 408	8 063 074 028	16 299 522 511	5 900 282 072
Functional currency translation reserve		-	-	101 292 105	101 292 105
Total equity		16 949 265 400	10 024 680 561	16 595 552 458	6 052 397 279
Total equity and liabilities		17 766 007 906	10 321 666 805	17 412 294 961	6 237 162 397

Approved by the Board and signed on its behalf by:

P. Chiromo (Mrs.)	S. T. Fungura	T. F. A. Masiiwa
(Chairman)	(Group Chief Executive)	(Group Secretary)

28 April 2022

*The historical cost financial information is shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result, the auditors have not expressed an opinion on the historical cost financial information.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

		Inflation adjusted		*Unaudited Historical cost	
	Notes	31 Dec 2021 ZW$	**31 Dec 2020 ZW$	31 Dec 2021 ZW$	**31 Dec 2020 ZW$
Interest income	26.1	3 948 861 847	1 381 252 568	3 208 995 587	576 746 607
Interest expense	26.2	(644 451 300)	(320 916 833)	(527 138 481)	(131 366 383)
Net interest income		3 304 410 547	1 060 335 735	2 681 857 106	445 380 224
Loan impairment charges, net recoveries	26.3	(621 274 564)	(453 008 587)	(486 046 039)	(205 384 931)
Net income from lending activities		2 683 135 983	607 327 148	2 195 811 067	239 995 293
Gross insurance premium income	27.1	1 982 154 565	1 844 873 692	1 648 030 847	844 470 475
Total insurance expenses	27.2	(1 151 859 851)	(1 847 417 528)	(930 048 584)	(873 235 644)
Net insurance income / (cost)		830 294 714	(2 543 836)	717 982 263	(28 765 169)
Commissions and fees	28	3 365 738 716	1 835 766 612	2 693 561 584	795 293 987
Operating income	29	1 309 152 207	2 629 088 897	1 395 228 355	1 387 110 817
Fair value adjustments	30	3 547 514 960	218 153 709	5 438 108 413	2 377 458 643
Total income		11 735 836 580	5 287 792 530	12 440 691 682	4 771 093 571
Operating expenses	31	(8 123 528 222)	(4 442 333 615)	(5 370 447 701)	(1 542 162 166)
Profit from ordinary activities		3 612 308 358	845 458 915	7 070 243 981	3 228 931 405
Movement in life assurance funds	21	(471 967 208)	(962 586 390)	(1 488 559 527)	(1 435 100 181)
Share of associate companies profit net of tax	9.1	78 116 446	2 258 767 473	1 922 594 906	2 673 601 949
Effects of inflation adjustments		(678 489 417)	(247 814 749)	-	-
Profit before taxation		2 539 968 179	1 893 825 249	7 504 279 360	4 467 433 173
Income tax expense	32	(482 446 757)	(190 414 245)	(1 282 283 022)	(293 816 850)
Net profit for the year from continuing operations		2 057 521 422	1 703 411 004	6 221 996 338	4 173 616 323
Profit from discontinued operations	33	454 021	8 350 343	10 802 471	12 310 710
Net profit for the year		2 057 975 443	1 711 761 347	6 232 798 809	4 185 927 033
Profit attributable to:					
Owners of parent from continuing operations		1 528 088 712	1 681 938 428	4 938 345 407	3 243 020 782
Owners of parent from discontinued operations		454 021	8 350 343	10 802 471	12 310 710
Non-controlling interests		529 432 710	21 472 576	1 283 650 931	930 595 541
Profit for the year		2 057 975 443	1 711 761 347	6 232 798 809	4 185 927 033

*The historical cost financial information is shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result, the auditors have not expressed an opinion on the historical cost financial information.
**Certain comparative amounts in the statement of profit or loss and OCI have been re-presented, as a result of a discontinued operation during the current year (see Note 33).

Consolidated Statements of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 December 2021

		Inflation adjusted		*Unaudited Historical cost	
	Notes	31 Dec 2021 ZW$	**31 Dec 2020 ZW$	31 Dec 2021 ZW$	**31 Dec 2020 ZW$
Profit for the year		2 057 975 443	1 711 761 347	6 232 798 809	4 185 927 033
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Gains on property and equipment revaluation	25.3.2	6 670 685 101	1 080 592 967	6 715 244 649	2 279 135 715
Fair value gains on financial assets at FVTOCI	25.3.3	55 149	2 549 040	55 149	1 585 843
Income tax relating to components of other comprehensive income	25.7	(1 381 085 975)	(258 625 136)	(977 845 507)	(264 447 293)
Other comprehensive income for the year net of tax		5 289 654 275	824 516 871	5 737 454 291	2 016 274 265
Total comprehensive income for the year		7 347 629 718	2 536 278 218	11 970 253 100	6 202 201 298
Total comprehensive income attributable to:					
Owners of parent from continuing operations		6 815 043 972	2 497 133 447	10 649 027 877	5 221 388 415
Owners parent from discontinued operations		454 021	8 350 343	10 802 471	12 310 710
Non-controlling interests		532 131 725	30 794 428	1 310 422 752	968 502 173
Total comprehensive income for the year		7 347 629 718	2 536 278 218	11 970 253 100	6 202 201 298
Earnings per share					
Basic and fully diluted earnings per share (ZW cents)		970	1 073	3 142	2 067

*The historical cost financial information is shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result, the auditors have not expressed an opinion on the historical cost financial information.
**Certain comparative amounts in the statement of profit or loss and OCI have been re-presented, as a result of a discontinued operation during the current year (see Note 33).

Separate Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	Inflation adjusted 31 Dec 2021 ZW$	Inflation adjusted 31 Dec 2020 ZW$	*Unaudited Historical cost 31 Dec 2021 ZW$	*Unaudited Historical cost 31 Dec 2020 ZW$
Operating income	29	1 661 611 600	459 499 083	1 309 229 511	192 798 309
Fair value adjustments	30	6 044 828 596	1 715 971 636	9 855 766 841	4 895 516 112
Total income		7 706 440 196	2 175 470 719	11 164 996 352	5 088 314 421
Operating expenses	31	(943 435 258)	(511 573 582)	(750 371 859)	(188 361 352)
Profit from ordinary activities		6 763 004 938	1 663 897 137	10 414 624 493	4 899 953 069
Share of associate companies (loss)/ profit after tax	9.1	124 165 515	(47 352 407)	105 790 942	25 621 258
Effects of inflation adjustments		55 850 195	182 545 427	-	-
Profit before taxation		6 943 020 648	1 799 090 157	10 520 415 435	4 925 574 327
Income tax (expense) / credit	32	(11 333 267)	15 409 801	(6 395 636)	8 338 963
Net profit for the year		6 931 687 381	1 814 499 958	10 514 019 799	4 933 913 290
Profit attributable to:					
Owners of parent		6 931 687 381	1 814 499 958	10 514 019 799	4 933 913 290
Non-controlling interest		-	-	-	-
Profit for the year		6 931 687 381	1 814 499 958	10 514 019 799	4 933 913 290
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Gains on property and equipment revaluation	25.3.2	175 109 863	22 170 946	193 764 595	24 958 017
Income tax relating to components of other comprehensive income	25.7	(43 287 157)	(5 480 641)	(47 898 608)	(6 169 622)
Other comprehensive income for the year net of tax		131 822 706	16 690 305	145 865 987	18 788 395
Total comprehensive income for the year		7 063 510 087	1 831 190 263	10 659 885 786	4 952 701 685

*The historical cost financial information is shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result, the auditors have not expressed an opinion on the historical cost financial information.

Consolidated Statements of Changes in Equity

For the year ended 31 December 2021

	Inflation adjusted								
	Share capital ZW$	Share premium ZW$	General reserve ZW$	Property and equipment revaluation reserve ZW$	Financial assets at FVTOCI ZW$	Retained income ZW$	Attributable to equity holders of parent ZW$	Non controlling interests ZW$	Total ZW$
Balance at 1 January 2020	116 873 465	1 806 678 461	21 116 228	2 397 808 815	143 119 111	4 110 637 487	8 596 233 567	1 972 905 335	10 569 138 902
Changes in equity for 2020									
Profit or loss									
Profit for the year	-	-	-	-	-	1 690 288 771	1 690 288 771	21 472 576	1 711 761 347
Other comprehensive income, net tax									
Revaluation of property	-	-	-	813 276 103	-	-	813 276 103	9 321 852	822 597 955
Fair value gain on financial assets at FVTOCI	-	-	-	-	1 918 916	-	1 918 916	-	1 918 916
Transaction with owners of the parent									
Dividends paid	-	-	-	-	-	(37 032 105)	(37 032 105)	(1 040 054)	(38 072 159)
Other movements									
Transfer to retained income	-	-	-	(19 545 320)	-	19 545 320	-	-	-
Effects of inflation adjustments	-	-	-	-	(147 920 415)	-	(147 920 415)	-	(147 920 415)
Balance at 31 December 2020	116 873 465	1 806 678 461	21 116 228	3 191 539 598	(2 882 388)	5 783 439 4731	10 916 764 837	2 002 659 709	12 919 424 546
Changes in equity for 2021									
Profit or loss									
Profit for the year	-	-	-	-	-	1 528 542 733	1 528 542 733	529 432 710	2 057 975 443
Other comprehensive income, net of tax									
Revaluation of property	-	-	-	5 286 913 743	-	-	5 286 913 743	2 699 016	5 289 612 759
Fair value gain on financial assets at FVTOCI	-	-	-	-	41 516	-	41 516	-	41 516
Transaction with owners of the parent									
Dividends paid	-	-	-	-	-	(138 925 234)	(138 925 234)	(2 167 431)	(141 092 665)
Other movements									
Transfer to retained income	-	-	-	(68 776 960)	-	68 776 960	-	-	-
Effects of inflation adjustments	-	-	-	-	1 089 158	-	1 089 158	-	1 089 158
Balance at 31 December 2021	116 873 465	1 806 678 461	21 116 228	8 409 676 381	(1 751 714)	7 241 833 932	17 594 426 753	2 532 624 004	20 127 050 757

*The comparative amounts are disclosed as restated due to an error relating to measurement of intangible assets (see note 15).

Consolidated Statements of Changes in Equity (continued)

For the year ended 31 December 2021

	*Unaudited Historical cost									
	Share capital ZW$	Share premium ZW$	Functional currency translation reserve ZW$	General reserve ZW$	Property and equipment revaluation reserve ZW$	Financial assets at FVTOCI ZW$	Retained income ZW$	Attributable to equity holders of parent ZW$	Non controlling interests ZW$	Total ZW$
Balance at 1 January 2020	1 751 906	27 081 696	105 410 850	5 870 251	432 334 433	(2 987 053)	596 855 711	1 166 317 794	282 553 625	1 448 871 419
Changes in equity for 2020:										
Profit or loss										
Profit for the year	-	-	-	-	-	-	3 255 331 492	3 255 331 492	930 595 541	4 185 927 033
Other comprehensive income, net of tax										
Revaluation of property	-	-	-	-	1 977 173 811	-	-	1 977 173 811	37 906 632	2 015 080 443
Fair value gain on financial assets at FVCTOCI	-	-	-	-	-	1 193 822	-	1 193 822	-	1 193 822
Transaction with owners of the parent										
Dividends paid	-	-	-	-	-	-	(10 219 638)	(10 219 638)	(377 905)	(10 597 543)
Other movements										
Reduction in foreign currency translation reserve	-	-	(4 118 745)	-	-	-	-	(4 118 745)	-	(4 118 745)
Transfer to retained income	-	-	-	-	(2 706 380)	-	2 706 380	-	-	-
Adjustment for regulatory reserve in respect of doubtful debts	-	-	-	(52 293)	-	-	-	(52 293)	52 293	-
Balance at 31 December 2020	1 751 906	27 081 696	101 292 105	5 817 958	2 406 801 864	(1 793 231)	3 844 673 945	6 385 626 243	1 250 730 186	7 636 356 429
Changes in equity for 2021										
Profit or loss										
Profit for the year	-	-	-	-	-	-	4 949 147 878	4 949 147 878	1 283 650 931	6 232 798 809
Other comprehensive income, net of tax										
Revaluation of property	-	-	-	-	5 710 640 955	-	-	5 710 640 955	26 771 821	5 737 412 776
Fair value gain on financial assets at FVCTOCI	-	-	-	-	-	41 515	-	41 515	-	41 515
Transaction with owners of the parent										
Dividends paid	-	-		-	-	-	(116 730 718)	(116 730 718)	(1 668 971)	(118 399 689)
Other movements										
Transfer to retained income	-	-	-	-	(44 267 275)	-	44 267 275	-	-	-
Balance at 31 December 2021	1 751 906	27 081 696	101 292 105	5 817 958	8 073 175 544	(1 751 716)	8 721 358 380	16 928 725 873	2 559 483 967	19 488 209 840

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Separate Statements of Changes in Equity

For the year ended 31 December 2021

	Inflation adjusted				
	Ordinary shares ZW$	Share premium ZW$	Property & equipment revaluation reserve ZW$	Retained income ZW$	Total ZW$
Balance at 1 January 2020	116 873 465	1 806 678 461	21 364 302	6 285 606 107	8 230 522 335
Changes in equity for 2020:					
Profit or loss					
Profit for the year	-	-	-	1 814 499 958	1 814 499 958
Other comprehensive income, net of tax					
Revaluation of property	-	-	16 690 305	-	16 690 305
Transaction with owners of the parent					
Dividends paid	-	-	-	(37 032 037)	(37 032 037)
Balance at 31 December 2020	116 873 465	1 806 678 461	38 054 607	8 063 074 028	10 024 680 561
Changes in equity for 2021:					
Profit or loss					
Profit for the year	-	-	-	6 931 687 381	6 931 687 381
Other comprehensive income, net of tax					
Revaluation of property	-	-	131 822 706	-	131 822 706
Transaction with owners of the parent					
Dividends paid	-	-	-	(138 925 248)	(138 925 248)
Transfer to retained income	-	-	(1 951 247)	1 951 247	-
Balance at 31 December 2021	116 873 465	1 806 678 461	167 926 066	14 857 787 408	16 949 265 400

Separate Statements of Changes in Equity (continued)

For the year ended 31 December 2021

	*Unaudited Historical cost					
	Ordinary shares ZW$	Share premium ZW$	Functional currency translation reserve ZW$	Property & equipment revaluation reserve ZW$	Retained income ZW$	Total ZW$
Balance at 1 January 2020	1 751 906	27 081 696	105 410 850	3 201 105	976 588 420	1 114 033 977
Changes in equity for 2020:						
Profit or loss						
Profit for the year	-	-	-	-	4 933 913 290	4 933 913 290
Other comprehensive income, net of tax						
Revaluation of property	-	-	-	18 788 395	-	18 788 395
Transaction with owners of the parent						
Dividends paid	-	-	-	-	(10 219 638)	(10 219 638)
Reduction in foreign currency translation reserve	-	-	(4 118 745)	-	-	(4 118 745)
Balance at 31 December 2020	1 751 906	27 081 696	101 292 105	21 989 500	5 900 282 072	6 052 397 279
Changes in equity for 2021:						
Profit or loss						
Profit for the year	-	-	-	-	10 514 019 799	10 514 019 799
Other comprehensive income, net of tax						
Revaluation of property	-	-	-	145 865 987	-	145 865 987
Transaction with owners of the parent						
Dividends paid	-	-	-	-	(116 730 607)	(116 730 607)
Transfer to retained income	-	-	-	(1 951 247)	1 951 247	-
Balance at 31 December 2021	1 751 906	27 081 696	101 292 105	165 904 240	16 299 522 511	16 595 552 458

*The historical cost financial information is shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result, the auditors have not expressed an opinion on the historical cost financial information.

Consolidated Statements of Cash Flows

For the year ended 31 December 2021

		Inflation adjusted		*Unaudited Historical cost	
	Notes	31 Dec 2021 ZW$	**31 Dec 2020 ZW$	31 Dec 2021 ZW$	**31 Dec 2020 ZW$
Cash generated from operating activities	35	(327 691 457)	3 045 197 646	3 461 533 325	5 185 042 953
Interest received	26.1	3 948 861 847	1 381 252 568	3 208 995 587	576 746 607
Dividends received from listed equities	29	323 702 572	95 766 335	259 918 529	33 603 851
Dividend received from associates	9.1	10 499 738	374 196 292	8 431 407	210 859 822
Interest and related expense paid	26.2	(644 451 300)	(320 916 833)	(527 138 481)	(131 366 383)
Interest paid expense lease liability		(68 917 278)	-	(19 538 243)	-
Income tax paid	19	(828 580 978)	(185 858 604)	(771 615 154)	(56 705 288)
Interest expense on offshore borrowings		(32 103 150)	(37 295 677)	(25 305 278)	(23 202 893)
Net cash generated from operating activities		2 381 319 994	4 352 341 727	5 595 281 692	5 794 978 669
Cash flows from investing activities					
Purchase of investment property	12.2	(109 193 711)	-	(87 984 925)	-
Purchase of intangible assets	15	(10 971 439)	(24 783 920)	(10 358 475)	(4 081 548)
Purchase of property and equipment	14	(191 496 847)	(403 729 018)	(160 003 669)	(212 819 182)
Proceeds on disposal of property and equipment		13 940 428	552 494	13 940 431	343 725
Purchase of investment securities	8.3	(1 330 844 404)	(196 396 407)	(1 060 875 001)	(100 386 715)
Proceeds on disposal of investment securities	8.3	881 929 219	88 953 632	720 406 630	72 336 516
Net cash used in investing activities		(746 636 754)	(535 403 219)	(584 875 009)	(244 607 204)
Cash flows from financing activities					
Dividends paid		(141 092 665)	(38 072 159)	(118 399 689)	(10 597 543)
Lease capital payments	24	(20 946 579)	(76 366 695)	(50 101 593)	(23 235 191)
Proceeds from offshore borrowings	22	496 342 643	-	496 342 643	-
Repayments on offshore borrowings	22	(166 676 920)	(211 416 721)	(136 103 097)	(92 033 778)
Proceeds from short-term borrowings		400 000 000	-	400 000 000	-
Net cash generated from / (used in) financing activities		567 626 479	(325 855 575)	591 738 264	(125 866 512)
Net increase in cash and cash equivalents		2 202 309 719	3 491 082 933	5 602 144 947	5 424 504 953
Cash and cash equivalents at beginning of year		8 176 195 747	7 157 777 610	5 086 686 008	992 705 450
Effects of exchange rates fluctuating On cash and cash equivalents		(666 427 264)	(2 472 664 796)	(976 752 753)	(1 330 524 395)
Cash and cash equivalents at end of year	5	9 712 078 202	8 176 195 747	9 712 078 202	5 086 686 008
Cash and cash equivalents comprise:					
Cash		4 331 592 843	4 014 773 114	4 331 592 843	2 497 725 208
Local bank accounts		2 169 639 800	1 901 196 322	2 169 639 800	1 182 798 092
Foreign bank accounts		3 210 845 559	2 260 226 311	3 210 845 559	1 406 162 708
		9 712 078 202	8 176 195 747	9 712 078 202	5 086 686 008

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**The Group has elected to present a statement of cash flows that includes an analysis of all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 33.

Separate Statements of Cash Flows

For the year ended 31 December 2021

		Inflation adjusted		*Unaudited Historical cost	
	Notes	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
Cash generated from operating activities	35	16 593 239	144 459 859	44 751 727	48 237 099
Dividends received	29	711 864 453	99 743 364	534 355 057	36 586 364
Interest expense lease liability	24	(27 920 529)	(77 826 619)	(21 636 964)	(23 679 385)
Net cash generated from operating activities		700 537 163	166 376 604	557 469 820	61 144 078
Cash flows from investing activities					
Purchase of property and equipment	14	(29 189 984)	(10 305 539)	(24 759 568)	(4 871 193)
Proceeds on disposal of property and equipment		557 769	-	557 769	-
Purchase of investment securities	8.3	(864 586 086)	(40 092 690)	(752 037 205)	(15 477 791)
Proceeds on disposal of investment securities	8.3	-	14 420 748	-	2 000 000
Investment in subsidiary		23 323 815	(13 703 845)	12 000 000	(5 000 000)
Net cash used in from investing activities		(869 894 486)	(49 681 326)	(764 239 004)	(23 348 984)
Cash flows from financing activities					
Dividends paid		(138 925 248)	(37 032 037)	(116 730 607)	(10 219 638)
Lease capital payments	24	(77 994 160)	(89 788 584)	(61 478 822)	(27 318 911)
Proceeds from short term borrowings	17	400 000 000	-	400 000 000	-
Net cash used in financing activities		183 080 592	(126 820 621)	221 790 571	(37 538 549)
Net increase / (decrease) in cash and cash equivalents		13 723 269	(10 125 343)	15 021 387	256 545
Cash and cash equivalents at beginning of year		3 435 388	13 560 731	2 137 270	1 880 725
Cash and cash equivalents at end of year	5	17 158 657	3 435 388	17 158 657	2 137 270
Cash and cash equivalents comprise:					
Local bank accounts		17 158 657	3 435 388	17 158 657	2 137 270

*The historical cost financial information is shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result, the auditors have not expressed an opinion on the historical cost financial information.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2021

1. NATURE OF BUSINESS

ZB Financial Holdings Limited, "the Company", which is incorporated and domiciled in Zimbabwe, and is listed on the Zimbabwe Stock Exchange, acts as a holding company for a group of companies whose business is the provision of commercial banking, merchant banking, home mortgages, insurance and other financial services (together, "the Group"). The address of its registered office and principal place of business is 21 Natal Road Avondale, Harare, Zimbabwe.

The Company is registered under registration number 1278/89.

2. CHANGES IN ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

2.1 Application of new and revised International Financial Reporting Standards (IFRS)

2.1.1 New and revised IFRS affecting amounts reported in the current year (and/or prior years)

There were no new and revised IFRS that have been applied in these consolidated and separate financial statements in the current year and have affected the amounts reported in these consolidated and separate financial statements.

2.1.2 New and revised IFRS applied with no material effect on the consolidated and separate financial statements

New standard	Effective date	Major requirements
Amendment to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (IBOR) (Phase II)	1 January 2021	The amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are as follows: • Modifications to financial instruments and lease liabilities which arise as a direct consequence of IBOR reform are accounted for by updating the effective interest rate; • Hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships must be amended to reflect modifications, and amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and • Additional disclosure requirements. The Group have not put in place the required processes to reliably estimate the impact of these amendments and is progressively working towards putting in place the necessary mechanisms to ensure full compliance in 2022.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

2.1.2 New and revised IFRS applied with no material effect on the consolidated and separate financial statements (continued)

New standard	Effective date	Major requirements
COVID-19-Related Rent Concessions/ IFRS 16 (amendment).	1 April 2021	In light of the recent Covid-19 pandemic and resultant rent concessions to be granted by lessors, the amendment permits lessees, as a practical expedient, not to assess whether particular Covid-19 related rent concessions are lease modifications and instead account for those rent concessions as if they were not lease modifications. The amendment permits lessees to apply the practical expedient as an accounting policy choice to rent concessions for which any reduction in lease payments affects payments originally due on or before 30 June 2021. The group elected not to apply this practical expedient The adoption of the amendments has not had significant impact on the financial statements as there were no concessions granted by lessors.

2.1.3 New and revised IFRS in issue but not yet effective

New standard	Effective date	Major requirements
IFRS 17 Insurance Contracts	1 January 2023	The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts.* The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach. The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees. The implementation of the Standard is likely to bring significant changes to the processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and information technology. For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

2.1.3 New and revised IFRSs in issue but not yet effective

New standard	Effective date	Major requirements
IFRS 10 and IAS 28 *(amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not yet effective	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Group anticipate that the application of these amendments are not expected to have an impact on the consolidated and separate inflation adjusted financial statements unless such transactions arise in the future periods.
Annual Improvements to IFRS Standards 2018–2020	1 January 2022	The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The directors anticipate that the application of these amendments are not expected to have an impact on the consolidated and separate inflation adjusted financial statements unless such transactions arise in the future periods.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

2.1.3 New and revised IFRSs in issue but not yet effective (continued)

New standard	Effective date	Major requirements
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023. The directors anticipate that the application of these amendments are not expected to have an impact on the consolidated and separate inflation adjusted financial statements unless such transactions arise in the future periods.
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	1 January 2022	The amendment to IAS 16 *Property, Plant and Equipment* (PP&E) prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The directors anticipate that the application of these amendments are not expected to have an impact on the consolidated and separate inflation adjusted financial statements unless such transactions arise in the future periods.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

2.1.3 New and revised IFRSs in issue but not yet effective (continued)

New standard	Effective date	Major requirements
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022	Minor amendments were made to IFRS 3 *Business Combinations* to update the references to the *Conceptual Framework for Financial Reporting* and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and Interpretation 21 *Levies*. The amendments also confirm that contingent assets should not be recognised at the acquisition date. The directors anticipate that the application of these amendments are not expected to have an impact on the consolidated and separate inflation adjusted financial statements unless such transactions arise in the future periods.
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	1 January 2022	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. The directors anticipate that the application of these amendments are not expected to have an impact on the consolidated and separate inflation adjusted financial statements unless such transactions arise in the future periods.
Amendments to IAS 1 and IFRS practice statement 2 – Disclosure of Accounting Policies	1 January 2023	The amendment sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. The directors anticipate that the application of these amendments are not expected to have an impact on the consolidated and separate inflation adjusted financial statements unless such transactions arise in the future periods
Amendments to IAS 8 -Definition of Accounting Estimate	1 January 2023	The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The directors anticipate that the application of these amendments are not expected to have an impact on the consolidated and separate inflation adjusted financial statements unless such transactions arise in the future periods

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

2.1.3 New and revised IFRS in issue but not yet effective (continued)

New standard	Effective date	Major requirements
Amendments to IAS 12 Income taxes – Deferred tax related to assets and liabilities arising from a single transaction.	1 January 2023	The standard implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. The directors anticipate that the application of these amendments are not expected to have an impact on the consolidated and separate inflation adjusted financial statements unless such transactions arise in the future periods

2.2 Critical accounting judgements and key sources of estimation uncertainty

Significant assumptions and estimations, as at the date of financial reporting, with material implications on the reported outturn and balances have been made in the following areas:

2.2.1 Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, which are described in note 3, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with under note 2.2.2 below):

- With the exception of ZB Associated Services Limited (note 33), the parent company and its subsidiaries will continue operating as a going-concern into the future, being able to generate or access resources to meet both regulatory and operational capital requirements. ZB Building Society did not meet the regulated minimum capital requirement as at 31 December 2021. The Directors are confident that the Society will meet the regulatory minimum capital requirement either through the proposed consolidation of the Society's operations with the rest of ZB Financial Holdings Limited banking operations or through organic growth and capital injection as required and committed to in a letter of support provided by ZB Financial Holdings Limited to the Society.

- The Directors have assessed the Group's total asset holdings relative to its cash-flow requirements and the practicality of trading in those assets and have confirmed the Group's constructive intention and ability to extract value from the assets on a "best use" basis on all non-monetary assets and a "best case" basis in the case of monetary assets. The inflation adjusted total portfolio of non-monetary assets amounted to ZW$19 479 373 601 (2020:inflation adjusted ZW$13 857 041 899); (unaudited historical cost ZW$18 836 412 063 (2020: ZW$8 162 311 218) whilst inflation adjusted non-cash monetary assets amounted to ZW$21 301 343 685 (2020: ZW$8 470 511 781); (unaudited historical cost ZW$26 361 883 095-2020: ZW$8 775 483 933).

2.2.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

2.2.2.1 Fair value for unquoted investments

Subject to contractual provisions, the fair value of unquoted investments is established with reference to the earnings capacity of the underlying business using dividend growth model, net asset value and earnings valuation techniques. Valuation on the earnings and dividend model basis is calculated as the sustainable earnings of the investee multiplied by adjusted comparable Price Earnings ratio of a comparable quoted company with similar operations in a similar environment. The comparative price earnings ratio will be adjusted for different risk metrics such as balance sheet size, volume of transactions, economic outlook and country risk.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

2.2.2.1 Fair value for unquoted investments (continued)

Net asset value method was used for unquoted investment which comprise primarily of assets predominantly carried at fair value at reporting date such as investment properties and other investments.

The earnings valuation techniques use unobservable inputs which requires significant judgement and estimation.

The valuation of investments in subsidiary companies carried in the separate financial statements of the holding company has been based on the net asset values of the investee companies (note 9.2).

2.2.2.2 Fair value adjustments for financial liabilities

Financial liabilities are carried at amortised cost which approximates the fair value. The amortised cost was determined using market interest rates.

2.2.2.3 Valuation of property and equipment and investment properties (IAS 16 & IAS 40)

In the current year the Group changed its valuation inputs for property and equipment by adopting the ZWL valuation inputs instead of USD inputs. Management takes the view that a valuation using the ZWL inputs provides reliable and accurate fair values without the need for currency conversions that are subject to exchange rate distortions. For full details refer to notes 12 and 14.

In the current year assets were revalued as at 31 December 2021 on the basis of valuations done by EPG Global Real Estate (2020 – EPG Global Real Estate) who are independent valuers not related to the Group and are members of the Royal Institute of Chartered Surveyors (RICS) and possess appropriate qualifications and recent experience in the valuation of similar assets. The valuation, which conforms to RICS Appraisal and Manual was arrived at by reference to market evidence of transactions for similar assets at the time of valuation after application of the following broad methodology.

- The Investment Method was applied on all income producing properties. Market capitalization rates were derived from market sales evidence and were determined in consultation with other investors and property brokers in the market.

- The Direct Comparison Method was applied on all residential properties, including marine equipment. EPG Global identified various properties that have been sold or which were on sale and situated in comparable areas using the Main Space Equivalent (MSE) principle. The total MSE of comparable areas was then used to determine the value per square meter of MSE.

- Rental and investment yield assumptions where as follows:

	2021 Average rentals per square meter	Average investment yield	2020 Average rentals per square meter	Average investment yield
Office	ZW$1 944-ZW$2 778	8.5%-10%	ZW$972-ZW$1 386	8.5%-10%
Retail	ZW$1 900-ZW$3 160	7.8%-13%	ZW$948-ZW$1 578	7.8%-13%
Industrial	ZW$1 400-ZW$2 168	8.5%-13%	ZW$696-ZW$1 074	8.5%-13%

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

2.2.2.3 Valuation of property and equipment and investment properties (IAS 16 & IAS 40) (continued)

- The Residual Value Method was used for the Group's investment in a large undeveloped freehold property. Residual Value is determined from deducting imputed project costs and an allowance for a developer's profit from the Gross Realization Value of the presumed alternative best use of the property.

  In the case of the Group's 60% share in a substantial peri-urban property measuring 598 hectares, it was assumed that the best alternative use for the land is development for residential settlement on the various use cases for the land acquired.

Other valuations assumptions made were as follows: -

	31 Dec 2021 ZW$	31 Dec 2020 ZW$
Land selling price per square meter after development	6 494	3 280
Cost of servicing land per square meter	4 905	2 460
Imputed finance cost during development term	12%	12%
Imputed developers profit	20%	20%

The property market has generally been unstable and characterized by low volumes of recorded transactions thus affecting the development of valuation assumptions (note 12.3).

There was professional judgment on valuation of equipment to adjust the market evident to take cognizance of the fact that the revalued assets are not exactly comparably in terms of quality and life span. Average prices were obtained from various relevant shops, auction houses, local newspapers and internet. However due care was applied were necessary to moderate the prices.

It was also assumed that the assets being revalued were fit for purposes for which they are intended to be used and comply with all the 11 by laws and statutory regulations.

The financial effect of the revaluation exercise is indicated below:

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
Fair value adjustment on investment properties (note 12)	763 970 961	(303 496 727)	2 136 348 725	1 650 376 250
Revaluation adjustment on property and equipment (note 14)	6 670 685 100	1 080 592 967	6 715 244 649	2 279 135 716
Total increase / (decrease) in property values	7 434 656 061	(777 096 240)	8 851 593 374	3 929 511 966

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

2.2.2.4 Useful lives and residual values of property and equipment and intangibles

As indicated in note 3.7, depreciation is provided on qualifying property and equipment over the useful life of the asset in order to progressively write the asset down to its residual value. The useful lives of the assets are reviewed on an annual basis. In the current year, a review of the useful lives was carried out and the directors are of the view that for all asset categories, there were no material developments during the year and up to the reporting date, requiring the shortening or extension of the previously assessed useful lives.

All assets were assessed for residual values that the Group will be able to obtain as at year end if the assets were aged based on their use. A nil residual value has been ascribed to assets known to have limited resell potential, such as custom-specific partitioning, carpeting, software and certain components of hardware.

The maximum useful lives were determined as follows:

	31 Dec 2021	31 Dec 2020
Freehold properties	33 years	33 years
Leasehold improvements	15 years	15 years
Motor vehicles and mobile agencies	4 years	4 years
Equipment, furniture and fittings	10 years	10 years
Computer equipment	3 years	3 years

The financial effect of the aforementioned estimates on assets is expressed in note 14 as the charge for depreciation in the current year.

2.2.2.5 Estimation of incurred but not reported (IBNR) insurance claims

In terms of accounting policy 3.17.1, the Group makes full provision for the estimated cost of all claims incurred at the reporting date. A liability reserve amount is set aside for potential claims incurred by the reporting date but not yet reported. The determination of the level of the liability reserve is based on the claims payment profile established over past periods. The inflation adjusted estimated balance of the IBNR liability reserve at the date of the statement of financial position amounted to ZW$109 976 447 (unaudited historical cost ZW$109 976 447) (2020: ZW$144 926 489 unaudited historical cost ZW$90 163 636).

2.2.2.6 Valuation of the life fund

Actuarial liabilities in respect of life assurance policies are subject to annual assessment by an independent actuary. The liabilities are assessed using a Gross Premium Valuation (GPV) method which takes full account of all the future expected cash flows. At each statement of financial position date, tests are performed to ensure the adequacy of the insurance contract liabilities net of the related intangible present value of acquired in-force business assets.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

2.2.2.6 Valuation of the life fund (continued)

Calculation of the liability requires a number of demographic and financial assumptions to be made. Whilst in the short-term financial parameters may exhibit a high level of volatility, valuations have been based on long-term estimates adjusted for a degree of prudence. The key assumptions used are as follows:

Key assumption area	31 Dec 2021	Factor 31 Dec 2020
Valuation discount rates (taxed)	5%	6%
Valuation discount rates (untaxed)	6.9%	6.9%
Expense inflation rate	4%	3%
Expected real yield rate	2.6%	2.6%

Actuarial liabilities are shown in the Group's consolidated statement of financial position as "life assurance funds" and the balance as at 31 December 2021 is made up as follows:

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
Value of total liability	2 829 341 405	1 727 762 079	2 829 341 405	771 086 575
Distribution of surplus in the fund	332 974 272	962 586 390	332 974 272	902 669 575
	3 162 315 677	2 690 348 469	3 162 315 677	1 673 756 150

Movements in the life fund are recognised in the consolidated profit or loss.

2.2.2.7 The computation of expected credit losses (IFRS 9)

The measurement of impairment losses under IFRS 9 on amortised cost and debt under FVTOCI requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probability of default (PDs) to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk so that allowances for financial assets should be measured on a life time expected credit losses (LTECL) basis and the qualitative assessment.
- The segmentation (corporate, retail, treasury bills and other financial assets) of financial assets when their ECL is assessed on a collective basis

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

2.2.2.7 The computation of expected credit losses (IFRS 9) (continued)

- Development of ECL models, including the various formulae and the choice of inputs. Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, exposure at default (EADs) and loss given default (LGDs). The Group only have the right to dispose the collateral when the owner defaults. There were no significant changes in the quality of collateral or enhancement as a result of determination or changes in the collateral policies during the year ended 31 December 2021.
- Selection of forward looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models refer to note 39.2.4.
- The Group uses a provision matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are based on actual credit loss experience over the past five years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

2.2.2.8 Assessment of control in investments (IAS 27 & IAS 28)

Assessment of control on investee companies in terms of IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates* is inherently a subjective process. The guidance provided in the standard is not always prescriptive particularly in complex situations where assessment tends to be a result of persuasive arguments. The Group has assessed the level of control in its investee companies resulting in some investments being classified as associate companies and others as subsidiary companies as described more fully in note 9.

2.2.2.9 Estimation of effective lease terms and lease discount rates

Leases as lessee

a) Lease terms:

The Group considers the non-cancellable lease period of each individual lease contract in calculating the lease period. Any option to renew or early terminate is considered as part of the lease term.

b) Estimation of applicable lease discount rates (incremental borrowing rate)

The incremental borrowing rate is determined based on the interest a lessee would pay to borrow for a similar term, similar security, funds necessary to obtain asset of a similar value to the ROUA in a similar economic environment. The rate has been determined for each lease and the Group's borrowing rate throughout the year was 45% and this has been reviewed for the individual leases and determined as appropriate.

c) Estimation of applicable lease discount rates of foreign denominated leases

Due to the volatility of the ZW$ lease payments, the Group has some leases denominated in USD despite the fact that the payment is made in ZW$ at the prevailing exchange rate. These leases have been designated as USD leases.

The lease liability is recalculated at every year end using closing spot rate. Changes in rentals due to exchange rate movements are accounted for as foreign exchange gains or losses.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the consolidated and separate financial statements, which are set out below, have been consistently followed in all material respects and are in accordance with International Financial Reporting Standards.

Where reference is made to "the Group" or "Company" in the accounting policies, it should be interpreted as referring to the "consolidated" or "separate" respectively, where the context requires, unless otherwise noted.

3.1 Basis of preparation

3.1.1 Reporting currency

All Group entities have Zimbabwean dollar (ZW$) as their functional currency as at the reporting date. All information presented has been rounded off to the nearest dollar.

3.1.2 Statement of compliance

The consolidated and separate annual financial statements as at, and for the year ended 31 December 2021, have been prepared under the supervision of E Mungoni CA (Z), Group Finance Director of ZB Financial Holdings Limited. The consolidated and separate financial statements are based on accounting records maintained under the historical cost convention as modified by the revaluation of property and equipment, investment properties and financial instruments carried at fair value.

The preparation of the consolidated and separate inflation adjusted financial statements, in conformity with IAS 29 "Financial Reporting in Hyperinflationary Economies" is required by International Financial Reporting Standards (IFRS). The consolidated and separate inflation adjusted inflation adjusted financial statements are to be the principal financial statements of the Company and its subsidiaries. The consolidated and separate historical cost financial statements have been provided as supplementary information and as a result the auditors have not expressed an opinion on them.

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) which includes standards and Interpretations approved by IASB, the International Financial Reporting Interpretations Committee (IFRIC) and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07), the Securities and Exchange Act (Chapter 24:25), the Microfinance Act (Chapter 24:29) and relevant regulations made thereunder.

It has not been possible to fully comply with the requirements of International Accounting Standards (IAS 16: Property Plant and Equipment), as regards disclosure of the carrying cost less accumulated depreciation of properties, had revaluations not been performed. This information will be compiled and presented in the next reporting period.

The consolidated and separate financial statements were authorised for issue by the board of directors on 28 April 2022.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.1.3 Effects of Inflation adjustments

The Public Accountants and Auditors Board (PAAB), through circular 01/19 indicating the conditions required for the application of International Accounting Standard ("IAS") 29, Financial Reporting in Hyper-Inflationary Economies. All entities reporting in Zimbabwe were required to apply the requirements of IAS 29 with effect from 1 July 2019.

The restatement of figures has been calculated by means of conversion factors derived from the consumer price index (CPI) prepared by the Zimbabwe Central Statistical Office. The conversion factors used to restate the consolidated and separate financial statements as at 31 December 2021 are as follows:

	Index	Conversion factors
31 December 2021	3 977.46	1.00
31 December 2020	2 474.51	1.61
31 December 2019	551.63	7.21

The main guidelines for the restatement are as follows:

- All amounts not already expressed in terms of the measuring unit current at the statement of financial position date are restated by applying a general CPI.
- Corresponding figures for previous periods are similarly restated.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the statement of financial position date. Monetary items are money held, assets and liabilities to be recovered or paid at the nominal value recorded at the original cost.
- Non-monetary assets carried at cost (excluding PPE and investment property) and liabilities and the components of shareholding's equity are restated by applying the relevant conversion factors reflecting the increase in the CPI from the date of change in functional currency from US$ to ZW$ in 2018.
- All items in the consolidated and separate statement of profit or loss and other comprehensive income are restated by applying the respective monthly factors.
- The capitalisation of borrowing costs during construction of a qualifying asset is considered to be a partial recognition of inflation and is reversed to the consolidated and separate statement of profit or loss and other comprehensive income and replaced by indexed cost.
- The effect of general inflation on the net monetary position is included in the consolidated and separate statement of profit or loss and other comprehensive income as effects of inflation adjustments.
- Share capital and share premium were restated from the date of change in functional currency from USD to ZW$ in 2018.

3.2 Basis of consolidation

Subsidiaries

A subsidiary is an entity controlled by another entity, that is the parent. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to exert control over the entity's financial and operational decisions through its power over the investee. The results of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.2 Basis of consolidation (continued)

Subsidiaries are included in the separate financial statements of the Holding company at their net asset value which is considered to be an estimate of fair value. Assets valuation are done on a yearly basis as such the NAV will be approximately the fair value at year end.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the entity parent. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any excess of the consideration over the fair values of the identifiable net assets acquired is recognised as goodwill. Where the fair values of the identifiable net assets acquired exceed the consideration, a bargain purchase (negative goodwill) is recognised in profit or loss in the period of acquisition. Transaction costs are expensed, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Non-controlling interests (NCI)

Non-controlling interests are measured at their proportionate share of the fair values of the assets and liabilities recognised.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where necessary, adjustments are made to the financial statements of subsidiaries and associates to bring the accounting policies used into line with those used by the Group.

Transactions eliminated on consolidation

Intra-Group transactions, balances, and unrealised income and expenses are eliminated on consolidation.

3.2.2 Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less impairment losses.

Goodwill is reviewed for impairment at least annually in December. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.2.3 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.2.4 Associates

An associate is an entity over which the Group or the investee Company is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The Group and company account for interests in associates using the equity method of accounting except when the investment has been classified as held for sale upon which it is measured at the lower of carrying amount and fair value less costs to sell. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated and separate financial statements include the Group and holding company's share of the profit or loss and other comprehensive income (OCI) of associates, until the date on which significant influence ceases. Losses of the associates in excess of the Group's interest in those associates are not recognised.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment.

3.3 Revenue recognition

The Group and Company recognises revenue when or as it transfers control over a service to a customer.

The Group and Company recognises revenue from contracts with customers as follows:

a) Over time- revenue is recognised as the services are provided, that is where the customer simultaneously receives and consumes the benefits provided by the Group and Company's performance.
b) At point in time- when the transaction takes place, that is when the Group and Company have satisfactorily discharged the performance obligation.

Revenue contracts outside the scope of IFRS 15 such as financial instruments, insurance contracts and leases are measured according to applicable standards.

3.3.1 Net interest income

Interest income arises from the Group and Company's lending and money market activities.

The Group recognises interest income in profit or loss using the effective interest method. From an operational perspective, it suspends the accrual of contractual interest on the non-recoverable portion of an advance, when the recovery of the advance is considered doubtful.

For credit impaired financial assets, the Group applies the effective interest rate to the amortised cost of the financial assets in subsequent reporting periods. When the credit impaired financial instruments improve, the interest revenue is recognised by the Group by applying the effective interest rate to the gross carrying amount.

3.3.1.1 Interest expense

Interest expense arises from the Group's funding and money market borrowing activities.

The Group recognises interest expense in profit or loss using the effective interest method.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.3.1.2 Effective interest method

The effective interest method is a method of calculating the amortised cost of financial assets and financial liabilities by allocating interest income / expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) to the gross carrying amount of the financial assets or the amortised cost of the financial liability, through the expected life of the financial asset and financial liabilities or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instrument other than those financial assets designated as at FVTPL.

3.3.2 Trading income

The Group and Company includes profits, losses and fair value adjustments on financial instruments both realised and unrealised, in income as earned, when the risks and rewards of ownership have passed.

3.3.3 Fees and commission income

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group and Company recognises revenue when it transfers control over a service to a customer.

Fees and commission income that are an integral part to the effective rate of a financial asset are included in the measurement of the effective interest rate, and specifically excluded from IFRS 15.

Revenue from account service and servicing fees is recognised over time as the services are provided.

Fees and commissions related to transactions arise when the transaction takes place and are recognised at the point in time.

3.3.4 Premiums

In respect of life and pension assurance services: -
Premium income in respect of individual life policies is recognised as income when received, as failure to pay a premium will result in a lapse of the policy. Income on insurance contracts is shown gross of reinsurance premium. Group benefit insurance premiums are accounted for when receivable.

In respect of reinsurance services: -
Premium written consists of premium accounted for in the financial period under review, falling under reinsurance contracts in force as at the end of the financial period notwithstanding the inception date of the contract.

Provision is made for unearned premium, being the proportion of net premium income that relates to risks that have not expired at the end of the financial year. In instances where it is anticipated that the unearned premium will be insufficient to cover the estimated costs of future related claims, the provision is adjusted accordingly. The unearned premium reserve is calculated on the 1/365th basis.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.3.4 Premiums (continued)

Reinsurance held
The Group has retrocession (proportional reinsurance) and protection cover (non-proportional reinsurance) arrangements with international reinsurers. Premium in respect of reinsurance risks retroceded and protection cover is accounted for in profit or loss under retrocession premium. Retrocession claims are claims recovered from retrocessionaires in respect of claims paid falling under risks retroceded. These are included in profit or loss under net claims. Retrocession commission in respect of business retroceded is recognised as income in profit or loss.

3.3.5 Dividends

The Group and Company recognise dividends in the separate financial statements when its right to receive the dividends is established.

3.4 Financial instruments

The Group and Company recognises financial assets and financial liabilities on its consolidated and separate statement of financial position when it becomes a party to the contractual provisions of the financial instrument.

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value. Financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Transaction costs are included in the initial measurement of financial assets and financial liabilities, except for those measured at FVTPL and trade receivables initially measured at the transaction price as defined in IFRS15.

3.4.1 Classification of financial assets

Financial assets are classified into the following specified categories:
- financial assets at fair value through profit or loss (FVTPL)
- financial assets at fair value through other comprehensive income (FVTOCI) and
- financial assets at amortised cost (AMCO)

The classification depends on the business model for managing the financial assets and the contractual cashflow characteristics at the time of initial recognition. Financial assets are subsequently measured at either amortised cost or fair value.

3.4.1.1 Financial assets at FVTPL

On initial recognition, the Group and Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces any accounting mismatch that would otherwise arise. These financial assets are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets at FVTPL are measured at fair value, with any resultant gain or loss recognised in profit or loss.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.4.1.2 Financial assets at FVTOCI

The Group and Company applies the new category under IFRS 9 of debt instruments measured at FVTOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

Gains and losses arising from changes in fair value are recognised directly in other comprehensive income in the financial assets at FVTOCI reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss.

The fair value of monetary assets at FVTOCI denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences are recognised in other comprehensive income.

3.4.1.3 Financial assets at amortised cost

This includes amounts due from banks, loans and other receivables, bills of exchange and debentures with fixed or determinable payments and fixed maturity debts that the Group and Company has the positive intent and ability to hold to maturity. Investments are recorded using the effective interest method less any impairments with revenue being recognised on an effective yield basis.

The Group and Company only measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold the financial assets in order to collect contractual cash flows,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below: -

a) Business model assessment: -

The Group and Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group and Company's business model is not assessed on an instrument -by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as portfolio performance evaluation basis, risks inherent in the assets in the portfolio, basis of compensation to management and the frequency, value and timing of sales from the portfolio.

The assessment is based on reasonably expected scenarios without taking 'worst case' or' stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group and company's original expectations, the Group and Company do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.4.1.3 Financial assets at amortised cost (continued)

b) The SPPI test: -

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group and Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

3.4.1.4 Cash and cash equivalents

"Cash and cash equivalents" include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group and Company in the management of short-term commitments.

3.4.1.5 Impairment of financial assets

The Group and Company are recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, all referred to as 'financial instruments'. No impairment loss is recognised on equity assets.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Detailed forward looking information is presented in note 39.2.4. Due to the country's economic landscape, it is difficult to present a detailed forward looking and micro economic disclosures in relation to ECL.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.4.1.5 Impairment of financial assets (continued)

The Group and Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group and Company places loans and receivables into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- **Stage 1:** refers to a financial instrument that is not credit-impaired on initial recognition. Its credit risk is continuously monitored by the Group and all repayments are current and within 30 days. Financial instruments in Stage 1 have their expected credit loss (ECL) measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Interest income is accrued on gross carrying amount.
- **Stage 2:** If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Debt is past due for more than 30 days but less than 90 days and there is an increased possibility of credit risk developing. Instruments in Stages 2 have their ECL measured based on expected credit losses on a lifetime basis. Interest income is accrued on gross carrying amount.
- **Stage 3:** If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. The debt is past due for more than 90 days. Instruments in Stages 3 have their ECL measured based on expected credit losses on a lifetime basis. Interest income is accrued on net carrying amount. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized on a credit adjusted EIR. ECLs are only recognized or released to the extent that there is subsequent change in the ECLs.

The following diagram summarises the impairment requirements under IFRS 9:

Change in credit quality since initial recognition		
Stage 1	**Stage 2**	**Stage 3**
(Initial recognition) and not credit impaired	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The calculation of ECLs

The Group and Company calculates ECLs based on the probability of default, the exposure to default and loss given default to measure the expected cash shortfalls discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.4.1.5 Impairment of financial assets (continued)

The key elements in the ECL calculations are:

- **PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- **EAD:** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **LGD:** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan using the amortised cost on the balance outstanding at any given time. The Group measures ECL for credit cards over a period longer than the maximum contractual period of 3 months. The Group contractual ability to demand repayment and cancel the unknown commitment does not limit the Group's exposure to credit losses to the contractual notice period. The ECL for credit cards therefore ranges from 3 months to 12 months. ECLs related to loan commitments and letters of credit as well as financial guarantee contracts are recognised within provisions.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

In making the above assessments, the Group adheres to the provisions of the Reserve Bank of Zimbabwe's prudential guidelines on risk provisioning, and any general provision raised in accordance with such provisions, which is not directly associated with a specific loan or loan portfolio, is dealt with through the statement of changes in equity as a charge or credit on the general reserves.

The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, the gross carrying value and the allowance account will be written off. Subsequent recoveries of amounts previously written off would be recognized in the impairment loss line in profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

In subsequent reporting periods, if the amount of the impairment decreases, the previously recognised impairment is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of at FVTOCI equity securities, the carrying amount is measured at fair value and any movements in the carrying amount is recognized through other comprehensive income as fair value adjustment.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.4.1.6 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and any associated liabilities for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of:
- the consideration received and
- any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

3.4.2 Financial liabilities and equity instruments issued by the Group

3.4.2.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.4.2.2 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

3.4.2.3 Treasury shares

Where the Group purchases its own equity share capital, the consideration paid, including any attributable incremental external costs net of income taxes, is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity. No gain or loss is recognised in income or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments.

3.4.2.4 Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at fair values and are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the principles of IFRS 15.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.4.2.5 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities at 'AMCO'.

3.4.2.6 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is designated as at FVTPL.

The Group has designated financial liabilities as at FVTPL in either of the following circumstances.

- The liabilities are managed, evaluated and reported internally on a fair value basis; or
- The designation eliminated or significantly reduces on accounting mismatch that would otherwise arise.

Gains or losses on financial liabilities classified at FVTPL are split between OCI and Profit or Loss movement in the fair value due to changes in the credit risk will be recognized in OCI and the remaining amount of the changes in the fair value will be recognized in profit or loss. Fair value is determined in the manner described in note 3.4.4.

3.4.2.7 Borrowings, including preference shares

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently measured at amortised cost and any difference between net proceeds and redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

When convertible borrowings are issued, the fair value of the conversion option is determined. This amount is recorded separately in shareholders' equity. The Group does not recognise any change in the value of this option in subsequent periods. The remaining obligation to make future payments of principal and interest to bond-holders is calculated using a market interest rate for an equivalent non-convertible bond and is presented on the amortised cost basis in other borrowed funds until extinguished on conversion or maturity of the bonds.

Preference shares which carry a mandatory coupon, or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities and presented together with other borrowings. The dividends on these preference shares are recognised in profit or loss as interest expense on an amortised cost basis using the effective interest method.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of a liability and the consideration paid is included in net operating income.

3.4.2.8 Liabilities under insurance and investment contracts

The Group's statutory actuary calculates the Group's liabilities under the insurance and investment contracts annually at the reporting date. The transfers to policyholders' liabilities reflected in the consolidated financial statements represent the increase or decrease in liabilities, including provisions for policyholders' bonuses, net of adjustments to the policyholders' bonus stabilisation reserve and net adjustments to margins held within the policyholders' liabilities.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.4.2.9 Claims and policyholder benefits

Individual life benefits and group policyholder benefits are accounted for when claims are intimated.

3.4.2.10 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired.

3.4.3 Offsetting financial instruments

The Group offsets financial assets and liabilities and reports the net balance in the consolidated statement of financial position where:

- there is a legally enforceable right to set off;
- there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

There was no offsetting of financial instruments during the year under review.

3.4.4 Fair values of financial instruments

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of liability reflects its non-performance risk.

The fair values of financial assets and financial liabilities are determined as follows:-

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices, and;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The valuation technique used depends on the nature of the financial instrument (see note 2.2.2).

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.4.4 Fair values of financial instruments (continued)

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This category includes instrument that have no active market. The Group used various valuation techniques that includes discounted cash flow valuation techniques by applying risk discounted rate for comparative risk profiles, the dividend growth model, maintainable earnings model, and the net asset value to some of its investments.

The net asset value valuation is used for its subsidiaries and associates in order to track the value created by its investments. The assets of investments are normally exposed to fair value adjustments on a yearly basis and the net asset value represents the reasonable valuation of company's subsidiaries and associates.

The hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

3.5 Contingent liabilities

Contingent liabilities are disclosed when the Group:

- has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or
- has a present obligation that arises from past events but is not recognised because:
  - o it is not probable that an outflow of resources will be required to settle an obligation; or
  - o othe amount of the obligation cannot be measured with sufficient reliability.

3.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Weighted average cost is used to determine the value of inventory. Inventories include consumables, stationery, ATM spares, fuel, housing stands and other sundries as described fully in note 10.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.7 Property and equipment

Property and equipment held for use in the supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by or with assistance of professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the statement of financial position date.

Any revaluation increase arising on the revaluation of such property and equipment is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such property and equipment is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

If an item of property and equipment is revalued, the entire class of property and equipment to which that asset belongs is revalued. A class of property and equipment is a grouping of assets of a similar nature and use in the Group's operations.

Depreciation on revalued property and equipment is recognised in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to accumulated profit.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets is on the same basis as other property assets, and commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, to their residual amounts using the straight-line method. Depreciation is calculated over the estimated useful life of the asset which is reassessed on an annual basis. (note 2.2.2.5)

All assets are assessed to determine whether there is indication of impairment at the end of the reporting period. The recoverable amount is only determined where there is indication of impairment. The recoverable amount is determined as the higher of an assets or cash generating unit's fair value less costs of disposal and its value in use. Impairment is charged to the consolidated and separate statement of profit or loss.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.8 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange profits or losses are recognised in the profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings; or
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purposes of the consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Zimbabwean dollars using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which circumstances the exchange rates at the dates of transactions are used. Exchange differences arising from the translation process are classified as equity and recognised in the Group's foreign currency translation reserve until the foreign operation is disposed of, at which point the reserve is recognised in profit or loss.

Any goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable income for the year. Taxable income differs from net income as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax income nor the accounting income.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.9 Taxation (continued)

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.10 Pension funds

The Group and Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

3.11 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3.11.1 The Group acting as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance lease by reference to the right-of-use asset arising from the head lease.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.11.1 The Group acting as lessor (continued)

When a lease is classified a finance lease, a receivable (present value of the lease payment and any unguaranteed residence values) is recognised and the asset is derecognised. Initial direct costs are added to the receivable.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

3.11.2 The Group as acting lessee

The Group leases various office buildings and premises for lease terms between five and ten years and the majority of the lease agreements are renewable at the end of the lease period at market rate.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.11.2 The Group as acting lessee (continued)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, and the costs are excluded when they are incurred to produce inventories.

The right-of-use assets are depreciated over their shorter period of lease term and useful life of the underlying asset. If a lessee transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy (note 3.7).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'other expenses' in the statement of profit or loss.

3.12 Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends for the year, which are declared after the reporting date, are dealt with in the subsequent events note.

3.13 Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Group acts in a fiduciary capacity such as a nominee, trustee or agent.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.14 Intangible assets

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

The expenditure on internally developed intangible assets is recognised as an asset when the Group is able to demonstrate that:

- The product is technically and commercial feasible
- Its intention and ability to complete the development and use the intangible asset in a manner that will generate future economic benefits.
- It can reliably measure the costs to complete the development.

The capitalised costs of internally developed intangible assets include all costs directly attributable to developing the intangible asset and capitalised borrowing costs, and are amortised over its useful life. Internally generated intangible assets are stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Intangible assets are amortised on a straight line basis in profit and loss over its estimated useful life from the date on which it is available for use. The estimated useful life of the intangible assets for the current and comparative periods is five years.

3.15 Impairment of tangible and intangible assets excluding goodwill

At each statement of financial position date, the Group and Company determine whether there is any indication that intangible assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease (note 14).

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.15 Impairment of tangible and intangible assets excluding goodwill (continued)

Where an impairment subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a revaluation increase (note 14).

The Group's assets do not generate separate cash inflows and are used by more than one CGU. Group assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the Group assets are allocated.

3.16 Investment property

Investment property is property held to earn rentals and / or for capital appreciation, rather than property held for sale in ordinary course of business or use in production, supply of goods and services or for administrative purposes, and includes vacant land with an undetermined future use. Investment property is initially measured at cost and subsequently at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the properties revaluation reserve is transferred to retained earnings.

3.17 Reinsurance contracts

The Group classifies a reinsurance contract as an insurance contract issued by itself (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant. An insurance contract is one under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is risk other than financial risk, transferred from the holder of a contract to the issuer. Financial risk is risk of a possible future change in one or more of a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (note 17).

3.17.1 Outstanding claims reserve

Claims are accounted for in the accounting periods in which they occur. Full provision is made for the estimated costs of all claims notified but not settled at year end and for claims incurred at year end but not reported until after that date, using the best information available at the time. The estimates include provision for inflation and other contingencies arising in settlement of the claims. Anticipated reinsurance recoveries are disclosed separately as reinsurance assets.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

3.17.2 Insurance liabilities

At each reporting date, management assesses whether insurance liabilities are adequate, using current estimates of the future cash flows under its insurance contracts. If the assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and intangible assets) is inadequate in light of estimated future cash flows, the entire deficiency shall be recognised in statement of profit or loss.

3.17.3 Commissions

Commissions are business acquisition costs and are accounted for when incurred and are not deferred.

3.17.4 Reinsurance held

The reinsurance business has retrocession (proportional reinsurance) and protection cover (non-proportional reinsurance) arrangements with international reinsurers. Premium in respect of reinsurance risks retroceded is classified as gross premium retroceded. Premium in respect of protection cover is accounted for separately in the income statement as premium protection cover. Retrocession claims are claims recovered from retrocessionaires in respect of claims paid falling under risks retroceded. These are shown separately in the income statement as income. Retrocession commission is income in respect of premium risks retroceded and is accounted for separately in the statement of profit or loss.

3.17.5 Reinsurance assets

Reinsurance assets consist of balances due from retrocessionaires / protection cover reinsurers for liabilities falling under risks retroceded. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with reinsured contract. Reinsurance assets are tested for impairment annually. A reinsurance asset is impaired if and only if there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset, that the entity may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amounts that the entity will receive from the reinsurer.

3.18 Provisions

The Group recognises liabilities, including provisions,

- when it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- a reliable estimate of the amount of the obligation can be made.

3.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

4. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segments arising from the internal reporting structure and nature of business conducted. Transactions between segments are conducted at arm's length and utilisation of Group resources is charged for on the basis of an internal funds transfer pricing system which is tied to market rates ruling from time to time. Measurement of segment assets and liabilities and segment revenues is based on the accounting policies as set out in note 3. The Group identified its key business segments as follows:

a) Banking Operations

This segment provides a wide range of financial services to customers through a wide network of branches and electronic delivery channels. In the main, the core business of this segment is the provision of retail and commercial banking services. The product range includes deposit taking, personal and corporate lending, asset finance, mortgage finance, treasury management, medium to long term structured finance, script management services, and a wide array of card-based facilities. The segment comprises the commercial banking operations, microfinance operations and the building society operations.

b) Insurance Operations

This segment is primarily in the business of providing structured insurance products. The life assurance section provides life assurance services through the granting and purchasing of endowments on lives, the granting and sale or purchase of annuities present and deferred or reversionary on lives. The reinsurance section is in the business of accepting insurance premiums from insurance companies in order to indemnify the ceding insurance companies against a proportion of loss on an insurance contract.

c) Other Strategic Investments

Key operations included under this segment are involved in the following businesses:

- The Group shared services - this houses common activities that support all business units such as ICT, risk management, compliance, human resources and similar services. This helps with the seamless delivery of the enterprise resource planning activities.
- Strategic investments - this include property holdings and other nominal investments in other sub sectors of the financial sector.
- Corporate advisory services and venture capital operation
- Transfer secretarial activities

As all operations of the Group are carried out in one country, Zimbabwe, therefore, no segment information has been provided in terms of the geographic representation.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

4. SEGMENT INFORMATION (continued)

	Inflation adjusted			
	Banking operations ZW$	Insurance operations ZW$	Other strategic investments ZW$	Total ZW$
31 December 2021				
External revenue				
Net earnings from lending activities	2 672 727 376	13 162 357	(2 753 750)	2 683 135 983
Net fees and commission income	3 310 148 922	832 922 401	52 962 107	4 196 033 430
Other revenue	1 377 375 199	244 971 844	(313 194 836)	1 309 152 207
Fair value adjustments	2 513 076 314	957 883 769	76 554 877	3 547 514 960
Total segment revenue	9 873 327 811	2 048 940 371	(186 431 602)	11 735 836 580
Inter segmental revenue	756 898 547	-	8 078 050 495	8 834 949 042
Total segment operating expenses	(7 710 926 578)	(768 888 304)	356 286 660	(8 123 528 222)
Material non-cash items:				
Depreciation	(2 191 467 381)	(17 373 532)	(23 743 148)	(2 232 584 061)
Amortisation of intangible assets	(40 016 011)	(10 714 279)	(151 320)	(50 881 610)
Profit from associates net of tax	-	20 455 522	57 660 924	78 116 446
Reportable segment profit before taxation	1 609 579 444	660 628 833	269 759 902	2 539 968 179
Income tax expense	221 058 335	243 439 953	17 948 469	482 446 757
Investment in associates	-	3 986 435 528	1 157 685 803	5 144 121 331
Reportable segment assets as at 31 December 2021	41 044 072 922	7 779 869 410	1 668 853 156	50 492 795 488
Reportable segment liabilities as at 31 December 2021	26 384 913 131	4 350 256 630	(369 425 030)	30 365 744 731

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

4. SEGMENT INFORMATION (continued)

	Inflation adjusted			
	Banking operations ZW$	Insurance operations ZW$	Other strategic investments ZW$	Total ZW$
Restated 31 December 2020				
External revenue				
Net earnings from lending activities	706 501 437	(19 061 534)	(80 112 755)	607 327 148
Net fees and commission income	1 808 187 123	(1 729 081)	26 764 734	1 833 222 776
Other revenue	2 114 380 552	683 909 440	(169 201 095)	2 629 088 897
Fair value adjustments	211 320 839	11 696 874	(4 864 004)	218 153 709
Total segment revenue	4 840 389 951	674 815 699	(227 413 120)	5 287 792 530
Inter segmental revenue	144 544 228	-	2 361 026 866	2 505 571 094
Total segment operating expenses	(4 028 258 954)	(475 901 237)	61 826 576	(4 442 333 615)
Material non-cash items:				
Depreciation	(566 329 033)	(21 615 152)	(18 661 517)	(606 605 702)
Amortisation of intangible assets	(123 397 128)	(10 273 679)	-	(133 670 807)
Profit from associates net of tax	-	1 681 571 878	577 195 595	2 258 767 473
Reportable segment profit before taxation	764 702 652	528 055 010	601 067 587	1 893 825 249
Income tax expense	47 181 285	171 375 135	(28 142 175)	190 414 245
Investment in associates	-	3 973 318 079	1 103 186 544	5 076 504 623
Reportable segment assets as at 31 December 2020	22 997 726 774	6 605 517 149	900 505 504	30 503 749 427
Reportable segment liabilities as at 31 December 2020	14 118 352 752	3 608 718 475	(142 746 346)	17 584 324 881

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

4. SEGMENT INFORMATION (continued)

	Unaudited Historical cost			
	Banking operations ZW$	Insurance operations ZW$	Other strategic investments ZW$	Total ZW$
31 December 2021				
External revenue				
Net earnings from lending activities	2 188 865 002	10 851 943	(3 905 878)	2 195 811 067
Net fees and commission income	2 649 706 023	720 347 435	41 490 389	3 411 543 847
Fair value adjustments	3 745 593 043	1 540 905 654	151 609 716	5 438 108 413
Other revenue	1 259 120 986	210 517 140	(74 409 771)	1 395 228 355
Total segment revenue	9 843 285 054	2 482 622 172	114 784 456	12 440 691 682
Inter segmental revenue	584 410 965	-	12 998 279 252	13 582 690 217
Total segment operating expenses	(4 806 790 757)	(645 962 332)	82 305 388	(5 370 447 701)
Material non-cash items:				
Depreciation	(380 517 367)	(10 578 538)	(14 717 374)	(405 813 279)
Amortisation of intangible assets	(975 633)	(575 159)	(94 142)	(1 644 934)
Profit from associates net of tax	-	1 549 264 091	373 330 815	1 922 594 906
Reportable segment profit before taxation	5 036 494 297	1 897 364 406	570 420 657	7 504 279 360
Income tax expense	906 120 107	365 396 208	10 766 707	1 282 283 022
Investment in associates	-	3 983 413 613	832 863 240	4 816 276 853
Reportable segment assets as at 31 December 2021	40 852 684 721	7 744 141 520	1 253 007 709	49 849 833 950
Reportable segment liabilities as at 31 December 2021	26 366 935 666	4 360 017 025	(365 328 581)	30 361 624 110

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

4. SEGMENT INFORMATION (continued)

	Unaudited Historical cost			
	Banking operations ZW$	Insurance operations ZW$	Other strategic investments ZW$	Total ZW$
31 December 2020				
External revenue				
Net earnings from lending activities	274 258 624	(9 466 638)	(24 796 693)	239 995 293
Net fees and commission income	783 542 135	(28 448 160)	11 434 843	766 528 818
Other revenue	1 252 104 593	195 929 060	(60 922 836)	1 387 110 817
Fair value adjustments	1 644 991 903	790 804 292	(58 337 552)	2 377 458 643
Total segment revenue	3 954 897 255	948 818 554	(132 622 238)	4 771 093 571
Inter segmental revenue	54 646 481	-	7 178 557 225	7 233 203 706
Total segment operating expenses	(1 393 609 781)	(188 521 208)	39 968 823	(1 542 162 166)
Material non-cash items:				
Depreciation	(105 979 074)	(3 952 367)	(3 369 400)	(113 300 841)
Amortisation of intangible assets	(2 203 474)	(246 459)	-	(2 449 933)
Impairment loss on PPE				
Profit from associates net of tax	-	2 288 659 604	384 942 345	2 673 601 949
Reportable segment profit before taxation	2 561 287 475	1 613 856 770	292 288 928	4 467 433 173
Income tax expense	82 067 391	217 578 606	(5 829 147)	293 816 850
Investment associates	-	2 440 255 455	461 857 899	2 902 113 354
Reportable segment assets as at 31 December 2020	14 127 824 984	4 052 599 525	338 362 617	18 518 787 126
Reportable segment liabilities as at 31 December 2020	8 716 645 637	2 245 620 765	(79 835 705)	10 882 430 697

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
5.	CASH AND CASH EQUIVALENTS				
	CONSOLIDATED				
5.1	Balances with the Reserve Bank of Zimbabwe	3 210 845 559	2 260 226 311	3 210 845 559	1 406 162 708
	Balance with other banks and cash	6 501 232 643	5 915 969 436	6 501 232 643	3 680 523 300
	Total cash and cash equivalents	9 712 078 202	8 176 195 747	9 712 078 202	5 086 686 008
	SEPARATE				
5.2	Local bank accounts	17 158 657	3 435 388	17 158 657	2 137 270
	Total cash and cash equivalents	17 158 657	3 435 388	17 158 657	2 137 270

Cash and cash equivalents balances at year end are current assets.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
6.	**TREASURY BILLS**				
	CONSOLIDATED				
	Treasury bills include:				
6.1	**Assets classified as at fair value through profit or loss' (FVTPL):**				
	Short term treasury bills[1]	2 081 308 636	496 760 137	2 081 308 636	309 051 167
6.2	**Assets classified as 'at fair value through other comprehensive income (FVTOCI):**				
	Medium term treasury bills acquired from the market[2]	285 043 656	266 778 881	285 043 656	165 972 103
6.3	**Assets classified as at 'amortised cost' (AMCO):**				
	Treasury bills issued as substitution for debt instruments[3]	25 336 191	40 724 679	25 336 191	25 336 191
	Capitalisation treasury bills[4]	18 642 439	28 538 410	18 642 439	17 754 703
		2 410 330 922	832 802 107	2 410 330 922	518 114 164
	Maturity within 1 year	2 360 339 126	763 539 018	2 360 339 126	475 023 270
	Maturity after 1 year	49 991 796	69 263 089	49 991 796	43 090 894
		2 410 330 922	832 802 107	2 410 330 922	518 114 164

1. The Group invested in treasury bills issued by the RBZ over a period ranging from 3 months to 24 months (2020: 3 months to 24 months) and were at rates ranging from 5% to 21% (2020: 5% to 22%).
2. The Group purchased treasury bills from the secondary market. These treasury bills have coupon rates ranging from 5% to 15% (2020: 5% to 15%) with maturity periods ranging from 1 month to 3 years (2020: 1 to 3 years).
3. The Group received treasury bills as substitution for debt instruments from the Zimbabwe Asset Management Company (ZAMCO). The treasury bills have a coupon rate of 5% (December 2020: 5%) and maturity periods ranging from 1 month to 13 years (2020: 1 month to 13 years).
4. Capitalisation Treasury Bills (CTBs) with a face value of $20 000 000 were acquired on 26/05/2015 from the Government of Zimbabwe by the holding company, ZB Financial Holdings Limited (ZBFH) note 20. The CTBs were then used to recapitalise ZB Bank Limited, a 100% owned subsidiary of ZBFH. The CTBs mature on 26 May 2025 and carry a coupon of 1% which is payable on maturity. The CTBs are carried at amortised cost, with cost having been established at fair value at initial recognition using a Discounted Cash Flow valuation technique in which an assessed discount rate of 5% was applied as a proxy for market rate in the absence of free market trade on similar instruments.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

6. TREASURY BILLS (continued)

Determination of fair value of treasury bills

The fair value of treasury bills was determined using level 2 inputs due to lack of active market for treasury bills which are classified as "FVTPL". The Group used the discounted cash flow valuation technique by applying a risk discounted rate for comparable risk profiles on the contractual cash flows in order to determine the present value of the treasury bills.

Local currency denominated treasury bills purchased from the secondary market value were fair valued using Capital Asset Pricing model (CAPM) rate of 20.50%.

USD denominated Treasury bills fair value was computed using a proxy discount rate of 2% by reference to US Federal Reserve TBs with same tenor and adjusted for country risk.

Valuation of treasury bills designated as at amortised cost

The treasury bills carried at amortised cost, level 3, which cost having been established at fair value at initial recognition using a Discounted Cash Flow valuation technique in which an assessed discount rate of 5% was applied as a proxy for trade on similar instruments.

Impairment assessment of treasury bills

Treasury bills were assessed for ECL in the current year in line with IFRS 9. Treasury bills, being local sovereign exposures have been assessed as "low risk" instruments and there were no defaults recorded in past on all Government Instruments. The amount of ECL was insignificant as such no adjustment for impairment was recognized, note 39.2.4.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
7.	**MORTGAGES AND OTHER ADVANCES**				
	CONSOLIDATED				
7.1	**Gross loan book**				
	Mortgage advances	325 323 401	167 193 040	325 323 401	104 016 406
	Other advances:				
	Loans, overdraft and other accounts	10 639 034 509	4 732 092 452	10 639 034 509	2 943 993 663
	*Finance leases	1 351 694 879	436 870 639	1 351 694 879	271 791 899
	Bills discounted	405 592 200	1 846 983	405 592 200	1 149 070
	Insurance advances	221 304 542	163 337 738	221 304 542	101 617 893
	Total other advances	12 617 626 130	5 334 147 812	12 617 626 130	3 318 552 525
	Gross advances	12 942 949 531	5 501 340 852	12 942 949 531	3 422 568 931
	Off balance sheet exposures				
	In respect of guarantees	829 021 429	1 106 920 859	829 021 429	688 652 647
	In respect of loan commitment	728 680 207	353 514 983	728 680 207	219 933 545
	Gross credit exposure	14 500 651 167	6 961 776 694	14 500 651 167	4 331 155 123
	Gross advances	12 942 949 531	5 501 340 852	12 942 949 531	3 422 568 931
	Less: Allowance for loan impairments	(710 032 117)	(442 389 663)	(710 032 117)	(275 225 469)
	Net advances	12 232 917 414	5 058 951 189	12 232 917 414	3 147 343 462

*Finance leases refer to securitised lending on the asset being acquired by the customer.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
7.2	**Maturity analysis**				
	On demand	989 790 356	599 243 533	989 790 356	372 809 530
	Within 1 month	593 707 960	238 413 295	593 707 960	148 324 919
	Between 1 and 6 months	1 372 730 396	550 775 444	1 372 730 396	342 655 904
	Between 6 and 12 months	2 563 724 415	2 420 651 554	2 563 724 415	1 505 968 640
	After 12 months	8 980 698 040	3 152 692 868	8 980 698 040	1 961 396 130
		14 500 651 167	6 961 776 694	14 500 651 167	4 331 155 123
7.3	**Non-performing loans**				
	Included in the above are the following;				
	Non-performing loans	499 375 970	9 400 314	499 375 970	5 848 251
	Less: Allowance for loan impairments	(467 406 369)	(2 388 008)	(467 406 369)	(1 485 660)
	Value to be received from security held	31 969 601	7 012 306	31 969 601	4 362 591

For the secured non-performing loans, security exists in the form of liens registered over funded accounts, bonds registered over landed property and guarantees in various forms. The Group discounts the value of the security at hand using internal thresholds for prudential purposes. Generally, no security value is placed on ordinary guarantees. The internally discounted value of the security held in respect of the non-performing book amounted to ZW$29 259 743 as at 31 December 2021 (2020: ZW$18 389 830).

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

7.4 Sectorial analysis

	Inflation adjusted				Unaudited Historical cost			
	31 Dec 2021 ZW$	As a % of Total	31 Dec 2020 ZW$	As a % of Total	31 Dec 2021 ZW$	As a % of Total	31 Dec 2020 ZW$	As a % of Total
Gross advances:								
Private	6 330 548 124	44%	1 747 331 323	25%	6 330 548 124	44%	1 087 073 508	25%
Agriculture	1 183 597 092	8%	997 598 724	16%	1 183 597 092	8%	620 639 675	16%
Mining	478 780 767	3%	535 297 993	8%	478 780 767	3%	333 026 862	8%
Manufacturing	226 411 963	2%	164 786 925	2%	226 411 963	2%	102 519 481	2%
Distribution	715 241 619	5%	447 099 650	6%	715 241 619	5%	278 155 710	6%
Construction	24 546 695	0%	13 808 073	0%	24 546 695	0%	8 590 466	0%
Transport	452 988 725	3%	422 637 849	6%	452 988 725	3%	262 937 202	6%
Services	2 831 857 506	20%	861 545 983	12%	2 831 857 506	20%	535 996 695	12%
Financial	648 746 560	4%	306 799 437	4%	648 746 560	4%	190 870 235	4%
Communication	50 230 480	0%	4 434 895	0%	50 230 480	0%	2 759 097	0%
Total gross advances	12 942 949 531	89%	5 501 340 852	79%	12 942 949 531	89%	3 422 568 931	79%
Guarantees:								
Manufacturing	786 383 990	6%	1 096 972 114	16%	786 383 990	6%	682 463 199	16%
Distribution	33 192 086	0%	-	0%	33 192 086	0%	-	0%
Construction	940 000	0%	1 969 030	0%	940 000	0%	1 225 000	0%
Services	8 505 353	0%	7 312 655	0%	8 505 353	0%	4 549 448	0%
Financial Services	-	0%	667 060	0%	-	0%	415 000	0%
Total guarantees	829 021 429	6%	1 106 920 859	16%	829 021 429	6%	688 652 647	16%
Loan commitments:								
Private	-	0%	-	0%	-	2%	-	0%
Agriculture	295 262 260	2%	-	0%	295 262 260	0%	-	0%
Mining	1 444 860	0%	-	0%	1 444 860	1%	-	0%
Manufacturing	86 954 959	1%	204 678 865	3%	86 954 959	1%	127 337 597	3%
Distribution	113 942 513	1%	1 127 169	0%	113 942 513	0%	701 250	0%
Construction	5 338 621	0%	28 391 696	0%	5 338 621	0%	17 663 428	0%
Transport	55 162 871	0%	92 817 631	2%	55 162 871	0%	57 744 966	2%
Communication	-	0%	4 576 633	0%	-	1%	2 847 277	0%
Services	136 583 491	1%	21 232 787	0%	136 583 491	0%	13 209 629	0%
Financial Services	33 990 632	0%	690 201	0%	33 990 632	0%	429 398	0%
Total loan commitments	728 680 207	5%	353 514 983	5%	728 680 207	5%	219 933 545	5%
Letters of credit:								
Manufacturing	-	-	-	0%	-	-	-	0%
Total letters of credit	-	-	-	0%	-	-	-	0%
Total credit exposure	14 500 651 167	100%	6 961 776 694	100%	14 500 651 167	100%	4 331 155 123	100%

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

7.5 Mortgage advances

Mortgage advances were spread as follows:

	Inflation adjusted				Unaudited Historical cost			
	31 Dec 2021 ZW$	As a % of Total	31 Dec 2020 ZW$	As a % of Total	31 Dec 2021 ZW$	As a % of Total	31 Dec 2020 ZW$	As a % of Total
Type of property:-								
High density	15 556 317	5%	4 592 949	3%	15 556 317	5%	2 857 428	3%
Medium density	7 591 764	2%	5 488 676	3%	7 591 764	2%	3 414 690	3%
Low density	296 622 192	91%	147 828 249	88%	296 622 192	91%	91 968 919	88%
Commercial	5 553 128	2%	9 283 166	6%	5 553 128	2%	5 775 369	6%
	325 323 401	100%	167 193 040	100%	325 323 401	100%	104 016 406	100%

7.6 Finance lease receivables

Loans and advances to customers include the following finance lease receivables for leases of certain equipment where the Group is the lessor:

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
CONSOLIDATED				
Gross investment in finance leases:				
Maturing within 1 year	1 525 532 013	361 008 703	1 525 532 013	224 595 640
Maturing after 1 year	2 051 456 570	737 281 379	2 051 456 570	458 687 511
Gross investment in finance leases	3 576 988 583	1 098 290 082	3 576 988 583	683 283 151
Unearned finance charges	(2 225 293 704)	(661 419 443)	(2 225 293 704)	(411 491 252)
Net investment in finance leases	1 351 694 879	436 870 639	1 351 694 879	271 791 899
Maturing within 1 year	620 977 737	158 050 458	620 977 737	98 328 499
Maturing after 1 year	730 717 142	278 820 181	730 717 142	173 463 400
	1 351 694 879	436 870 639	1 351 694 879	271 791 899

7.7 Determination of carrying value

Loans and advances are carried at amortised cost using the effective interest method.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
8.	**FINANCIAL ASSETS**				
	CONSOLIDATED				
8.1	**Financial assets at "fair value-through profit or loss":**				
	Unit Trusts	-	16 115 513	-	10 026 002
	Government and public utilities stock	25 336 191	40 724 679	25 336 191	25 336 191
	Listed equity investments	1 006 800 279	471 409 038	1 006 800 279	293 279 397
	Unlisted equity investments	3 042 331 014	955 199 663	3 042 331 014	594 261 795
		4 074 467 484	1 483 448 893	4 074 467 484	922 903 385
8.2	**Financial assets at amortized cost**				
	Embargoed funds	-	74 203 253	-	46 164 336
	Cash balances	69 896 797	-	69 896 797	-
	Debentures and Bonds	521 270 562	46 777 759	521 270 562	29 102 015
		591 167 359	120 981 012	591 167 359	75 266 351

8.2.1 Embargoed funds were funds that have been confiscated when the Group was placed under OFAC listing. The Group was removed from OFAC listing in 2016 and the funds have been fully received in 2021.

8.2.2 Included in the financial assets at amortised cost are restricted cash balances that were recovered from cash heist related to the banking subsidiary that happened in January 2021. The cash was not available for use as at 31 December 2021.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
	CONSOLIDATED				
8.3	**Movement of financial assets**				
	Balance at beginning of year	1 604 429 905	1 009 539 756	998 169 736	140 012 122
	Additions during the year:	1 330 844 404	196 396 407	1 060 875 001	100 386 715
	- on listed equity investments	660 019 204	87 904 771	8 455 720	29 071 886
	- on Government stock	661 882 502	76 427 870	543 583 555	51 366 878
	- debentures and bonds	8 942 698	32 063 766	508 835 726	19 947 951
	Receipts on disposals	(881 929 219)	(88 953 632)	(720 406 630)	(72 336 516)
	- on listed equities	(567 637 217)	(52 939 916)	(443 933 905)	(59 514 437)
	- on unlisted investments	(124 007 887)	(18 195 390)	(102 553 738)	(4 205 885)
	- embargoed funds	(74 203 253)	-	(46 164 336)	-
	- on Government stock	(116 080 862)	(17 818 326)	(127 754 651)	(8 616 194)
	Fair value adjustments (note 30)	2 790 526 226	524 056 105	3 309 629 650	728 579 041
	- on listed equities	844 630 604	252 772 799	1 094 745 590	414 809 997
	- on unlisted equities	1 962 555 469	251 731 716	2 209 630 931	276 375 135
	- on unit trust investments	(16 659 847)	19 551 590	5 253 129	37 393 909
	Reclassification from investments in associates	-	9 797 902	-	6 095 604
	Gains arising from disposal of investment securities	32 429 220	197 178 479	15 476 609	59 993 164
	Exchange gains (net):	(136 745 705)	(71 034 364)	3 515 237	36 724 733
	-on bank balances	(21 806 541)	(14 028 961)	15 496 101	36 721 803
	-on unlisted equity investments	(114 939 164)	(57 005 403)	(11 980 864)	2 930
	Impairments on debentures	(4 526 983)	(9 525 946)	(1 624 760)	(1 285 127)
	Effects of inflation adjustment	(69 393 005)	(163 024 802)	-	-
	Balance at end of year	4 665 634 843	1 604 429 905	4 665 634 843	998 169 736
	SEPARATE				
8.1	**Financial assets at "fair value-through profit or loss":**				
	Listed equity investments	598 767 591	102 865 492	598 767 591	63 996 078
	Unlisted equity investments	37 707 239	4 239 802	37 707 239	2 637 723
		636 474 830	107 105 294	636 474 830	66 633 801
8.2	**Loan receivable**				
	Agrobills*	403 353 425	-	403 353 425	-
	Current	403 353 425	-	403 353 425	-

Valuation techniques for assets held at fair value are disclosed in note 38.2.1.

*The holding company advanced an unsecured loan to its subsidiary, ZB Bank Limited on 23 December 2021, with a tenor of 270 days at an interest rate of 38.25% per annum (note 17).

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
SEPARATE				
8.3 Movement of financial assets				
Balance at beginning of year	107 105 294	49 727 563	66 633 801	6 896 669
Additions during the year:	864 586 086	40 092 690	752 037 205	15 477 791
-on listed equity investments	461 232 661	40 092 690	348 683 780	15 477 791
-on Agrobills	403 353 425	-	403 353 425	-
Disposals on short term investments	-	(14 420 748)	-	(2 000 000)
Fair value adjustments (note 30)	68 136 875	31 705 789	221 157 249	46 259 341
- on listed equities	34 669 438	32 004 305	186 087 733	44 251 032
- on unlisted equities	33 467 437	(298 516)	35 069 516	2 008 309
Balance at end of year	1 039 828 255	107 105 294	1 039 828 255	66 633 801

Financial assets balances at year end are current assets.

8.4 Valuation techniques and significant unobservable inputs

The investment in Zimswitch Technologies Limited was valued using dividend growth model technique for the year ended 31 December 2021, as well for the year ended 31 December 2020. The dividends paid and required rate of return were obtained from the investee company whilst growth rate was obtained by adjusting country's anticipated GDP in ICT sector.

The investment in Chengetedzai Depository Company was valued using earnings multiple method technique for the year ended 31 December 2021 as opposed to the net asset value (NAV) used for the year ended 31 December 2020. The price earnings ratio used was obtained after making risk differentials adjustments on the identified price earnings ratio of a similar quoted depository company.

The carrying amounts of investment in Zimswitch Technologies Limited and Chengetedzayi Depository Company we accounted for as unlisted equity investments (note 8.1).

All other investment securities (non-listed entities) were valued with reference to the net asset value, which was determined by the directors as a proxy valuation method. NAV valuation method was used where investees are largely property holdings and investment entities whose assets and liabilities are measured at fair value of whose carrying amounts at reporting date do not vary significantly from their fair values.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
9. GROUP INVESTMENTS				
CONSOLIDATED				
9.1 Investments in associates				
Balance at beginning of year	5 076 504 623	3 201 731 343	2 902 113 354	445 466 831
*Reclassified to investment securities	-	(9 797 901)	-	(6 095 604)
Dividend received	(10 499 738)	(50 436 154)	(8 431 407)	(9 437 765)
**Termination transfer	-	(323 760 138)	-	(201 422 057)
Share of current year profits after tax	(457 113 823)	4 340 665 597	1 814 350 617	2 677 964 731
Movement from prior periods	110 622 055	(34 558 722)	54 122 145	(2 181 391)
Effects of inflation adjustments	424 608 214	(2 047 339 402)	-	-
Balance at end of year	5 144 121 331	5 076 504 623	4 816 276 853	2 902 113 354

*The reclassification arose from reduction in Group's shareholding in Zimswitch Technologies Limited as a result of rights issue transaction which the Group did not participate in.

**Termination transfer was a transfer of Mashonaland Holdings shares owned by ZB Life Staff Pension Fund to ZBFH Pension Fund. Previously the fund was being managed by ZB Life.

The following represents the Group's investments in associate companies which have all been accounted for on an equity basis: -

Name of company	2021 % Holding	2020 % Holding	2021 % Holding	2020 %Holding
Cell Insurance (Private) Limited1	34.49%	34.49%	34.49%	34.49%
Original Investments (Private) Limited[2]	42.00%	42.00%	42.00%	42.00%
Twirlton Investments (Private) Limited[2]	26.00%	26.00%	26.00%	26.00%
Mashonaland Holdings Limited[2]	32.58%	34.72%	32.58%	34.72%
- Shareholder	20.12%	19.31%	20.12%	19.31%
- Policyholders	12.46%	15.41%	12.46%	15.41%

Nature of Business

[1]Short-term insurance

[2]Property

Aggregated amounts relating to associate companies:				
Non-current assets	14 693 818 851	15 359 277 490	14 445 982 659	9 512 221 864
Current assets	3 965 333 904	1 035 857 822	3 948 141 251	578 883 709
Non-current liabilities	792 285 665	805 139 625	744 861 233	474 425 533
Current liabilities	2 915 171 389	1 121 189 505	2 910 407 201	697 529 651
Revenue	1 139 150 531	1 601 210 180	920 643 433	481 420 627
Fair value adjustments	(1 666 992 328)	5 700 769 293	5 721 282 736	7 910 455 081
(Loss) / profit	(1 337 489 484)	13 573 487 477	5 794 109 175	7 668 523 224
Dividend received	10 499 738	50 436 154	8 431 407	9 437 765

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
	CONSOLIDATED				
9.1	**Investments in associates (continued)**				
	Profit from Associates was computed as:				
	- Current year profits	(457 113 823)	4 340 665 597	1 868 472 761	2 675 783 340
	- Movements from prior periods	110 622 055	(34 558 722)	54 122 145	(2 181 391)
	- Effects of inflation adjustments	424 608 214	(2 047 339 402)	-	-
	Share of profit/(losses) after tax	78 116 446	2 258 767 473	1 922 594 906	2 673 601 949
	SEPARATE				
9.1	**Investments in associates**				
	Balance at beginning of year	85 704 969	133 057 376	45 447 161	19 825 903
	Share of current year (losses)/ profits after tax	22 611 963	86 359 047	51 668 797	27 802 649
	Movement from prior periods	110 622 055	(34 558 722)	54 122 145	(2 181 391)
	Effects of inflation adjustments	(9 068 503)	(99 152 732)	-	-
	Balance at end of year	209 870 484	85 704 969	151 238 103	45 447 161

Name of company	2021 % Holding	2020 % Holding	2021 % Holding	2020 % Holding
Cell Insurance (Private) Limited[1]	34 .49%	34.49%	34.49%	34.49%

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
<u>Nature of Business</u>				
[1]Short-term insurance				
Aggregated amounts relating to associate companies:				
Non-current assets	689 421 270	651 331 852	486 330 615	380 532 473
Current assets	2 663 718 448	661 181 793	2 663 718 448	411 343 402
Non-current liabilities	55 863 511	-	23 790 426	-
Current liabilities	2 688 779 587	1 055 295 847	2 688 779 587	656 534 993
Revenue	659 348 107	1 128 992 486	550 893 945	350 700 429
Profit	65 560 925	250 388 654	149 808 053	80 610 754
Profit from Associates was computed as:				
- Current year profits	22 611 963	86 359 047	51 668 797	27 802 649
- Movements from prior periods	110 622 055	(34 558 722)	54 122 145	(2 181 391)
- Effects of inflation adjustments	(9 068 503)	(99 152 732)	-	-
Share of profit/(losses) after tax	124 165 515	(47 352 407)	105 790 942	25 621 258

Investment in Associates balances at year end are non-current assets.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

9.1 Investments in associates (continued)

As disclosed in Note 3.2.4, the Group and the Company accounts for interests in associates using the equity method after aligning accounting policies with investee entities per the requirements of IAS 28 - Investments in Associates. Mashonaland Holdings Limited ("Mash") and Cell Insurance Holdings Limited are associates of the Group and Company respectively and have similar accounting policies with the Company and the rest of the ZB Financial Holdings Limited Group.

9.2 Investments in Subsidiaries

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
Balance at beginning of year	9 797 565 223	8 106 684 993	5 918 973 978	1 095 861 752
Effects changes in functional currency	-	-	-	(4 118 745)
Capital injection	23 323 815	-	12 000 000	-
Fair value adjustments (note 30)	5 951 949 374	1 690 880 230	9 591 934 593	4 827 230 971
Balance at end of year	15 772 838 412	9 797 565 223	15 522 908 571	5 918 973 978

Fair value adjustments represent the movement in the net assets value of the subsidiary companies.

The capital injection relates to the investment made by the holding company injected capital into QUPA Microfinance (Private) Limited during the year.

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
Owned by ZB Financial Holdings Limited (Company): -				
ZB Bank Limited - 100%	11 446 673 703	6 322 853 788	11 274 757 694	3 821 370 238
ZB Holdings Limited - 100%	81 132 127	38 989 830	81 132 120	24 256 882
Intermarket Holdings Limited - 84.26%	4 095 837 413	3 366 849 150	4 016 557 697	2 030 498 991
QUPA Microfinance Limited – 100%	47 310 883	-	45 785 361	-
ZB Transfer Secretaries – 100%	62 697 039	34 577 741	65 488 450	21 511 975
ZB Associated Services - 100%	39 187 247	34 294 714	39 187 249	21 335 892
Total investments in subsidiary	15 772 838 412	9 797 565 223	15 522 908 571	5 918 973 978

Investment in subsidiaries balances at year end are non-current assets.

ZB Bank Limited operates as a commercial bank whilst Scotfin Limited is registered to undertake asset finance business. The asset finance business operations are presently being carried out under ZB Bank Limited, leaving Scotfin Limited as a dormant company. ZB Transfer Secretaries (Private) Limited offers transfer secretarial services for share registers domiciled in Zimbabwe. ZB Associated Services (Private) Limited provides security services to the Group and external customers. QUPA Microfinance (Private) Limited is a newly registered credit only microfinance company, licenced in December 2020.

ZB Holdings Limited and Intermarket Holdings Limited are investment holding companies interests in businesses involved in subsectors of the financial sector. These subsidiaries are consolidated.

ZB Associated Services operations were discontinued during the year. The assets and liabilities are carried at their fair value as such no impairment was provided for. These assets and liabilities will be transferred to the parent company at their carrying values. More details are presented in note 33.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

9.2 Investments in subsidiaries (continued)

Other subsidiary companies in the Group are as follows:

	2021 % Holding	2020 % Holding	Nature of Business	Status
Owned by ZB Bank Limited:				
The Trustee Company of Central Africa (Private) Limited	100%	100%	Investment	Dormant
ZB Nominees (Private) Limited	100%	100%	Investment	Dormant
Syfrets Nominees (Private) Limited	100%	100%	Investment	Dormant
Barcelona Investments Limited	100%	100%	Property	Active
Scotfin Limited	100%	100%	Asset Finance	Dormant
Owned by ZB Holdings Limited				
ZB Capital (Private) Limited	100%	100%	Venture capital	Active
Data Centre (Private) Limited	100%	100%	Technology	Dormant
Syfrets Trust and Executor Limited	100%	100%	Estates and trusts Administration	Dormant
Syfin Holdings Limited	100%	100%	Investment	Dormant
Syfrets Corporate Trustee Company (Private) Limited	100%	100%	Investment	Dormant
Owned by Intermarket Holdings Limited (IHL):				
ZB Reinsurance Limited	100%	100%	Reinsurance	Active
First Mortgage Investments (Private) Limited	100%	100%	Investments	Dormant
Intermarket Banking Corporation Limited (IBCL)	96%	96%	Commercial bank	Passive
ZB Life Assurance Limited (ZB Life)	69%	69%	Life assurance	Active
ZB Building Society(ZBBS)	59%	59%	Building society	Active
Owned by ZB Building Society:				
Finsure Investments (Private) Limited	51%	51%	Property	Active
Wentspring Investments (Private) Limited	100%	100%	Investment	Active
Owned by ZB Life Assurance Limited:				
Intermarket Properties (Cinema) (Private) Limited	100%	100%	Property	Active
Aasaculz (Private) Limited	100%	100%	Property	Active
Citiside (Private) limited	60%	60%	Leisure	Active
Checkweighers Farmers (Private) Limited	65%	65%	Property	Active

9.3 Valuation techniques and significant unobservable inputs

IFRS 13 "Fair Value Measurement", prescribes that the valuation of a financial or non-financial asset should be done according to the unit of account i.e. level of aggregation of assets. However, the unit of account for an investment in an unlisted subsidiary or associate cannot be readily determined as it can either be the investment as a whole or the individual assets held within the entity concerned. The Group has selected to account investment in subsidiaries and associates as a whole. Level 1, 2 and 3 inputs as described in note 3.4.4 cannot be effectively used unless the unit of account is specifically identified.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

9.4 Non-controlling interests (NCI) as at 31 December 2021

	Inflation adjusted					
	IHL	ZBBS	ZB Life	IBCL	Intra Group Eliminations	Total
NCI Percentage	16%	41%	31%	4%		
	ZW$	ZW$	ZW$	ZW$	ZW$	ZW$
Non-current assets	10 595 195 495	3 020 153 014	4 627 974 463	577 104 218	-	-
Current assets	1 338 351 680	576 522 817	1 291 387 085	-	-	-
Non-current liabilities	(3 749 052 249)	(118 542 850)	(3 510 164 634)	(27 835 084)	-	-
Current liabilities	(1 553 170 879)	(813 730 131)	(225 503 573)	(1 185 872)	-	-
NCI recorded in subsidiaries	(1 770 274 064)	(590 987 145)	(16 542 554)	-	-	-
Net assets	(4 861 049 984)	2 073 415 705	2 135 805 374	548 083 262	-	-
Carrying amount of NCI	765 212 546	1 446 063 781	689 107 666	22 789 397	(390 549 387)	2 532 624 004
Net revenue / (loss)	3 220 391 033	1 431 803 967	1 015 423 774	(376 088 802)	-	-
Profit / (loss)	1 202 866 491	1 004 418 354	(30 199 072)	(356 269 319)	-	-
Other Comprehensive Income	58 253 497	7 816 862	43 393 137	-	-	-
Total comprehensive income / (loss)	1 261 119 988	1 012 235 215	13 194 065	(356 269 319)	-	-
Profit / (loss) allocated to NCI	392 712 227	187 906 224	(1 963 736)	(6 441 353)	(42 780 652)	529 432 710
OCI allocated to NCI	3 224 893	6 514	6 930 385	-	(7 462 777)	2 699 015

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

9.4 Non-controlling interests (NCI) (continued)

as at 31 December 2020

	Inflation adjusted					
	IHL	ZBBS	ZB Life	IBCL	Intra Group Eliminations	Total
NCI Percentage	16%	41%	31%	4%		
	ZW$	ZW$	ZW$	ZW$	ZW$	ZW$
Non-current assets	8 505 295 211	1 861 654 961	4 440 846 909	953 193 020	-	-
Current assets	1 105 644 210	384 805 574	815 701 895	-	-	-
Non-current liabilities	(3 127 762 124)	(82 783 346)	(2 950 149 555)	(47 476 951)	-	-
Current liabilities	(1 110 805 796)	(511 509 554)	(151 569 675)	(1 363 489)	-	-
NCI recorded in subsidiaries	(1 376 504 374)	(403 074 408)	(11 575 904)	-	-	-
Net assets	3 995 867 116	1 249 093 227	2 134 460 419	904 352 580	-	-
Carrying amount of NCI	629 017 940	918 200 454	683 717 491	37 603 138	(265 879 314)	2 002 659 709
Net revenue / (loss)	713 691 705	165 605 413	(103 525 005)	(166 563 000)	-	-
Profit / (loss)	127 433 021	(132 472 907)	217 965 667	(154 914 050)	-	-
Other Comprehensive Income	24 414 774	6 660 444	15 124 189	-	-	-
Total comprehensive income / (loss)	151 847 795	(125 812 461)	233 089 856	(154 914 050)	-	-
Profit / (loss) allocated to NCI	672 103	(42 670 517)	1 375 398	(6 441 353)	68 536 946	21 472 576
OCI allocated to NCI	7 506 303	1 074 322	-	-	741 227	9 321 852

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

9.4 Non-controlling interests (NCI)

31 December 2021

	Unaudited Historical cost					
	IHL	ZBBS	ZB Life	IBCL	Intra Group Eliminations	Total
NCI Percentage	16%	41%	31%	4%		
	ZW$	ZW$	ZW$	ZW$	ZW$	ZW$
Non-current assets	10 559 489 493	3 020 153 013	4 592 268 445	577 104 218	-	-
Current assets	1 337 171 531	575 028 067	1 291 365 212	-	-	-
Non-current liabilities	(3 767 403 501)	(118 542 850)	(3 519 925 029)	(27 835 084)	-	-
Current liabilities	(1 553 170 877)	(813 730 131)	(225 503 573)	(1 185 872)	-	-
NCI recorded in subsidiaries	(1 809 129 991)	(591 032 104)	(16 338 023)	-	-	-
Net assets	4 766 958 657	2 071 875 996	2 090 521 619	548 083 262	-	-
Carrying amount of NCI	750 400 959	1 445 473 765	674 643 281	22 789 397	(333 823 434)	2 559 483 967
Net revenue / (loss)	4 515 723 891	1 979 315 652	1 379 031 834	(15 909 177)	-	-
Profit / (loss)	3 205 157 041	1 622 809 068	767 215 136	(14 544 855)	-	-
Other Comprehensive Income	91 324 527	12 918 040	67 253 580	-	-	-
Total comprehensive income / (loss)	3 296 481 568	1 635 727 109	834 468 716	(14 544 855)	-	-
Profit / (loss) allocated to NCI	917 873 988	340 047 713	(1 220 765)	(604 778)	27 554 773	1 283 650 931
OCI allocated to NCI	21 499 604	173 295	10 563 344	-	(5 464 422)	26 771 821

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

9.4 Non-controlling interests (NCI) (continued)

31 December 2020

	Unaudited Historical cost					
	IHL	ZBBS	ZB Life	IBCL	Intra Group Eliminations	Total
NCI Percentage	16%	41%	31%	4%		
	ZW$	ZW$	ZW$	ZW$	ZW$	ZW$
Non-current assets	5 236 781 502	1 158 198 083	2 705 885 459	593 013 395	-	-
Current assets	687 506 880	238 712 484	507 475 548	-	-	-
Non-current liabilities	(1 951 944 623)	(51 502 301)	(1 835 902 919)	(29 537 006)	-	-
Current liabilities	(691 069 597)	(318 227 275)	(94 296 586)	(848 272)	-	-
NCI recorded in subsidiaries	(871 423 369)	(250 811 096)	(6 995 444)	-	-	-
Net assets	2 409 850 791	776 369 895	1 270 695 481	562 628 117	-	-
Carrying amount of NCI	379 351 799	570 986 041	407 137 451	23 394 175	(130 139 281)	1 250 730 186
Net revenue	2 193 726 107	889 449 400	417 458 401	437 715 485	-	-
Profit	2 465 681 979	739 564 766	970 079 178	415 719 423	-	-
Other Comprehensive Income	86 015 693	41 684 626	37 751 023	-	-	-
Total comprehensive income	2 551 697 672	781 249 392	1 007 830 202	415 719 423	-	-
Profit / (loss) allocated to NCI	643 661 660	188 399 816	(620 940)	17 285 686	81 869 319	930 595 541
OCI allocated to NCI	29 057 030	698 299	6 062 755	-	2 088 548	37 906 632

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
10.	**INVENTORIES**				
	CONSOLIDATED				
	Immovable properties	19 115 156	60 915 632	17 931 714	24 146 341
	Other consumables	7 755 172	3 391 396	5 532 428	2 602 190
	Stationery	48 652 127	16 370 642	46 002 757	8 833 663
	Fuel	3 515 724	1 120 147	3 324 274	648 204
		79 038 179	81 797 817	72 791 173	36 230 398
	Current	59 923 023	20 882 185	54 859 459	12 084 057
	Non-current	19 115 156	60 915 632	17 931 714	24 146 341
		79 038 179	81 797 817	72 791 173	36 230 398
11	**TRADE AND OTHER RECEIVABLES**				
	CONSOLIDATED				
	Financial assets				
	Balances in transit from other banks	159 510 893	86 484 527	159 510 893	53 804 929
	Deferred staff loan expense	975 904 547	185 888 761	975 904 547	115 647 642
	Trade receivables	128 605 700	202 516 667	128 605 700	125 992 422
	Impairment allowances for receivables	(6 823 501)	(4 056 571)	(6 823 501)	(2 523 730)
		1 257 197 639	470 833 384	1 257 197 639	292 921 263
	Non-financial assets				
	Prepayments	735 262 867	503 495 196	735 262 867	313 241 274
		1 992 460 506	974 328 580	1 992 460 506	606 162 537
	SEPARATE				
	Trade receivables	190 627 434	53 045 117	190 627 433	33 001 149
	Total	190 627 434	53 045 117	190 627 433	33 001 149

Trade and other receivables balances at year end are current assets. All trade and other receivables are financial assets.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
12.	**INVESTMENT PROPERTIES**				
	CONSOLIDATED				
12.1	**Made up as follows:**				
	Land stock held for capital appreciation and completed properties available for lease:				
	-Residential	358 563 710	282 151 688	358 563 710	175 536 043
	-Commercial	3 979 005 689	3 131 056 330	3 979 005 689	1 947 935 313
	-Industrial	111 380 102	87 644 352	111 380 102	54 526 495
	Balance at end of year	4 448 949 501	3 500 852 370	4 448 949 501	2 177 997 851
	SEPARATE				
	Made up as follows:				
	Land stock held for capital appreciation and completed properties available for lease:				
	-Residential	72 200 000	47 457 653	72 200 000	29 525 000
	Balance at end of year	72 200 000	47 457 653	72 200 000	29 525 000

Investment properties balances at year end are non-current assets.

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
	CONSOLIDATED				
12.2	**Reconciliation of carrying amount**				
	Balance at beginning of year	3 500 852 370	3 804 349 097	2 177 997 851	527 621 601
	Additions	109 193 711	-	87 984 925	-
	Transfer to form owner occupied	74 932 459	-	46 618 000	-
	Fair value adjustment (note 30)	763 970 961	(303 496 727)	2 136 348 725	1 650 376 250
	Balance at end of year	4 448 949 501	3 500 852 370	4 448 949 501	2 177 997 851
	SEPARATE				
12.2	**Reconciliation of carrying amount**				
	Carrying amount at beginning of year	47 457 653	54 072 036	29 525 000	7 499 200
	Fair value adjustment (note 30)	24 742 347	(6 614 383)	42 675 000	22 025 800
	Balance at end of year	72 200 000	47 457 653	72 200 000	29 525 000

Available for lease properties are leased out under operating lease to various tenants. The initial contracts are for a minimum period of one year after which they may be extended as negotiated. Inflation adjusted rental income generated from investment properties amounted to ZW$134 596 269 (unaudited historical cost ZW$101 603 923) (2020: inflation adjusted ZW$46 475 986, unaudited historical cost ZW$28 279 350). Inflation adjusted repairs and maintenance costs on investment properties that generated investment income amount to ZW$32 064 163 (unaudited historical cost ZW$19 180 753) (2020: inflation adjusted ZW$10 749 865; unaudited historical cost ZW$4 580 605).

No financial encumbrances existed on any of the properties included under investment properties.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

12.3 Measurement of fair value

The fair value of the Group's investment properties as at 31 December 2021 was arrived at on the basis of valuations carried out by independent professional valuers, EPG Global Real Estate (2020: EPG Global Real Estate). The valuation, which conforms to International Valuation Standards, was in terms of accounting policy 3.16 and was derived with reference to market information close to the date of the valuation. The qualified valuers determined property values in ZW$ as opposed to the prior year when valuation was done in USD and converted to local currency at ruling interbank exchange rate as at 31 December 2020. The commercial and industrial property sectors in Zimbabwe are regarded as inactive markets with limited concluded transactions. In the valuation process, the valuer considered the prices of identical or similar assets that were listed or offered for sale in estimating the property values as at 31 December 2021. This process involved critical analysis and significant expert judgement.

The fair values of the Group's investment property are categorised into Level 3 of the fair value hierarchy as described in note 3.4.4.

Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
The **Investment Method** was applied on all income producing properties. Market capitalisation rates were derived from market sales evidence and were determined in consultation with other investors and property brokers in the market. The **Direct Comparison Method** was applied on all residential properties, after EPG Global Real Estate identified various properties that have been sold or which were on sale and situated in comparable areas using the Main Space Equivalent (MSE) principle. The total MSE of comparable areas was then used to determine the value per square meter of MSE.	Average rentals per square metre – ZW$1 400 to ZW$2 168 (2020: ZW$1 074 to ZW$1 578) Average investment yield – 8% to 20% (2020: 8% to 20%).	The estimated fair value would increase (decrease) if: • Expected market rental growth were higher (lower) • Void periods were shorter (longer) and • Occupancy rate were higher (lower)

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

12.3 Measurement of fair value (continued)

Change in valuation inputs

In response to the change in market factors that occurred in 2021, the ZB Financial Holdings Limited Group changed its valuation inputs for investment property, by adopting ZW$ valuation inputs instead of USD inputs. These inputs include but not limited to capitalization rates and market rental information. After the change in the base currency in the Zimbabwean Market in 2019, the property market had largely remained dollarised hence the use of USD valuation inputs in prior years. More recently, with the increasing use of the ZW$ to settle property transactions, management takes the view that a valuation using ZW$ inputs provides reliable and accurate fair values without the need for currency conversions that are subject to exchange rate distortions. The change in the application of existing valuation inputs has no effect on prior years as the change has been applied prospectively beginning with financial information for the year ended 31 December 2021.

The effect on the current year is to increase the carrying amount of investment property at the end of the year, as a result of the changes in inputs, by ZW$ 1 650 801 485; increase fair value gain by ZW$ 1 539 845 814; increase the deferred tax by ZW$58 620 056; and increase net profit by ZW$1 481 234 759.

13. RIGHT OF USE ASSETS

The Group recognises right of use assets in respect of non-cancellable lease agreements that are classified as neither short-term nor low value leases in terms of accounting policy note 3.11.2. Right of use assets relate to leased branch and office premises. Lease modifications relate to changes in lease rentals and incremental borrowing rates. The movement in the right of use asset during the year was as follows:

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
CONSOLIDATED				
Balance at the beginning of year	106 462 757	47 918 141	66 234 057	6 645 722
Depreciation	(73 601 386)	(36 762 185)	(57 037 263)	(11 185 195)
Lease modifications	120 487 794	232 610 119	93 371 802	70 773 530
Effects of inflation adjustments	68 005 214	(137 303 318)	-	-
Balance at end of year	221 354 379	106 462 757	102 568 596	66 234 057
SEPARATE				
Balance at the beginning of year	174 633 852	29 190 176	108 645 585	4 048 358
Depreciation	(69 416 340)	(35 312 422)	(48 578 795)	(10 744 093)
Lease modification	151 014 227	185 396 387	117 028 207	115 341 320
Effects of inflation adjustments	(33 986 020)	(4 640 289)	-	-
Balance at end of year	222 245 719	174 633 852	177 094 997	108 645 585

The corresponding lease liabilities matching the above assets are discussed in note 24.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

14. PROPERTY AND EQUIPMENT

31 December 2021

All properties and equipment were revalued as at 31 December 2021 on the basis of valuations carried out by independent and professional valuers EPG Global in terms of accounting policy 3.7. In the prior year, movable and immovable assets were valued by EPG Global Real Estate.

	Inflation adjusted						
	Freehold properties ZW$	Leasehold improvements ZW$	Equipment furniture & fittings ZW$	Computer equipment ZW$	Marine assets and Motor vehicles ZW$	Capital work in progress ZW$	Total ZW$
CONSOLIDATED							
Cost or valuation							
Balance at 1 January 2021	3 088 829 383	718 755 211	968 781 534	2 080 157 091	847 633 474	144 546 717	7 848 703 410
Additions	-	10 857 243	47 230 686	70 215 173	40 000 000	23 193 745	191 496 847
Disposals	-	-	(3 089 574)	(2 083 369)	(11 240 628)	-	(16 413 571)
Transfer between categories	-	67 891 523	23 602 319	107 948 916	-	(199 442 758)	-
Reclassification to investment properties	(92 370 874)	-	-	-	-	-	(92 370 874)
Surplus on revaluation	1 081 019 872	1 109 070 157	2 407 080 399	1 993 215 783	80 298 889	-	6 670 685 100
Reclassification from intangibles	-	-	-	-	-	94 799 116	94 799 116
Balance at 31 December 2021	4 077 478 381	1 906 574 134	3 443 605 364	4 249 453 594	956 691 735	63 096 820	14 696 900 028
Accumulated depreciation and impairment							
Balance at 1 January 2021	552 543 672	602 907 914	421 379 858	932 772 921	541 089 632	54 098 161	3 104 792 158
Recognised in statement of profit or loss	111 204 090	1 186 724 829	596 662 810	288 555 744	49 436 588	-	2 232 584 061
Disposals	-	-	(254 891)	(400 701)	(1 635 351)	-	(2 290 943)
Effects of inflation adjustments	-	1 161 387	587 504	-	490 495	-	2 239 386
Reclassification to investment properties	(17 438 413)	-	-	-	-	-	(17 438 413)
Balance at 31 December 2021	646 309 349	1 790 794 130	1 018 375 281	1 220 927 964	589 381 364	54 098 161	5 319 886 249
Carrying value at 31 December 2021	3 431 169 032	115 780 004	2 425 230 083	3 028 525 630	367 310 371	8 998 659	9 377 013 779
Carrying value at 31 December 2020	2 536 285 711	115 847 297	547 401 676	1 147 384 170	306 543 842	90 448 556	4 743 911 252

It has not been possible to fully comply with the requirements of International Accounting Standards (IAS 16: Property Plant and Equipment), as regards disclosure of the carrying cost less accumulated depreciation of properties, had revaluations not been performed. This information is not material in the context of the Group financial statements.

Properties with a value of ZW$1 123 971 000 (2020: nil) had been offered as security on Agrobills (note 17).

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

14. PROPERTY AND EQUIPMENT (continued)

31 December 2020

	Inflation adjusted						
	Freehold properties ZW$	Leasehold improvements ZW$	Equipment furniture & fittings ZW$	Computer equipment ZW$	Marine assets and Motor vehicles ZW$	Capital work in progress ZW$	Total ZW$
CONSOLIDATED							
Cost or valuation							
Balance at 1 January 2020	2 957 873 615	639 188 817	625 872 222	1 229 969 306	843 162 729	72 960 385	6 369 027 074
Additions	104 379 881	3 961 540	22 511 810	85 020 095	-	187 855 692	403 729 018
Disposals	-	-	(256 011)	(137 536)	(4 252 102)	-	(4 645 649)
Transfer between categories	-	75 604 854	33 129 526	7 534 980	-	(116 269 360)	-
Surplus on revaluation	26 575 887	-	287 523 987	757 770 246	8 722 847	-	1 080 592 967
Balance at 31 December 2020	3 088 829 383	718 755 211	968 781 534	2 080 157 091	847 633 474	144 546 717	7 848 703 410
Accumulated depreciation and impairment							
Balance at 1 January 2020	454 986 909	346 277 191	334 333 912	696 014 161	359 244 197	27 152 696	2 218 009 066
Recognised in statement of profit or loss	97 556 763	76 299 253	65 291 381	235 834 117	131 624 189	-	606 605 703
Disposals	-	-	(93 252)	(32 221)	(1 039 553)	-	(1 165 026)
Effects of inflation adjustment	-	180 331 470	21 847 817	956 864	51 260 799	26 945 465	281 342 415
Balance at 31 December 2020	552 543 672	602 907 914	421 379 858	932 772 921	541 089 632	54 098 161	3 104 792 158
Carrying value at 31 December 2020	2 536 285 711	115 847 297	547 401 676	1 147 384 170	306 543 842	90 448 556	4 743 911 252
Carrying value at 31 December 2019	2 502 886 705	292 911 626	291 538 310	533 955 145	483 918 531	45 807 689	4 151 018 006

It has not been possible to fully comply with the requirements of International Accounting Standards (IAS 16: Property Plant and Equipment), as regards disclosure of the carrying cost less accumulated depreciation of properties, had revaluations not been performed. This information is not material in the context of the Group financial statements.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

14. PROPERTY AND EQUIPMENT (continued)

31 December 2021

	Unaudited Historical cost						
	Freehold properties ZW$	Leasehold improvements ZW$	Equipment furniture & fittings ZW$	Computer equipment ZW$	Marine assets and Motor vehicles ZW$	Capital work in progress ZW$	Total ZW$
CONSOLIDATED							
Cost or valuation							
Balance at 1 January 2021	1 616 342 287	49 233 601	339 555 297	759 481 003	217 720 202	115 424 734	3 097 757 124
Additions	-	8 672 256	38 526 759	55 759 333	40 000 000	17 045 321	160 003 669
Disposals	-	-	(3 089 574)	(2 069 061)	(11 240 628)	-	(16 399 263)
Transfer between categories	-	48 946 755	16 959 710	15 416 960	-	(81 323 425)	-
Reclassification to investment properties	(47 213 282)	-	-	-	-	-	(47 213 282)
Surplus on revaluation	1 987 535 005	-	2 067 523 145	2 471 862 828	188 323 671	-	6 715 244 649
Reclassification from intangibles	-	-	-	-	-	13 510 060	13 510 060
Balance at 31 December 2021	3 556 664 010	106 852 612	2 459 475 337	3 300 451 063	434 803 245	64 656 690	9 922 902 957
Accumulated depreciation and impairment							
Balance at 1 January 2021	38 433 774	17 065 579	15 029 460	48 872 747	27 009 029	-	146 410 589
Recognised in statement of profit or loss	87 656 518	13 936 635	34 669 181	226 698 456	42 852 489	-	405 813 279
Disposals	-	-	(254 891)	(393 084)	(1 635 348)	-	(2 283 323)
Impairment	-	39 608	-	-	-	-	39 608
Reclassification to investment properties	(595 281)	-	-	-	-	-	(595 281)
Balance at 31 December 2021	125 495 011	31 041 822	49 443 750	275 178 119	68 226 170	-	549 384 872
Carrying value at 31 December 2021	3 431 168 999	75 810 790	2 410 031 587	3 025 272 944	366 577 075	64 656 690	9 373 518 085
Carrying value at 31 December 2020	1 577 908 513	32 168 022	324 525 837	710 608 256	190 711 173	115 424 734	2 951 346 535

It has not been possible to fully comply with the requirements of International Accounting Standards (IAS 16: Property Plant and Equipment), as regards disclosure of the carrying cost less accumulated depreciation of properties, had revaluations not been performed. This information is not material in the context of the Group financial statements.

Properties with a value of ZW$1 123 971 000 (2020: nil) had been offered as security on Agrobills (note 17).

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

14. PROPERTY AND EQUIPMENT (continued)

31 December 2020

	Unaudited Historical cost						
	Freehold properties ZW$	Leasehold improvements ZW$	Equipment furniture & fittings ZW$	Computer equipment ZW$	Marine assets and Motor vehicles ZW$	Capital work in progress ZW$	Total ZW$
CONSOLIDATED							
Cost or valuation							
Balance at 1 January 2020	347 687 699	46 731 803	46 299 598	88 307 737	74 301 378	6 137 300	609 465 515
Additions	45 510 451	2 420 618	11 853 006	42 974 598	-	110 060 509	212 819 182
Disposals	-	-	(159 273)	(85 566)	(2 645 374)	-	(2 890 213)
Effects of changes in currency translation reserve	-	-	-	-	-	(773 075)	(773 075)
Surplus on revaluation	1 223 144 137	81 180	281 561 966	628 284 234	146 064 198	-	2 279 135 715
Balance at 31 December 2020	1 616 342 287	49 233 601	339 555 297	759 481 003	217 720 202	115 424 734	3 097 757 124
Accumulated depreciation							
Balance at 1 January 2020	564 697	5 982 441	5 763 573	14 266 795	7 187 222	-	33 764 728
Recognised in statement of profit or loss	37 869 077	11 083 138	9 323 902	34 556 177	20 468 547	-	113 300 841
Disposals	-	-	(58 015)	(20 046)	(646 740)	-	(724 801)
Impairment	-	-	-	69 821	-	-	69 821
Balance at 31 December 2020	38 433 774	17 065 579	15 029 460	48 872 747	27 009 029	-	146 410 589
Carrying value at 31 December 2020	1 577 908 513	32 168 022	324 525 837	710 608 256	190 711 173	115 424 734	2 951 346 535
Carrying value at 31 December 2019	347 123 002	40 749 362	40 536 025	74 040 942	67 114 156	6 137 300	575 700 787

It has not been possible to fully comply with the requirements of International Accounting Standards (IAS 16: Property Plant and Equipment), as regards disclosure of the carrying cost less accumulated depreciation of properties, had revaluations not been performed. This information is not material in the context of the Group financial statements.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

14. PROPERTY AND EQUIPMENT (continued)

	Inflation adjusted				
	Leasehold improvements ZW$	Equipment furniture & fittings ZW$	Computer equipment ZW$	Motor vehicles ZW$	Total ZW$
SEPARATE					
2021					
Cost or valuation					
Balance at 1 January 2021	2 485 799	71 427 743	57 667 984	16 383 975	147 965 501
Additions	-	6 513 850	22 676 134	-	29 189 984
Disposals	-	(68 293)	(485 849)	(1 610 219)	(2 164 363)
Revaluation of property	-	163 459 657	11 650 205	-	175 109 862
Balance at 31 December 2021	2 485 799	241 332 957	91 508 474	14 773 756	350 100 984
Accumulated depreciation					
Balance at 1 January 2021	2 331 351	40 708 626	39 273 677	13 795 761	96 109 415
Recognised in statement of profit or loss	-	4 080 011	7 670 127	5 17 696	12 267 834
Disposals	-	(5 634)	(101 045)	(30 196)	(136 874)
Impairment	131 169	-	-	490 495	621 664
Balance at 31 December 2021	2 462 520	44 783 003	46 842 759	14 773 756	108 862 039
Carrying value at 31 December 2020	23 279	196 549 954	44 665 715	-	241 238 945
2020					
Cost or valuation					
Balance at 1 January 2020	2 485 799	53 138 525	45 084 327	14 884 022	115 592 673
Additions	-	1 472 852	8 832 687	-	10 305 539
Disposals	-	(31 284)	(72 374)	-	(103 658)
Revaluation of property	-	16 847 650	3 823 344	1 499 953	22 170 947
Balance at 31 December 2020	2 485 799	71 427 743	57 667 984	16 383 975	147 965 501
Accumulated depreciation					
Balance at 1 January 2020	1 276 041	36 497 407	29 025 793	13 795 761	80 595 002
Recognised in statement of profit or loss	505 670	4 220 540	10 280 109	-	15 006 319
Disposals	-	(9 321)	(32 225)	-	(41 546)
Impairment	549 640	-	-	-	549 640
Balance at 31 December 2020	2 331 351	40 708 626	39 273 677	13 795 761	96 109 415
Carrying value at 31 December 2020	154 448	30 719 117	18 394 307	2 588 214	51 856 086

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

14. PROPERTY AND EQUIPMENT (continued)

	Unaudited Historical cost				
	Leasehold improvements ZW$	Equipment furniture & fittings ZW$	Computer equipment ZW$	Motor vehicles ZW$	Total ZW$
SEPARATE					
2021					
Cost or valuation					
Balance at 1 January 2021	186 765	20 337 969	13 510 293	1 820 672	35 855 699
Additions	-	5 843 677	18 915 891	-	24 759 568
Disposals	-	(68 293)	(485 849)	(1 610 215)	(2 164 357)
Revaluation of property	-	173 495 652	20 268 943	-	193 764 595
Balance at 31 December 2021	186 765	199 609 005	52 209 278	210 457	252 215 505
Accumulated depreciation					
Balance at 1 January 2021	90 676	1 226 571	2 066 584	210 455	3 594 286
Recognised in statement of profit or loss	72 806	1 838 107	5 578 035	30 192	7 519 140
Disposals	-	(5 634)	(101 042)	(30 192)	(136 866)
Balance at 31 December 2021	163 482	3 059 044	7 543 577	210 455	10 976 560
Carrying value at 31 December 2020	23 283	196 549 961	44 665 601	-	241 238 945
2020					
Cost or valuation					
Balance at 1 January 2020	186 765	2 869 105	2 673 723	361 387	6 090 980
Additions	-	519 619	4 351 574	-	4 871 193
Disposals	-	(19 463)	(45 028)	-	(64 491)
Revaluation of property	-	16 968 708	6 530 024	1 459 285	24 958 017
Balance at 31 December 2020	186 765	20 337 969	13 510 293	1 820 672	35 855 699
Accumulated depreciation					
Balance at 1 January 2020	18 985	561 165	446 581	210 455	1 237 186
Recognized in statement of profit or loss	71 691	671 205	1 640 050	-	2 382 946
Disposals	-	(5 799)	(20 047)	-	(25 846)
Balance at 31 December 2020	90 676	1 226 571	2 066 584	210 455	3 594 286
Carrying value at 31 December 2020	96 089	19 111 398	11 443 709	1 610 217	32 261 413

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

14. PROPERTY AND EQUIPMENT (continued)

Change in valuation inputs.

In response to the change in market factors that occurred in 2021, the ZB Financial Holdings Limited Group changed its valuation inputs for property and equipment, by adopting ZW$ valuation inputs instead of USD inputs. After the change in base currency in Zimbabwean market in 2019, the market had largely remained dollarized hence the use of USD valuation inputs in prior years. More recently, with the increasing use of the ZWL to settle transactions, Management takes the view that a valuation using ZW$ inputs provides reliable and accurate fair values without the need for currency conversions that are subject to exchange rate distortions. The change in the application estimation inputs has no effect on prior years as the change has been applied prospectively beginning with financial information for the year ended 31 December 2021.

The effect on the current year is to increase the carrying amount of property, plant and equipment at the end of the year by ZW$5 693 256 759; increase the deferred tax by ZW$1 564 037 608; create a revaluation surplus at the end of the year of ZW$4 129 219 151.

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
15. INTANGIBLE ASSETS				
CONSOLIDATED				
Computer software				
Carrying amount at beginning of year	347 513 080	482 505 483	28 389 024	47 551 609
Additions at cost	10 971 439	24 783 920	10 358 475	4 081 548
Reversal of cancelled projects	(10 349 589)	(26 105 516)	(1 385 883)	(16 054 420)
Amortisation	(50 881 610)	(133 670 807)	(1 644 934)	(2 449 933)
Effects of changes in functional currency translation	-	-	-	(4 739 780)
*Reclassification to equipment	(94 799 116)	-	(13 510 060)	-
Balance at end of year	202 454 204	347 513 080	22 206 622	28 389 024
SEPARATE				
Computer software				
Carrying amount at beginning of year	-	248 506	-	34 465
Amortisation	-	(248 506)	-	(34 465)
Balance at end of year	-	-	-	-

Intangible assets balances at year end are non-current assets.

*The reclassification from the intangible assets to equipment related to hardware storage equipment which was erroneously capitalised under intangible assets instead of computer equipment in prior periods. This prior period error was not material to warranty restatement of prior periods figures as it only affected reclassification between work in progress intangibles and work in progress property and equipment.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
16.	**DEPOSITS AND OTHER ACCOUNTS**				
	CONSOLIDATED				
16.1	**Summary of deposits by type**				
	Balances of banks	489 710 308	49 071 933	489 710 308	30 529 298
	Current accounts	5 261 470 343	2 986 239 473	5 261 470 343	1 857 839 882
	Savings and call accounts	11 324 394 028	7 524 214 546	11 324 394 028	4 681 066 603
	Fixed deposits	2 594 114 348	865 324 134	2 594 114 348	538 347 210
		19 669 689 027	11 424 850 086	19 669 689 027	7 107 782 993
	CONSOLIDATED				
16.2	**Maturity analysis**				
	On demand	13 779 070 458	7 535 538 017	13 779 070 458	4 688 111 315
	Within 1 month	5 409 906 971	3 797 638 564	5 409 906 971	2 362 638 511
	Between 1 and 6 months	160 374 241	41 840 147	160 374 241	26 030 161
	Between 6 and 12 months	296 899 794	43 274 916	296 899 794	26 922 779
	After 12 months	23 437 563	6 558 442	23 437 563	4 080 227
		19 669 689 027	11 424 850 086	19 669 689 027	7 107 782 993

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

	Inflation adjusted				Unaudited Historical cost			
	31 Dec 2021 ZW$	% Contribution	31 Dec 2020 ZW$	% Contribution	31 Dec 2021 ZW$	% Contribution	31 Dec 2020 ZW$	% Contribution
CONSOLIDATED								
16.3 Deposit concentration								
Private individuals	3 156 025 012	16%	2 049 650 988	18%	3 156 025 012	16%	1 275 156 726	18%
Agriculture	1 035 323 542	6%	842 258 499	7%	1 035 323 542	6%	523 997 303	7%
Mining	198 235 385	1%	82 623 042	1%	198 235 385	1%	51 402 570	1%
Manufacturing	854 681 841	4%	471 882 337	4%	854 681 841	4%	293 573 852	4%
Distribution	560 711 578	3%	759 921 779	7%	560 711 578	3%	472 772 864	7%
Construction	247 940 891	1%	193 100 657	2%	247 940 891	1%	120 134 405	2%
Transport	301 123 061	2%	130 939 482	1%	301 123 061	2%	81 461 850	1%
Services	8 416 934 114	43%	4 810 864 526	42%	8 416 934 114	43%	2 993 000 416	42%
Financial	2 441 675 783	12%	1 050 101 517	9%	2 441 675 783	12%	653 303 426	9%
Communication	2 457 037 820	12%	1 033 507 259	9%	2 457 037 820	12%	642 979 581	9%
	19 669 689 027	100%	11 424 850 086	100%	19 669 689 027	100%	7 107 782 993	100%

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
	CONSOLIDATED				
16.4	**Secured and unsecured deposits analysis**				
	Secured deposits	-	-	-	-
	Unsecured deposits	19 669 689 027	11 424 850 086	19 669 689 027	7 107 782 993
		19 669 689 027	11 424 850 086	19 669 689 027	7 107 782 993

For secured deposits, security was provided in the form of treasury bills which are included in the note 6.

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
17.	**SHORT TERM BORROWINGS**				
	CONSOLIDATED				
	Agrobills issued during the period	400 000 000	-	400 000 000	-
	Accrued interest	3 331 507	-	3 331 507	-
	Balance at end of year	403 331 507	-	403 331 507	-
	Within 1 year	403 331 507	-	403 331 507	-
	SEPARATE				
	Agrobills issued during the year	400 000 000	-	400 000 000	-
	Accrual interest	3 331 507	-	3 331 507	-
	Balance at end of year	403 331 507	-	403 331 507	-
	Within 1 year	403 331 507	-	403 331 507	-

In response to growing funding needs for the farming clients for the Group's banking arm, the Group sourced funds (ZW$400 million) from the market through agrobills with 270 days tenor at market related interest rate of 38%. The Group pledged immovable collateral to the tune of ZW$1.1 billion. Due to short term nature of these instruments as well as market related rate close to reporting the fair value of these agrobills closely approximate their carrying amounts at year end.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
18.	**TRADE AND OTHER PAYABLES**				
	CONSOLIDATED				
	Amounts due to other banks	489 710 308	49 071 933	489 710 308	30 529 298
	Unearned premium reserve (see note 18.1)	101 677 244	178 942 341	101 677 244	111 326 041
	Incurred but not yet reported claims reserve (see note 18.2)	109 976 447	144 926 489	109 976 446	90 163 636
	Outstanding claims (refer to note 18.3)	64 248 772	45 925 133	64 248 772	28 571 568
	Income received in advance	69 662 310	26 766 851	69 662 310	16 652 557
	Interest accrued on deposits	86 859 804	59 854 056	86 859 804	37 237 219
	Items in transit	576 383 529	311 052 041	576 383 529	193 515 923
	Accrued expenses	272 745 370	80 760 203	272 745 370	50 243 635
	Intermediated money transfer tax	398 163 884	236 753 158	398 163 884	147 292 092
	Policyholders claims intimated but not paid	14 516 385	33 143 014	14 516 385	20 619 382
	Trade payables	843 573 029	359 883 662	843 573 029	130 575 676
	Staff loan benefit liability	1 023 686 653	171 572 534	1 023 686 654	150 290 388
	Sundry creditors	131 584 374	179 406 128	131 584 374	161 385 266
	Impairment on guarantees and loan commitments	39 865 977	2 351 089	39 865 977	1 462 691
	Balance payable to insurance companies	29 189 323	17 388 426	29 189 323	10 817 924
		4 251 843 409	1 897 797 058	4 251 843 409	1 180 683 296

*Staff loan liability will be amortised over the tenure of the loans.

SEPARATE				
Trade payables	143 843 977	85 779 839	143 843 977	53 366 519

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
18.1.	**Unearned Premium Reserve (UPR)**				
	Balance at beginning of year	178 942 341	112 194 812	111 326 041	15 560 193
	Charge/ (credit) to profit or loss	24 371 387	233 392 452	(9 648 797)	95 765 848
	Effects of inflation movement	(101 636 484)	(166 644 923)	-	-
	Balance at end of year	101 677 244	178 942 341	101 677 244	111 326 041

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

18.1. UNEARNED PREMIUM RESERVE (UPR) (continued)

An external independent actuarial firm, African Actuarial Consultants determined Unearned Premium Reserve. African Actuarial consultants has appropriate recognised professional qualifications and experience to undertake this valuation.

UPR relates to policies for which premiums have been booked but will expire after the end of financial year. This reserve is for the component of premiums covering risk relating risk relating to the period falling after the financial year-end.

The Actuary applied the 365th method to facultative contracts and the treaty contracts. The 365th method was applied in line with Reserving policy requirements. The method assumes that the risk of claims is even throughout the term of the policy.

18.2. INCURRED BUT NOT REPORTED CLAIMS RESERVE (IBNR)

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
Balance at beginning of year	144 926 489	87 344 950	90 163 636	12 113 789
Charge to profit or loss	23 978 852	148 008 341	19 812 810	78 049 847
Effects of inflation adjustments	(58 928 895)	(90 426 802)	-	-
Balance at end of year	109 976 446	144 926 489	109 976 446	90 163 636

An external, independent actuarial firm, African Actuarial Consultants determined incurred but not reported claims reserve (IBNR). African Actuarial Consultants has the appropriate recognised professional qualifications and experience to undertake this valuation.

Following the results of the Actual-Estimate analysis carried out there was the use of the triangle based methods to calculate the IBNR as these have the inflation assumptions inherent in the approaches. As for the ZW$ policies the actuary applied CPI rates to already existing USD data before SI 142 OF 2020 to bring them at par with ZW$ values. To calculate the IBNR reserves an inflation adjusted Chain Ladder for ZW$ reserves and Basic chain ladder for USD reserves was used.

18.3 OUTSTANDING CLAIMS

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
Balance at beginning of year	45 925 133	-	28 571 568	-
Charge to profit or loss	38 998 380	77 490 215	35 677 204	28 571 568
Effects of inflation adjustments	(20 674 741)	(31 565 082)	-	-
Balance at end of year	64 248 772	45 925 133	64 248 772	28 571 568

An external, independent actuarial firm, African Actuarial Consultants determined outstanding claims reserve. African Actuarial Consultants have appropriate recognised professional qualifications and experience to undertake this valuation. Reports and individual case estimates received from the ceding companies were used to determine the reserve.

Trade and other payables balances at year end are current liabilities.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
19. CURRENT TAX LIABILITIES				
CONSOLIDATED				
Balance at beginning of year	149 137 826	37 152 693	92 783 651	5 152 672
Recognised in statement of profit or loss (note 32)	801 251 122	297 733 275	800 027 822	143 086 977
Tax payments	(828 580 978)	(185 858 604)	(771 615 154)	(56 705 288)
Discontinued operations (note 33)	(1 465 161)	110 462	(853 510)	1 249 290
	120 342 809	149 137 826	120 342 809	92 783 651

Current tax liabilities balances at year end are current liabilities.

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
20. LONG TERM BORROWINGS				
CONSOLIDATED				
Comprising of:				
Face value of loan	20 000 000	32 147 436	20 000 000	20 000 000
Valuation discount	(3 052 329)	(6 203 428)	(3 052 329)	(3 859 361)
Balance at end of year	16 947 671	25 944 008	16 947 671	16 140 639
Valuation discount:				
Balance at beginning of the year	6 203 428	33 369 344	3 859 361	4 627 963
Amortisation during the year (note 31)	(1 041 401)	(2 526 150)	(807 032)	(768 602)
Effects of inflation adjustment	(2 109 698)	(24 639 766)	-	-
Balance at end of year	3 052 329	6 203 428	3 052 329	3 859 361
SEPARATE				
Comprising of:				
Face value of loan	20 000 000	32 147 436	20 000 000	20 000 000
Valuation discount	(3 052 329)	(6 203 428)	(3 052 329)	(3 859 361)
Balance at end of year	16 947 671	25 944 008	16 947 671	16 140 639
Valuation discount:				
Balance at beginning of the year	6 203 428	33 369 344	3 859 361	4 627 963
Amortisation during the year (note 31)	(1 041 401)	(2 526 150)	(807 032)	(768 602)
Effects of inflation adjustment	(2 109 698)	(24 639 766)	-	-
Balance at end of year	3 052 329	6 203 428	3 052 329	3 859 361

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

20. LONG TERM BORROWINGS (continued)

Long term borrowings balances at year end are non-current liabilities and there were no cash movement during the year.

This relates to a loan facility acquired from the Government of Zimbabwe which will be redeemed in full in 2025 at a face value of ZW$20 million. The loan was issued at 1% interest rate. The funds were used to recapitalise ZB Bank Limited, a subsidiary of the holding company, in form of a capitalisation treasury bill as disclosed in note 6.

The loan was measured at fair value at the date of initial recognition and the balance is being amortised at the effective interest rate on an annual basis. The fair value at initial recognition was determined using the Discounted Cash Flows method, applying a discount rate of 5% on future cash flows. The valuation method falls under Level 3 of the fair value hierarchy in terms of IFRS 13, 'Fair Value Measurement' as the discount rate used is an internal estimate developed from non-verifiable data (note 39.2.2).

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
21. LIFE ASSURANCE FUNDS				
CONSOLIDATED				
Balance at beginning of year	2 690 348 469	1 727 762 079	1 673 756 150	238 655 969
Changes in policyholders' liabilities	471 967 208	962 586 390	1 488 559 527	1 435 100 181
-Gross premium income	566 827 645	344 037 216	439 262 077	104 676 135
-Investment and other income	36 087 126	39 106 548	27 965 654	11 898 487
-Capital gains	1 821 553 766	2 107 559 557	1 411 609 855	1 311 183 592
-Benefits paid and surrenders	(173 337 890)	(931 119 173)	(134 327 890)	(283 300 619)
-Marketing and administration expenses	(699 572 652)	(270 070 112)	(542 132 584)	(82 171 039)
-Surplus distribution	(1 079 590 787)	(326 927 646)	286 182 415	372 813 625
Balance at end of year	3 162 315 677	2 690 348 469	3 162 315 677	1 673 756 150

Life assurance funds balances at year end are non-current liabilities

Life assurance funds are due to contributing policyholders at the life company as determined by the terms and conditions or practices applicable to each policy. Policy contracts issued by the life company transfer insurance or financial risk, or, in some instances, both, from one party to another.

The life fund valuation was carried out by an independent actuarial firm, Independent Actuaries and Consultants. The valuation of the liability was carried out in accordance with the requirements of the Insurance Act of 1987 (Chapter 24:07). The Financial Soundness Valuation (FSV) methodology was used. The actuaries followed the FSV principles set out in the professional guidance issued by the Actuarial Society of South Africa, notably Advisory Practice Note 103 and Standard of Actuarial Practice Note 104.

The movement in the life assurance funds is accounted for through profit or loss.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

21. LIFE ASSURANCE FUNDS (continued)

In response to the change in market factors that occurred in 2021, the ZB Financial Holdings Limited Group changed its valuation inputs for investment property, by adopting ZW$ valuation inputs instead of USD inputs. These inputs include but not limited to capitalization rates and market rental information. After the change in the base currency in the Zimbabwean Market in 2019, the property market had largely remained dollarised hence the use of USD valuation inputs in prior years. More recently, with the increasing use of the ZW$ to settle property transactions, management takes the view that a valuation using ZW$ inputs provides reliable and accurate fair values without the need for currency conversions that are subject to exchange rate distortions. The change in the application of existing inputs has no effect on prior years as the change has been applied prospectively beginning with financial information for the year ended 31 December 2021.

The effect on the current year is to increase the life fund as a result of the changes in inputs, by ZW$ 536 202 677; increase changes in policyholder liabilities by ZW$ 383 448 429 and reduce net profit by ZW$226 211 029.

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
22. OFFSHORE BORROWINGS				
CONSOLIDATED				
Balance at beginning of year	390 923 496	539 465 188	243 206 638	74 817 920
Additions	496 342 643	-	496 342 643	-
Interest expense	32 103 150	37 295 677	25 305 278	23 202 893
Repayments	(198 780 070)	(248 712 398)	(161 408 375)	(115 236 671)
Exchange rates movements	54 465 059	62 875 029	54 465 059	260 422 496
Effects of inflation adjustments	(117 143 035)	-	-	-
Balance at end of year	657 911 243	390 923 496	657 911 243	243 206 638
Within 1 year	98 882 000	214 929 642	98 882 000	133 714 950
Over 1 year	559 029 243	175 993 854	559 029 243	109 491 688
	657 911 243	390 923 496	657 911 243	243 206 638

The offshore borrowings are in respect of loans advanced to ZB Bank Limited by Afreximbank at interest rates ranging from 9.49% to 9.56%. The loans mature on 5 October 2022. The funds were used for on lending to the Bank's customers. Due to short nature of these loans as well as the market related interest rates at reporting date, the fair values of these financial liabilities closely approximate their carrying amounts at reporting date.

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
23. DEFERRED TAX (ASSETS) / LIABILITIES				
CONSOLIDATED				
23.1 Deferred tax				
Deferred tax asset	6 442 228	-	101 233	-
Deferred tax liability	1 963 675 848	893 486 940	1 959 555 227	498 499 777
SEPARATE				
Deferred tax				
Deferred tax asset	-	863 223	-	537 040
Deferred tax liability	53 757 207	-	53 757 204	-

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

23.1 DEFERRED TAX (continued)

	Inflation adjusted				
	Balance at 1 January ZW$	Recognised in profit or loss ZW$	Recognised in OCI ZW$	Other transactions affecting equity ZW$	Balance at 31 December ZW$
CONSOLIDATED					
2021					
Property and equipment	511 809 785	(473 847 784)	1 381 072 341	-	1 419 034 342
Fair value adjustments to financial assets	47 615 500	21 602 336	-	-	69 217 836
Assessed losses	(13 278 778)	3 873 108	-	-	(9 405 670)
Fair value gains on treasury bills at FVTOCI	30 704 414	-	13 634	-	30 718 048
Other movements	316 636 019	131 033 136	-	(91)	447 669 064
	893 486 940	(317 339 204)	1 381 085 975	(91)	1 957 233 620
CONSOLIDATED					
2020					
Property and equipment	646 100 376	(392 285 603)	257 995 012	-	511 809 785
Fair value adjustments to financial assets	46 405 218	1 210 282	-	-	47 615 500
Assessed losses	(20 916 157)	7 637 379	-	-	(13 278 778)
Fair value gains on treasury bills at FVTOCI	30 074 290	-	630 124	-	30 704 414
Other movements	40 520 522	276 118 912	-	(3 415)	316 636 019
	742 184 249	(107 319 030)	258 625 136	(3 415)	893 486 940

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

23.1 DEFERRED TAX (continued)

	Unaudited Historical cost				
	Balance at 1 January ZW$	Recognised in profit or loss ZW$	Recognised in OCI ZW$	Other transactions affecting equity ZW$	Balance at 31 December ZW$
CONSOLIDATED					
2021					
Property and equipment	243 762 847	140 335 403	977 831 873	-	1 361 930 123
Fair value adjustments to financial assets	185 067 727	322 772 168	-	-	507 839 895
Assessed losses	(8 261 174)	(1 144 496)	-	-	(9 405 670)
Fair value gains on treasury bills at FVTOCI	(559 754)	-	13 634	-	(546 120)
Other movements	78 490 131	21 145 635	-	-	99 635 766
	498 499 777	483 108 710	977 845 507	-	1 959 453 994
2020					
Property and equipment	37 195 435	(57 487 860)	264 055 272	-	243 762 847
Fair value adjustments to financial assets	21 751 024	163 316 703	-	-	185 067 727
Assessed losses	(20 564)	(8 240 610)	-	-	(8 261 174)
Fair value gains on treasury bills at FVTOCI	(951 775)	-	392 021	-	(559 754)
Other movements	26 700 976	53 141 640	-	(1 352 485)	78 490 131
	84 675 096	150 729 873	264 447 293	(1 352 485)	498 499 777

Other movements include staff leave liability, share of profit and other accruals.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

23.1 DEFERRED TAX (continued)

	Inflation adjusted				
	Balance at 1 January ZW$	Recognised in profit or loss ZW$	Recognised in OCI ZW$	Other transactions affecting equity ZW$	Balance at 31 December ZW$
SEPARATE					
2021					
Property and equipment	13 740 081	1 024 547	43 287 157	-	58 051 785
Fair value adjustments to financial assets	1 240 624	12 620 069	-	-	13 860 693
Other movements	(2 866 039)	(7 461 051)	-	-	(10 327 084)
Assessed loss	(12 977 889)	5 149 702	-	-	(7 828 187)
	(863 223)	11 333 267	43 287 157	-	53 757 207
Restated 2020					
Property and equipment	8 712 889	(453 449)	5 480 641	-	13 740 081
Fair value adjustments to financial assets	353 048	887 576	-	-	1 240 624
Other movements	-	(2 866 039)	-	-	(2 866 039)
Assessed loss	-	(12 977 889)	-	-	(12 977 889)
	9 065 937	(15 409 801)	5 480 641	-	(863 223)

	Unaudited Historical cost				
	Balance at 1 January ZW$	Recognised in profit or loss ZW$	Recognised in OCI ZW$	Other transactions affecting equity ZW$	Balance at 31 December ZW$
SEPARATE					
2021					
Property and equipment	8 548 152	1 605 004	47 898 608	-	58 051 764
Fair value adjustments to financial assets	771 847	13 088 867	-	-	13 860 714
Other movements	(1 783 058)	(8 544 029)	-	-	(10 327 087)
Assessed loss	(8 073 981)	245 794	-	-	(7 828 187)
	(537 040)	6 395 636	47 898 608	-	53 757 204
Restated 2020					
Property and equipment	1 583 337	795 193	6 169 622	-	8 548 152
Fair value adjustments to financial assets	48 964	722 883	-	-	771 847
Other movements	-	(1 783 058)	-	-	(1 783 058)
Assessed loss	-	(8 073 981)	-	-	(8 073 981)
	1 632 301	(8 338 963)	6 169 622	-	(537 040)

Deferred tax balances at year end are non-current liabilities.
Other movements include staff leave liability, share of profit and other accruals.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

24. LEASE LIABILITIES

The Group leases various office buildings under non-cancellable lease agreements. The non-cancellable lease terms ranges between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

In terms of note 3.11 the Group recognises a lease liability in respect of discounted future payment commitments and accrued notional interest cost, net of any actual payments made during the period for all non-cancellable lease commitments that are assessed as neither short-term nor low value leases. Lease modifications relate to changes in lease rentals and incremental borrowing rates.

The movement in the lease liability during the year was as follows:

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
CONSOLIDATED				
Balance at the beginning of year	111 836 998	47 918 141	69 577 553	6 645 722
Add finance cost posted to profit or loss	68 917 278	54 916 086	19 538 243	16 708 668
Exchange gains	(44 176 145)	-	31 108 045	-
Less lease liability payments during the year	(89 863 857)	(76 366 695)	(69 639 836)	(23 235 191)
Lease modifications	82 615 881	110 730 663	69 103 535	69 458 354
Effects of inflation adjustments	(9 642 615)	(25 361 197)	-	-
Balance at end of year	119 687 540	111 836 998	119 687 540	69 577 553
Maturing within 1 year	23 937 508	22 367 400	23 937 508	13 915 511
Maturing after 1 year	95 750 032	89 469 598	95 750 032	55 662 042
Total	119 687 540	111 836 998	119 687 540	69 577 553
SEPARATE				
Balance at beginning of year	185 262 397	29 190 176	115 257 960	4 048 358
Add accrued interest posted to profit	27 920 529	77 826 619	21 636 964	23 679 385
Exchange gains	59 280 223	-	59 280 223	-
Less lease liability payments during the year	(77 994 160)	(89 788 584)	(61 478 822)	(27 318 911)
Lease modification	64 165 819	184 605 252	64 165 819	114 849 128
Effects of inflation adjustments	(59 772 664)	(16 571 066)	-	-
Balance at end of year	198 862 144	185 262 397	198 862 144	115 257 960
Maturing within 1 year	39 772 429	37 052 479	39 772 429	23 051 592
Maturing after 1 year	159 089 715	148 209 918	159 089 715	92 206 368
	198 862 144	185 262 397	198 862 144	115 257 960

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
25. EQUITY AND RESERVES				
CONSOLIDATED				
25.1 Share capital				
Company:				
Authorised:				
1 000 000 000 ordinary shares of ZW$0.01 each	657 121 781	657 121 781	10 000 000	10 000 000
Issued and fully paid:				
175 190 642 ordinary shares of ZW$0.01 each	116 873 465	116 873 465	1 751 906	1 751 906
Analysis of number of shares in issue issued shares	175 190 642	175 190 642	175 190 642	175 190 642
Treasury shares	(17 667 740)	(17 667 740)	(17 667 740)	(17 667 740)
Net trading shares	157 522 902	157 522 902	157 522 902	157 522 902
SEPARATE				
Company:				
Authorised:				
1 000 000 000 ordinary shares of ZW$0.01 each	657 121 781	657 121 781	10 000 000	10 000 000
Issued and fully paid:				
175 190 642 ordinary shares of ZW$0.01 each	116 873 465	116 873 465	1 751 906	1 751 906
Analysis of number of shares in issue issued shares	175 190 642	175 190 642	175 190 642	175 190 642
Treasury shares	(17 667 740)	(17 667 740)	(17 667 740)	(17 667 740)
Net trading shares	157 522 902	157 522 902	157 522 902	157 522 902

Subject to the limitations imposed by the Companies and Other Business Entities Act (Chapter 24:31) and the Regulations of the Zimbabwe Stock Exchange, the Articles of Association permit the directors to allot the unissued shares amounting to 824 809 358.

Fully paid shares carry one vote per share and carry a right to dividends.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

25.2 Fully paid ordinary shares and share premium

	Inflation adjsuted			
	CONSOLIDATED		SEPARATE	
	Share capital ZW$	Share premium ZW$	Share capital ZW$	Share premium ZW$
Inflation adjusted				
Balance at beginning of year	116 873 465	1 806 678 461	116 873 465	1 806 678 461
Balance at end of year	116 873 465	1 806 678 461	116 873 465	1 806 678 461
Unaudited Historical cost				
Balance at beginning of year	1 751 906	27 081 696	1 751 906	27 081 696
Balance at end of year	1 751 906	27 081 696	1 751 906	27 081 696

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
	CONSOLIDATED				
25.3	**Other components of equity**				
	General reserve (see note 25.3.1 below)	21 116 228	21 116 228	5 817 958	5 817 958
	Properties and equipment revaluation reserve (see note 25.3.2 below)	8 409 676 381	3 191 539 598	8 073 175 544	2 406 801 864
	Fair value gains on financial assets at FVTOCI (see note 25.3.3 below)	(1 751 714)	(2 882 388)	(1 751 716)	(1 793 231)
		8 429 040 895	3 209 773 438	8 077 241 786	2 410 826 591
	SEPARATE				
25.3	**Other components of equity**				
	Properties and equipment revaluation reserve (see note 25.3.2 below)	167 926 066	38 054 607	165 904 240	21 989 500
		167 926 066	38 054 607	165 904 240	21 989 500

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
CONSOLIDATED				
25.3.1 General reserves				
Balance at beginning of year	21 116 228	21 116 228	5 817 958	5 870 251
Adjustment for regulatory reserve in respect of doubtful advances	-	-	-	(52 293)
Balance at the end of year	21 116 228	21 116 228	5 817 958	5 817 958

The general reserve is used to set aside capital to the extent of any excess that may arise out of general provisions computed in terms of prudential guidelines, and the application of discretionary security limits as established by supervisory authorities over any provisions computed in terms of International Financial Reporting Standards. Differences may arise as a result of:

a) Application of predetermined provisioning rates for an asset class that may not correspond to observable cash flow patterns, and
b) Application of discretionary discounts on, or complete exclusion of certain securities which may not be in line with demonstrable evidence of typical levels of security recovery values.

The general reserve is also used to reserve portions of capital to cater for short term uncertainties relating to the valuation of items that may have a material impact on the statement of profit or loss from year to year.

The adjustment for regulatory reserves in respect of doubtful debts in the prior year arose from the synchronisation of prudential provisions for loan losses as per Reserve Bank of Zimbabwe requirement against those applied in the IFRS financial statements. In the circumstances, IFRS expected loan loss provisions were higher than the required level of required regulatory provisions, resulting in the release of general reserves amounting to ZW$nil (2020: ZW$nil).

The investment fluctuation reserve caters for unforeseen movements in the value of assets which make up the capital in the life assurance business. It also caters for differences in the intrinsic values of the assets in relation to their short term trading values.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
	CONSOLIDATED				
25.3.2	**Property and equipment revaluation reserve**				
	Balance at beginning of year	3 191 539 598	2 397 808 815	2 406 801 864	432 334 433
	Surplus on property and equipment revaluation	6 670 685 100	1 080 592 967	6 715 244 649	2 279 135 715
	Revaluation movement against non-controlling interests	(2 699 016)	(9 321 852)	(26 771 821)	(37 906 632)
	Deferred tax effect of property revaluation	(1 381 072 341)	(257 995 012)	(977 831 873)	(264 055 272)
	Transfer to retained income	(68 776 960)	(19 545 320)	(44 267 275)	(2 706 380)
	Balance at end of year	8 409 676 381	3 191 539 598	8 073 175 544	2 406 801 864
	SEPARATE				
25.3.2	**Property and equipment revaluation reserve**				
	Balance at beginning of year	38 054 607	21 364 302	21 989 500	3 201 105
	Surplus on property and equipment revaluation	175 109 863	22 170 946	193 764 595	24 958 017
	Deferred tax effect of property revaluation	(43 287 157)	(5 480 641)	(47 898 608)	(6 169 622)
	Transfer to retained income	(1 951 247)	-	(1 951 247)	-
	Balance at end of year	167 926 066	38 054 607	165 904 240	21 989 500

The property and equipment revaluation reserve arise on the revaluation of both movable and immovable property which is carried out regularly in terms of accounting policy note 3.7. Where revalued property or equipment is sold, the portion of the revaluation reserve that relates to the asset is effectively realized and is transferred directly to retained income.

The Companies and Other Business Entities Act (Chapter 24:31) does not restrict the distribution of the property and equipment revaluation reserve except that, in the event of cash distributions, adequate liquidity must be available to meet the cash payout without leaving the organization in an illiquid position. Generally, there are no restrictions on the payment of "bonus shares" out of the property and equipment revaluation reserve. Amounts may also be effectively distributed out of the properties and equipment revaluation reserve as part of a share buy-back.

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For the year ended 31 December 2021

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
CONSOLIDATED				
25.3.3 Fair value gains on financial assets held at FVTOCI				
Balance at the beginning of year	(2 882 388)	143 119 111	(1 793 231)	(2 987 053)
Fair value gains / (losses) on the medium term treasury bills	55 149	2 549 039	55 149	1 585 843
Deferred tax effect of fair - valuation on financial assets at FVTOCI	(13 634)	(630 124)	(13 634)	(392 021)
Effects of inflation adjustment	1 089 159	(147 920 414)	-	-
Balance at the end of year	(1 751 714)	(2 882 388)	(1 751 716)	(1 793 231)

The Group purchased treasury bills from the secondary market which were assets classified as 'at fair value through other comprehensive income'. The bills have coupon rates ranging from 2% to 5% with maturity periods ranging from 1 year to 4 years.

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
CONSOLIDATED				
25.4 Retained income				
Balance at beginning of year	5 783 439 473	4 110 637 487	3 844 673 945	596 855 711
Profit attributable to equity holders of parent	1 528 542 733	1 690 288 771	4 949 147 878	3 255 331 492
Transfer from property revaluation reserve (notes 25.3.1 and 25.5)	68 776 960	19 545 320	44 267 275	2 706 380
Dividends paid	(138 925 234)	(37 032 105)	(116 730 718)	(10 219 638)
Balance at end of year	7 241 833 932	5 783 439 473	8 721 358 380	3 844 673 945
SEPARATE				
Balance at beginning of year	8 063 074 028	6 285 606 107	5 900 282 072	976 588 420
Profit attributable to equity holders of parent	6 931 687 381	1 814 499 958	10 514 019 799	4 933 913 290
Dividends paid	(138 925 248)	(37 032 037)	(116 730 607)	(10 219 638)
Transfer from other reserve	1 951 247	-	1 951 247	-
Balance at end of year	14 857 787 408	8 063 074 028	16 299 522 511	5 900 282 072

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
	CONSOLIDATED				
25.5	**Non-controlling interest**				
	Balance at beginning of year	2 002 659 709	1 972 905 335	1 250 730 186	282 553 625
	Profit attributable to non controlling interest	529 432 710	21 472 576	1 283 650 931	930 595 541
	Increase on revaluation of property	2 699 016	9 321 852	26 771 821	37 906 632
	Movement in regulatory reserve in respect of doubtful debts	-	-	-	52 293
	Dividends paid	(2 167 431)	(1 040 054)	(1 668 971)	(377 905)
	Balance at end of year	2 532 624 004	2 002 659 709	2 559 483 967	1 250 730 186
	CONSOLIDATED				
25.6	**Functional currency translation reserve**				
	Balance at beginning of year	-	-	101 292 105	101 292 105
	Balance at end of year	-	-	101 292 105	101 292 105
	SEPARATE				
	Balance at beginning of year	-	-	101 292 105	105 410 850
	Arising from investment in subsidiaries	-	-	-	(4 118 745)
	Balance at of year	-	-	101 292 105	101 292 105

The change in the base currency and subsequent revaluation of foreign denominated balances in 2019 resulted in the creation of foreign currency translation reserve, which the Group has designated as non-distributable. However, in inflation adjusted financial statements which follows the value movements on a year on a year basis using the Consumer Price Index, this reserve is subsumed in the reinstatement of equity and does not appear as separate line in the inflation adjusted financial statements.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

25.7 Tax effect relating to each component of other comprehensive income

	Inflation adjusted		
	Before tax amount ZW$	Tax (expense) benefit ZW$	Net of tax amount ZW$
CONSOLIDATED			
2021			
Gain on property and equipment revaluation	6 670 685 100	(1 381 072 341)	5 289 612 759
Fair value loss on financial assets at FVTOCI	55 150	(13 634)	41 516
	6 670 740 250	(1 381 085 975)	5 289 654 275
2020			
Gain on property and equipment revaluation	1 080 592 967	(257 995 012)	822 597 955
Fair value loss on financial assets at FVTOCI	2 549 040	(630 124)	1 918 916
	1 083 142 007	(258 625 136)	824 516 871

	Unaudited Historical cost		
	Before tax amount ZW$	Tax (expense) benefit ZW$	Net of tax amount ZW$
CONSOLIDATED			
2021			
Gain on property and equipment revaluation	6 715 244 649	(977 831 873)	5 737 412 776
Fair value loss on financial assets at FVTOCI	55 149	(13 634)	41 515
	6 715 299 798	(977 845 507)	5 737 454 291
2020			
Gain on property and equipment revaluation	2 279 135 715	(264 055 272)	2 015 080 443
Fair value loss on financial assets at FVTOCI	1 585 843	(392 021)	1 193 822
	2 280 721 558	(264 447 293)	2 016 274 265

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

25.7 Tax effect relating to each component of other comprehensive income (continued)

	Inflation adjusted		
	Before tax amount ZW$	Tax (expense) benefit ZW$	Net of tax amount ZW$
SEPARATE			
2021			
Gain on property and equipment revaluation	175 109 863	(43 287 157)	131 822 706
2020			
Gain on property and equipment revaluation	22 170 946	(5 480 641)	16 690 305

	Unaudited Historical cost		
	Before tax amount ZW$	Tax (expense) benefit ZW$	Net of tax amount ZW$
SEPARATE			
2021			
Gain on property and equipment revaluation	193 764 595	(47 898 608)	145 865 987
2020			
Gain on property and equipment revaluation	24 958 017	(6 169 622)	18 788 395

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
CONSOLIDATED				
26. NET INTEREST INCOME				
26.1 Interest income				
Interest income comprises interest on:				
Advances	3 059 497 156	1 032 658 533	2 559 285 218	439 962 484
Mortgages	172 948 474	34 153 671	73 661 917	14 002 698
Overdraft accounts	333 866 433	127 240 775	266 097 023	57 435 928
Financial assets at amortised cost	70 555 869	37 402 425	57 834 549	8 375 929
Treasury bills at FVTPL	233 552 422	73 369 213	193 316 382	26 795 739
Treasury bills at FVOCI	43 058 475	62 054 198	33 368 088	24 636 052
Cash and short-term funds	10 771 562	4 709 315	7 058 565	2 125 270
Loans to other banks	-	3 502 900	60 274	733 643
Other	24 611 456	6 161 538	18 313 571	2 678 864
Total interest income	3 948 861 847	1 381 252 568	3 208 995 587	576 746 607
26.2 Interest expenses				
Interest expenses comprise interest on:				
Retail deposits	47 216 132	30 408 802	37 804 747	12 665 155
Fixed deposits	411 588 014	135 210 697	340 754 046	48 657 150
Other interest payable categories	185 647 154	155 297 334	148 579 688	70 044 078
Total interest expenses	644 451 300	320 916 833	527 138 481	131 366 383
Net interest income	3 304 410 547	1 060 335 735	2 681 857 106	445 380 224
26.3 Loan (impairments) / credits				
Loans and advances	(45 411 958)	(418 170 363)	(446 763 806)	(198 842 876)
Insurance debtors	8 797 972	(14 837 990)	8 797 972	(9 231 212)
Loans and other advances	(36 613 986)	(433 008 353)	(437 965 834)	(208 074 088)
Other financial assets	(547 367 482)	(2 241 128)	(11 578 240)	(1 445 655)
Guarantees	(38 167 875)	(1 113 452)	(37 445 505)	(692 716)
Loan commitments	(1 556 802)	(26 635 709)	(957 780)	114 357
Net recoveries against loans previously written off	2 431 581	9 990 055	1 901 320	4 713 171
	(621 274 564)	(453 008 587)	(486 046 039)	(205 384 931)

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
CONSOLIDATED				
27. NET INSURANCE PREMIUM INCOME				
27.1 Gross insurance premium income				
Reinsurance business				
Fire	845 419 080	446 652 074	678 039 695	229 748 740
Motor	677 008 851	703 780 616	542 971 984	310 961 757
Hail	36 472 912	49 372 284	29 251 862	21 814 883
Miscellaneous Accident	105 503 013	62 387 040	84 615 113	27 565 385
Marine	98 499 574	146 842 161	78 998 242	64 881 436
Engineering	79 211 272	75 853 136	63 528 714	33 515 309
Liability	85 969 225	64 585 219	68 948 701	28 536 639
Personal Accident	28 964 965	27 018 876	23 230 368	11 938 148
Healthcare	-	1 110 067	-	490 477
Other	(503 673 935)	-	(403 954 596)	-
Total	1 453 374 957	1 577 601 473	1 165 630 083	729 452 774
Life assurance business				
Premium – single	27 645 864	28 237 705	25 796 949	13 363 936
Premium – recurrent	501 133 744	239 034 514	456 603 815	101 653 765
	528 779 608	267 272 219	482 400 764	115 017 701
Gross insurance premium income	1 982 154 565	1 844 873 692	1 648 030 847	844 470 475
27.2 Total insurance expenses				
Reinsurance business				
Movement in IBNR	27 044 724	148 008 341	22 878 682	78 049 847
Movement in unearned premium reserve	24 371 387	233 392 452	(9 648 797)	95 765 848
Movement in provision for outstanding claims	38 998 380	77 490 216	35 677 204	28 571 568
Net claims paid	454 864 240	470 635 891	374 646 486	182 662 855
Commissions and fees	408 178 518	411 707 651	326 388 197	194 543 341
	953 457 249	1 341 234 551	749 941 772	579 593 459
Life assurance business				
Death and disability benefits	80 975 213	41 599 654	71 739 158	17 950 720
Maturities	5 611 058	7 596 487	5 126 378	3 543 733
Annuities	16 238 039	6 685 571	14 413 756	2 794 657
Reassurance premium cost	48 766 560	20 129 191	43 138 687	10 341 566
Surrenders and Group pension withdrawals	46 811 732	430 172 074	45 688 833	259 011 509
	198 402 602	506 182 977	180 106 812	293 642 185
Total insurance expenses	1 151 859 851	1 847 417 528	930 048 584	873 235 644
Net insurance premium income	830 294 714	(2 543 836)	717 982 263	(28 765 169)

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
CONSOLIDATED				
28. COMMISSION AND FEE INCOME				
COMPRISED INCOME FROM:				
Commissions and fees				
Digital channels	1 208 653 776	664 881 931	952 720 186	263 963 871
Insurance underwriting commissions	832 922 401	(1 729 081)	720 349 435	(28 448 160)
Management and service fees	723 167 775	1 057 407 448	506 239 162	448 090 458
Other commissions	600 994 764	115 206 314	514 254 801	111 687 818
	3 365 738 716	1 835 766 612	2 693 561 584	795 293 987

The Group provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions and servicing fees.

Fees for ongoing account management are charged and collected to the customer's account on a monthly basis. The Group sets the rates separately for retail and corporate banking customers as and when it is considered necessary.

Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.

Servicing fees are charged on a monthly basis and are based on fixed rates reviewed from time to time.

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
29. OTHER OPERATING INCOME				
CONSOLIDATED				
Exchange income	666 427 264	2 472 664 796	976 752 753	1 330 524 395
Dividends from investment securities	323 702 572	95 766 335	259 918 529	33 603 851
Profit on lease liability modification	(70 323 073)	7 846 122	(49 416 236)	569 089
Loss on disposal of property and equipment	(182 199)	(2 928 127)	(175 509)	(1 821 687)
Rent received	136 135 096	46 475 986	102 607 099	28 279 350
Other	253 392 547	9 263 785	105 541 719	(4 044 181)
	1 309 152 207	2 629 088 897	1 395 228 355	1 387 110 817
SEPARATE				
Dividends from investment securities	711 864 453	99 743 364	534 355 057	36 586 364
Cost recovery for shared services	944 505 922	353 979 706	767 910 806	152 657 284
Management fees	2 758 498	4 433 932	2 758 498	2 758 498
Other	3 952 448	1 325 609	5 674 871	785 915
Profit on disposal of property and equipment	(1 469 721)	16 472	(1 469 721)	10 248
	1 661 611 600	459 499 083	1 309 229 511	192 798 309

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
30.	**FAIR VALUE ADJUSTMENTS**				
	CONSOLIDATED				
	On financial instruments (note 8.3)	2 790 526 226	524 056 105	3 309 629 650	728 579 041
	On treasury bills	(6 982 227)	(2 405 669)	(7 869 962)	(1 496 648)
	On investment properties (note 12.2)	763 970 961	(303 496 727)	2 136 348 725	1 650 376 250
		3 547 514 960	218 153 709	5 438 108 413	2 377 458 643
	SEPARATE				
	On financial instruments (note 8.3)	68 136 875	31 705 789	221 157 249	46 259 341
	On investment properties (note 12.2)	24 742 347	(6 614 383)	42 674 999	22 025 800
	On investment in subsidiaries (note 9.2)	5 951 949 374	1 690 880 230	9 591 934 593	4 827 230 971
		6 044 828 596	1 715 971 636	9 855 766 841	4 895 516 112
31.	**OPERATING EXPENSES**				
	CONSOLIDATED				
	Commission and fees	124 520 950	78 482 843	111 626 169	23 879 047
	Staff expenses	2 823 954 447	1 467 712 841	2 352 515 911	604 572 995
	Communication expenses	201 081 829	127 887 686	164 115 525	56 246 997
	National Social Security Authority expenses	20 461 160	6 865 175	16 843 785	2 877 373
	Pension fund expenses	84 732 634	29 259 099	68 713 153	9 567 281
	Computers and information technology expenses	807 081 265	673 299 089	499 736 091	301 272 037
	Occupation expenses	237 304 609	153 472 631	176 885 656	56 925 800
	Transport expenses	54 737 919	53 759 202	41 540 688	20 468 687
	Travelling expenses	72 381 977	38 750 669	60 272 419	15 611 293
	Depreciation of property and equipment	2 232 584 061	606 605 702	405 813 279	113 300 841
	Amortisation of intangible assets	50 881 610	133 670 807	1 644 934	2 449 933
	Depreciation of right of use asset	73 601 386	36 762 185	57 037 263	11 185 195
	Finance cost on lease liabilities	68 917 278	54 916 086	19 538 243	16 708 668
	Impairment of property and equipment	2 239 386	281 342 416	39 608	69 821
	Administration expenses	1 178 901 985	656 758 319	1 321 314 437	288 118 455
	Amortisation of valuation discount on the long term borrowings	(1 041 401)	(2 526 150)	(807 032)	(768 602)
	Directors fees	91 187 127	45 315 015	73 617 572	19 676 345
		8 123 528 222	4 442 333 615	5 370 447 701	1 542 162 166
	Included in administration expenses are the following:				
	Auditors' remuneration	78 837 415	46 995 752	59 321 828	14 058 430
	- for current year audit	-	17 756 458	-	6 451 817
	- for half year review	12 998 790	29 239 294	8 086 984	7 606 613
	- for prior year final	65 838 625	-	51 234 844	-

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
31. OPERATING EXPENSES (continued)				
SEPARATE				
Staff expenses	558 974 691	260 997 160	449 835 943	110 767 489
Communication expenses	6 999 137	6 145 240	5 503 511	2 807 138
National Social Security Authority Expenses	3 949 471	6 658 006	3 216 061	2 128 293
Pension fund expenses	19 276 999	6 658 006	15 357 189	2 128 293
Computers and information technology expenses	23 538 128	13 806 532	18 726 931	1 024 245
Occupation expenses	30 018 167	12 797 652	22 216 391	3 138 128
Transport expenses	8 361 298	8 502 356	3 635 162	1 795 851
Travelling expenses	28 404 482	16 366 964	23 036 498	6 406 801
Depreciation of property and equipment	12 267 834	15 006 319	7 519 140	2 382 946
Depreciation of right of use asset	69 416 340	35 312 422	48 578 795	10 744 093
Finance cost on lease liabilities	27 920 529	77 826 619	21 636 964	23 679 385
Impairment of property and equipment	621 664	549 634	-	-
Impairment of intangible assets	-	248 506	-	34 465
Impairment of a subsidiary	-	13 703 845	-	5 000 000
Administration expenses	143 673 457	28 294 847	123 923 059	14 584 863
Amortisation of valuation discount on the long term borrowings	(1 041 401)	(2 526 150)	(807 032)	(768 602)
Directors fees	11 054 462	11 225 624	7 992 847	2 507 964
	943 435 258	511 573 582	750 371 859	188 361 352
Included in administration expenses are the following:				
Auditors' remuneration	25 401 137	8 352 843	22 635 220	2 077 976
- for current year audit	-	2 667 741	-	969 325
- for half year review	6 541 339	5 685 102	5 086 984	1 108 651
- for prior year final	18 859 798	-	17 548 236	-
32. INCOME TAX EXPENSE				
CONSOLIDATED				
Current income tax	801 251 122	297 843 737	800 027 822	144 336 267
Deferred tax expense / (credit)	(317 339 204)	(107 319 030)	483 108 710	150 729 873
Discontinued operations	(1 465 161)	(110 462)	(853 510)	(1 249 290)
	482 446 757	190 414 245	1 282 283 022	293 816 850

Zimbabwean corporation tax is calculated at an effective rate of 24.72% (2020: 24 .72%) of the estimated taxable profit for the year.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

32. INCOME TAX EXPENSE (continued)

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
CONSOLIDATED				
Reconciliation of current income tax				
Profit before taxation	2 539 968 179	1 893 825 247	7 504 279 360	4 467 433 173
Expected tax on profits at basic rates	627 880 134	468 153 602	1 885 057 858	1 107 701 512
Increase / (reduction) arising from:				
-Dividend received	(80 019 276)	(23 673 438)	(64 251 860)	(33 603 851)
-Interest on government instruments	(49 179 786)	(8 043 871)	(38 765 919)	(2 989 169)
-Interest on mortgage loans	(102 270 674)	(37 431 629)	(80 614 762)	(13 909 903)
-Expenditure not allowed	(7 368 037)	(68 895 973)	(370 536 826)	(340 811)
-Provision for expenses	163 367 532	101 361 581	128 774 301	21 202 565
-Other disallowable expenses	8 971 372	4 156 166	7 373 077	869 377
-Capital allowances in excess of depreciation	45 276 814	33 549 450	441 312 545	312 400 025
Loss on sale of fixed assets	117 511	2 187 958	92 628	457 672
-Fair value adjustments	(124 328 833)	(280 949 601)	(596 158 020)	(1 097 970 567)
	482 446 757	190 414 245	1 282 283 022	293 816 850
SEPARATE				
Deferred tax expense	11 333 267	(15 409 801)	6 395 636	(8 338 963)
	11 333 267	(15 409 801)	6 395 636	(8 338 963)
Reconciliation of current income tax				
Profit before taxation	6 943 020 648	1 799 090 157	10 520 415 435	4 925 574 327
Expected tax on profits at basic rates	1 716 314 704	444 735 087	2 600 646 696	1 217 601 974
Increase / (reduction) arising from:				
-Dividend income	(175 972 893)	(24 656 560)	(132 092 570)	(9 044 149)
-Loss/(profit) on sale of fixed assets	363 315	(4 072)	363 315	(2 533)
-Other disallowable expenses	10 373 722	5 444 142	7 252 548	3 888 790
-Staff refreshments	2 186 487	3 591 958	1 694 414	2 234 678
-Interest expense on lease liability	6 901 955	19 338 740	5 348 658	5 853 544
-Capital allowances in excess of depreciation	1 831 181	483 883	1 831 181	301 040
- Fair value adjustments	(1 550 665 204)	(464 242 979)	(2 478 648 606)	(1 229 172 307)
	11 333 267	(15 409 801)	6 395 636	(8 338 963)

33. DISCONTINUED OPERATIONS

The Board of Directors of ZB Financial Holdings Limited made a resolution to discontinue the operations of the ZB Associated Services (Private) Limited (ZBAS) effective December 2021, following the cash heist incident that happened in January 2021. ZBAS was not a discontinued operation or classified as held for sale at 31 December 2020 and the comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

33. DISCONTINUED OPERATIONS (continued)

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
Profit before tax				
Revenue	32 601 929	53 336 946	39 045 073	29 067 672
Expenses	(38 291 723)	(40 290 613)	(29 096 112)	(15 507 672)
Results from operating activities	(5 689 794)	13 046 333	9 948 961	13 560 000
Effect of inflation adjustments	4 678 654	(4 585 528)	-	-
(Loss) / profit before tax	(1 011 140)	8 460 805	9 948 961	13 560 000
Income tax (expense) / credit	1 465 161	(110 462)	853 510	(1 249 290)
Profit after tax	454 021	8 350 343	10 802 471	12 310 710

The inflation adjusted profit from discontinued operation of ZW$454 021 (unaudited historical cost profit of ZW$10 802 471 compared to inflation adjusted profit of ZW$8 350 343 (unaudited historical cost profit of ZW$ 12 310 710).

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
Cash flows from (used in) discontinued operation				
Net cash used in operating activities	(1 499 229)	(620 968)	(932 721)	(550 456)
Net cash generated / (used) from investing activities	22 812 722	(4 948 800)	22 812 722	(2 499 690)
Net cash inflows / (outflows) for the year	21 313 493	(5 569 768)	21 880 001	(3 050 146)
Effect of disposal on the financial position of the Group				
Cash and cash equivalents	3 776 805	2 409 684	3 776 805	1 499 145
Financial assets held at fair value through profit or loss	25 244 116	19 482 428	25 244 116	12 120 673
Trade and other receivables	572 453	7 028 659	572 453	4 372 764
Property and equipment	14 120 370	16 090 103	14 120 370	10 010 194
Trade and other payables	(646 997)	(5 329 765)	(646 996)	(3 315 826)
Net assets and liabilities	43 066 747	39 681 109	43 066 748	24 686 950
Cash and cash equivalents disposed of	(3 776 805)	(2 409 684)	(3 776 805)	(1 499 145)
Net cash inflow	39 289 942	37 271 425	39 289 943	23 187 805

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

34. EARNINGS PER SHARE

CONSOLIDATED

Basic earnings per share (ZW cents)

The inflation adjusted calculation of basic earnings per share for the period ended 31 December 2021 of ZW970 cents (2020: ZW1 073 cents) is based on the profit after tax attributable to the parent of ZW$1 528 542 733 (2020: ZW$1 690 288 771) and weighted average number of shares of 157 522 902 (2020:157 522 902), note 25.1.

The unaudited historical cost calculation of basic earnings per share for the period ended 31 December 2021 of ZW3 142 cents (2020:ZW2 067 cents) is based on the profit after tax attributable to the parent of ZW$4 949 147 878 (2020:ZW$3 255 331 492) and weighted average number of shares of 157 522 902 (2020:157 522 902).

There were no dilutive instruments for the year.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
35. CASH FLOWS FROM OPERATING ACTIVITIES				
CONSOLIDATED				
Cash flows from operating activities				
Profit before taxation	2 539 968 179	1 893 825 249	7 504 279 360	4 467 433 173
Profit before tax from discontinued operations (note 33)	(1 011 140)	8 460 805	9 948 961	13 560 000
Non-cash items:				
-Fair value adjustments on equity investments (note 8.3)	(2 790 526 226)	(524 056 105)	(3 309 629 650)	(728 579 041)
-Fair value adjustments on investment properties (note 12.2)	(763 970 961)	303 496 727	(2 136 348 725)	(1 650 376 250)
Net gains on bank balances and unlisted equities (note 8.3)	136 745 705	71 034 364	(3 515 237)	(36 724 733)
-Depreciation of property and equipment (note 14)	2 232 584 061	606 605 703	405 813 279	113 300 841
-Depreciation of right of use asset (note 13)	73 601 386	36 762 185	57 037 263	11 185 195
-Interest earned (note 26.1)	(3 948 861 847)	(1 381 252 568)	(3 208 995 587)	(576 746 607)
-Interest expense (note 26.2)	644 451 300	320 916 833	527 138 481	131 366 383
-Interest expense on lease liability (note 24)	68 917 278	54 916 086	19 538 243	16 708 668
Loss / (profit) on lease liability modification (note 29)	(70 323 073)	7 846 122	(49 416 236)	569 089
-Dividend income (note 29)	(323 702 572)	(95 766 335)	(259 918 529)	(33 603 851)
-Amortisation of intangible assets (note 15)	50 881 610	133 670 807	1 644 934	2 449 933
-Impairment of property and equipment (note 14)	2 239 386	281 342 416	39 608	69 821
Reversal of cancelled projects (note 15)	10 349 589	26 105 515	1 385 883	16 054 420
Gain on disposal of equipment (note 29)	182 199	2 928 127	175 509	1 821 687
Gain on disposal of investment (note 8.3)	(32 429 220)	(197 178 479)	(15 476 609)	(59 993 164)
-Impairment of investments (note 8.3)	4 526 983	9 525 946	1 624 760	1 285 127
Share associate companies' profits losses (note 9.1)	(78 116 446)	(2 258 767 473)	(1 922 594 906)	(2 673 601 949)
Fair value gains on Financial assets at FVTOCI	55 149	2 549 039	55 149	1 585 843
Effects of exchange gains (see note 29)	666 427 264	2 472 664 796	976 752 753	1 330 524 395
Effects of inflation adjustments	(545 646 993)	1 412 424 589	-	-
Operating cash flows before changes in working capital funds	(2 123 658 389)	3 188 054 349	(1 400 461 296)	348 288 980

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
35. CASH FLOWS FROM OPERATING ACTIVITIES (continued)				
CONSOLIDATED				
Changes in working funds:				
Increase in treasury bills	(1 892 216 758)	(483 923 871)	(1 892 216 758)	(301 065 295)
Increase in other assets	(988 318 969)	(563 400 207)	(1 436 368 803)	(595 975 022)
Increase in advances and other accounts	(7 173 966 224)	(1 810 094 977)	(9 085 573 951)	(2 696 762 647)
Increase in deposits and other accounts	8 639 174 111	1 446 493 427	12 966 044 573	5 736 436 574
Increase in amounts clearing to other banks	291 364 304	40 664 996	358 060 939	90 971 862
Increase in other liabilities	2 447 963 260	264 817 539	2 463 489 094	1 168 048 320
Increase in life assurance funds	471 967 208	962 586 390	1 488 559 527	1 435 100 181
Net cash (used in) / generated from operating activities	(327 691 457)	3 045 197 646	3 461 533 325	5 185 042 953

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
35. CASH FLOWS FROM OPERATING ACTIVITIES				
SEPARATE				
Cash flows from operating activities				
Profit before taxation	6 943 020 648	1 799 090 157	10 520 415 435	4 925 574 327
Non-cash items:				
Fair value on adjustments on Investment subsidiaries	(5 951 949 374)	(1 690 880 230)	(9 591 934 593)	(4 827 230 971)
-Fair value adjustments on equity investments (note 8.3)	(68 136 875)	(31 705 789)	(221 157 249)	(46 259 341)
-Fair value adjustments on investment properties (note 12.2)	(24 742 347)	6 614 383	(42 675 000)	(22 025 800)
-Depreciation of property and equipment (note 14)	12 267 834	15 006 319	7 519 140	2 382 946
-Depreciation of right of use asset (note 13)	69 416 340	35 312 422	48 578 795	10 744 093
-Interest expense on lease liability (note 24)	27 920 529	77 826 619	21 636 964	23 679 385
-Lease payments (note 24)	77 994 160	89 788 584	61 478 822	27 318 911
-Dividend income (note 29)	(711 864 453)	(99 743 364)	(534 355 057)	(36 586 364)
-Impairment of property and equipment (note 14)	621 664	549 640	-	-
-Impairment of intangible assets (note 15)	-	248 506	-	34 465
Loss (gain) on disposal of equipment (note 29)	1 469 721	(16 472)	1 469 721	(10 248)
Share associate companies (profits) / losses (note 9.1)	(124 165 515)	47 352 407	(105 790 942)	(25 621 258)
Effects of inflation adjustment	(66 875 431)	(107 493 683)	-	-
Operating cash flows before changes in working capital funds	184 976 901	141 949 499	165 186 036	32 000 145
Changes in working funds:				
Reduction in short-term beginning	1 041 401	2 526 150	807 032	768 602
Increase in money markets investments	-	-	-	2 000 000
(Increase) / decrease in other assets	(160 906 130)	13 689 479	(157 626 285)	(23 696 899)
(Decrease) / increase in other liabilities	(8 518 933)	(13 705 269)	36 384 944	37 165 251
Net cash generated from operating activities	16 593 239	144 459 859	44 751 727	48 237 099

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

36. RELATED PARTY TRANSACTIONS

Transactions between the Group and other subsidiary related parties are carried out at arm's length and follow the normal vetting processes as established in the Group.

36.1 Intercompany balances

The following balances represent the extent of intercompany business as at the reporting date.

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
	SEPARATE				
36.1.1	Balances owing to subsidiary companies	93 224 532	73 178 468	93 224 532	45 526 783
36.1.2	Balances due from subsidiary companies	598 733 063	75 691 120	598 733 063	47 189 988
36.1.3	Income received from subsidiary companies	840 541 505	358 413 638	840 541 505	155 415 782

Intercompany balances are generally settled on a net basis over a three-month cycle. Balances relating to shared expenses are settled on an on-going basis when they arise. Interest is charged on balances remaining unsettled at ruling rates.

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
	CONSOLIDATED				
36.1.4	**Deposits from related parties**				
	Balances with ZBFH Pension Fund	105 252 154	9 971 355	50 888 880	6 203 515
		105 252 154	9 971 355	50 888 880	6 203 515

The ZBFH Pension Fund is considered a related party due to the fact that it is a post-employment benefit plan for the benefit of the Group's employees and its activities are administered under the same common control as the Group.

36.1.5 Lending to other related parties

Also included in advances and other accounts is the following exposures to employees of the Group:

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
Loans to employees	1 646 268 112	453 514 338	1 646 268 112	282 146 503

Loans to employees are carried at amortised cost, at interest rates ranging from 15% to 45% p.a. and with repayment periods of one year to twenty-five years. The loans are fully secured against terminal benefits, and hence no allowance has been made for impairment.

Outside lending to staff transacted in terms of general conditions of employment, there were no other advances made to related parties.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

36.2 Remuneration of directors and key management personnel

The remuneration of directors and key management personnel of the Group, is set out below:

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
CONSOLIDATED				
Directors' remuneration				
- fees by the Holding Company	11 054 462	7 017 049	7 992 847	2 507 964
- fees by subsidiaries	79 949 893	38 297 966	65 624 725	17 168 381
Short term employee benefits to key management	350 876 654	291 528 194	271 911 240	88 699 836
Terminal benefits	47 728 964	-	39 933 277	-
	489 609 973	336 843 209	385 462 089	108 376 181
SEPARATE				
Directors' remuneration				
- fees by the Holding Company	11 054 462	7 017 049	7 992 847	2 507 964
Short term employee benefits to key management	116 958 885	122 748 714	90 637 080	37 347 299
Terminal benefits	47 728 964	-	39 933 277	-
	175 742 311	129 765 763	138 563 204	39 855 263

Key management includes members of the Group's Executive Management, subsidiary companies' management and holders of strategic position in the general management grade. Total number of staff included in those grades equaled 19 (2020: 24).

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
37.	**CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**				
	CONSOLIDATED				
37.1	**Contingent liabilities**				
	In respect of guarantees	829 021 429	1 106 920 859	829 021 429	688 652 647
	In respect of undrawn commitments	728 680 207	353 514 983	728 680 207	219 933 545
		1 557 701 636	1 460 435 842	1 557 701 636	908 586 192
37.2	**Capital commitments**				
	In respect of expenditure authorised and contracted	14 614 645	1 755 811 961	14 614 645	1 092 349 598
	In respect of expenditure authorised but not contracted	1 640 178 011	1 287 699 963	16 401 178 001	801 121 400
		1 654 792 656	3 043 511 924	1 654 792 656	1 893 470 998

Capital commitments will be funded from operating cash flows.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

38. PENSION ARRANGEMENTS

All permanent staff, other than those over age, are contributory members of the following independently administered pension funds which are defined contribution plans:

38.1 ZB Financial Holdings Limited Pension Fund:

All members of the Group, except for those under the ZB Life Pension Fund, belong to a Defined Contribution scheme which is administered separately and whose assets are under the control of a board of trustees. The Company makes full contributions of 12.9% of pensionable earnings for managerial employees and 7.7% for non-managerial employees. The pension fund had a membership of 600 as at 31 December 2021 (2020: 601 members).

38.2 ZB Life Pension Fund:

All eligible employees are members of ZB Life Assurance Limited defined contribution pension scheme administered by the Company. The Company makes full contributions of 18% of pensionable earnings for managerial employees and 12% for non-managerial employees who then contribute 6% to make a total contribution of 18%. The pension fund had a membership of 51 as at 31 December 2021 (2020: 57 members).

The Group's liability in respect of the fund is limited to the level of contributions at the rates specified in the rules of the plans.

38.3 National Social Security Authority:

This Defined Contribution scheme was promulgated under the National Social Security Authority Act 1989. The Group's obligations under the scheme are limited to specific contributions as legislated from time to time and are presently 4.5% of pensionable emoluments (2020: 3.5%) per month per employee.

38.4 Contributions by the Group to pension arrangements:

Total expenses recognised in the statement of profit or loss in relation to the pension arrangements amounted to the following:

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
CONSOLIDATED				
Payments to the ZB Financial Holdings Limited Pension Fund	76 831 511	22 393 925	61 570 498	6 055 564
Payments to the ZB Life Pension Fund	7 945 436	19 964 750	7 142 655	634 344
Payments to the National Social Security Authority	20 475 208	6 865 175	16 843 785	2 877 373
Total expense	105 252 155	49 223 850	85 556 938	9 567 281
SEPARATE				
Payments to the ZB Financial Holdings Limited Pension Fund	19 276 999	5 328 338	15 357 189	1 576 195
Payments to the National Social Security Authority	3 949 471	1 329 669	3 216 061	552 098
Total expense	23 226 470	6 658 007	18 573 250	2 128 293

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

39.1 Capital risk management

The primary objectives in managing capital at the Group are:

- To guarantee the ability of entities within the Group to continue as going concerns whilst providing an equitable return to the Group's shareholders and benefit to customers and other stakeholders.
- To maintain a strong fallback position which is commensurate with the level of risk undertaken by the entities within the Group in the normal course of their business.
- To comply with the regulatory capital requirements as prescribed by relevant authorities.

The Group's capital consists of equity attributable to the shareholders of the parent Company, comprising the issued share capital, reserves and retained income as disclosed in note 25 (all referred to as shareholder's equity) and debt, which includes direct loans plus the residual funding from deposit taking activities after deducting the associated liquidity buffer (referred to as operational funding).

The Group's operating target is to maintain operating assets at a level that is lower than the available operating funds at all times in order to restrict recourse on shareholders' equity for operational funding. Gearing was maintained at above 18%, throughout the year. The Group borrowed funds with a maturity value of ZW$20 million in 2025 (note 20).

The gearing level, and the loan instrument used (see note 20) are considered comfortable for the Group's operations and are not expected to cause a strain in cash resources in the foreseeable future.

The banking and insurance operations in the Group are subject to prescribed minimum regulatory capital requirements and minimum capital adequacy and solvency ratios as prescribed from time to time.

Management of the Group monitors the level of capital adequacy on a continual basis, employing techniques adopted from the guidelines developed by the Basel Committee and contained in the Basel II capital accord as implemented by the supervisory authorities for each of the affected entities. For the life assurance business, regular actuarial reviews are undertaken to establish the solvency of the business.

An Internal Capital Adequacy Assessment Plan (ICAAP) has been developed for Banking operations and defines capital targets which are generally set above regulatory levels, stress test scenarios and risk appetite across different lines of operations.

39.2 Financial risk management

The Group maintains active trading positions in a variety of non-derivative financial instruments in anticipation of customer demand. The Group manages its trading activities by the type of risk involved and on the basis of the categories of trading instruments held. Regular feedback on risk related matters is provided to the Board through the Board Governance, Risk and Compliance Committee.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.1 Classification and measurement of financial assets and financial liabilities

The following table shows the carrying amounts and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The carrying amount of financial assets and financial liabilities approximate their fair value.

		Inflation adjusted							
		CARRYING AMOUNT				FAIR VALUE			
31 December 2021	Note	Designated at FVPL ZW$	Classified at AMCO ZW$	Designated at FVTOCI ZW$	Total ZW$	Level 1 ZW$	Level 2 ZW$	Level 3 ZW$	Total ZW$
Financial assets measured at fair value									
Listed equity securities	8.1	1 006 800 279	-	-	1 006 800 279	1 006 800 279	-	-	1 006 800 279
Unlisted equity investments	8.1	3 042 331 014	-	-	3 042 331 014	-	-	3 042 331 014	3 042 331 014
Treasury bills	6.1	2 081 308 636	-	285 043 656	2 366 352 292	-	2 081 308 636	285 043 656	2 366 352 292
Financial assets not measured at fair value									
Trade and other receivables	11	-	1 992 460 506	-	1 992 460 506				
Cash and cash equivalents	5	-	9 712 078 202	-	9 712 078 202				
Treasury bills	6	-	43 978 630	-	43 978 630				
Advances and other accounts	7	-	12 232 917 414	-	12 232 917 414				
Total		6 130 439 929	23 981 434 752	285 043 656	30 396 918 337				
Financial liabilities									
Deposit and other accounts	16	-	(19 669 689 027)	-	(19 669 689 027)				
Short term borrowing	17	-	(403 331 507)	-	(403 331 507)				
Trade and other payables	18	-	(4 251 843 409)	-	(4 251 843 409)				
Offshore borrowing	24	-	(657 911 243)	-	(657 911 243)				
Long term borrowings	20	-	(16 947 671)	-	(16 947 671)				
Total		-	(24 999 722 857)	-	(24 999 722 857)				

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.1 Classification and measurement of financial assets and financial liabilities (continued)

The following table shows the carrying amounts and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The carrying amount of financial assets and financial liabilities approximate their fair value.

		Inflation adjusted							
		CARRYING AMOUNT				FAIR VALUE			
31 December 2020	Note	Designated at FVPL ZW$	Classified at AMCO ZW$	Designated at FVTOCI ZW$	Total ZW$	Level 1 ZW$	Level 2 ZW$	Level 3 ZW$	Total ZW$
Financial assets measured at fair value									
Listed equity securities	8	471 409 038	-	-	471 409 038	471 409 038	-	-	471 409 038
Government public utility stock		40 724 679	-	-	40 724 679	-	-	40 724 679	40 724 679
Unit trusts	8	16 115 513	-	-	16 115 513	-	16 115 513	-	16 115 513
Unlisted equity investments	8	955 199 663	-	-	955 199 663	-	-	955 199 663	955 199 663
Treasury bills	6	496 760 137	69 263 089	266 778 881	832 802 107	-	541 822 852	290 979 255	832 802 107
Financial assets not measured at fair value									
Trade and other receivables	11	-	974 328 580	-	974 328 580				
Cash and cash equivalents	5	-	8 176 195 747	-	8 176 195 747				
Treasury bills	6	-	69 263 089	-	69 263 089				
Advances and other accounts	7	-	5 058 951 189	-	5 058 951 189				
Total		1 980 209 030	14 348 001 694	266 778 881	16 594 989 605				
Financial liabilities									
Deposit and other accounts	16	-	(11 424 850 086)	-	(11 424 850 086)				
Trade and other payables	18	-	(1 897 797 058)	-	(1 897 797 058)				
Offshore borrowing	24	-	(390 923 496)	-	(390 923 496)				
Long term borrowings	20	-	(25 944 008)	-	(25 944 008)				
Total		-	(13 739 514 648)	-	(13 739 514 648)				

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.1 Classification and measurement of financial assets and financial liabilities (continued)

The following table shows the carrying amounts and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The carrying amount of financial assets and financial liabilities approximate their fair value.

		Unaudited Historical cost							
		CARRYING AMOUNT				FAIR VALUE			
31 December 2021	Note	Designated at FVPL ZW$	Classified at AMCO ZW$	Designated at FVTOCI ZW$	Total ZW$	Level 1 ZW$	Level 2 ZW$	Level 3 ZW$	Total ZW$
Financial assets measured at fair value									
Listed equity securities	8	1 006 800 279	-	-	1 006 800 279	1 006 800 279	-	-	1 006 800 279
Unlisted equity investments	8	3 042 331 014	-	-	3 042 331 014	-	-	3 042 331 014	3 042 331 014
Treasury bills	6	2 081 308 636	-	285 043 656	2 366 352 292	-	2 081 308 636	285 043 656	2 366 352 292
Financial assets not measured at fair value									
Trade and other receivables	11	-	1 992 460 506	-	1 992 460 506				
Cash and cash equivalents	5	-	9 712 078 202	-	9 712 078 202				
Treasury bills	6	-	43 978 630	-	43 978 630				
Advances and other accounts	7	-	12 232 917 414	-	12 232 917 414				
Total		6 130 439 929	23 981 434 752	285 043 656	30 396 918 337				
Financial liabilities									
Deposit and other accounts	16	-	(19 669 689 027)	-	(19 669 689 027)				
Short term borrowing	17	-	(403 331 507)	-	(403 331 507)				
Trade and other payables	18	-	(4 251 843 409)	-	(4 251 843 409)				
Offshore borrowing	24	-	(657 911 243)	-	(657 911 243)				
Long term borrowings	20	-	(16 947 671)	-	(16 947 671)				
Total		-	(24 999 722 857)	-	(24 999 722 857)				

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.1 Classification and measurement of financial assets and financial liabilities (continued)

The following table shows the carrying amounts and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The carrying amount of financial assets and financial liabilities approximate their fair value.

		Unaudited Historical cost							
		CARRYING AMOUNT				FAIR VALUE			
31 December 2020	Note	Designated at FVPL ZW$	Classified at AMCO ZW$	Designated at FVTOCI ZW$	Total ZW$	Level 1 ZW$	Level 2 ZW$	Level 3 ZW$	Total ZW$
Financial assets measured at fair value									
Listed equity securities	8	293 279 397	-	-	293 279 397	293 279 397	-	-	293 279 397
Government public utility stock		25 336 191	-	-	25 336 191	-	-	25 336 191	25 336 191
Unit trusts	8	10 026 002	-	-	10 026 002	-	10 026 002	-	10 026 002
Unlisted equity investments	8	594 261 795	-	-	594 261 795	-	-	594 261 795	594 261 795
Treasury bills	6	309 051 167	-	165 972 103	475 023 270	-	309 051 167	165 972 103	475 023 270
Financial assets not measured at fair value									
Trade and other receivables	11	-	606 162 537	-	606 162 537				
Cash and cash equivalents	5	-	5 086 686 008	-	5 086 686 008				
Treasury bills	6	-	43 090 894	-	43 090 894				
Advances and other accounts	7	-	3 147 343 462	-	3 147 343 462				
Total		1 231 954 552	8 883 282 901	165 972 103	10 281 209 556				
Financial liabilities									
Deposit and other accounts	16	-	(7 107 782 993)	-	(7 107 782 993)				
Trade and other payables	18	-	(1 180 683 296)	-	(1 180 683 296)				
Offshore borrowings	24	-	(243 206 638)	-	(243 206 638)				
Long term borrowings	20	-	(16 140 639)	-	(16 140 639)				
Total		-	(8 547 813 566)	-	(8 547 813 566)				

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.2 Valuation techniques for securities held at fair value

39.2.2.1 Level 1 valuation

Listed equity investments are valued in relation to prices ruling at the stock market at which the stock is listed at the close of business on 31 December 2021.

39.2.2.2 Level 2 valuation

These investments are valued using inputs other than quoted prices which are observable for the asset. The unit trust investments are valued in relation to gold prices on the international market. Treasury bills are valued by discounting cash flows using the market rate for similar instruments as the discounting rate.

39.2.2.3 Level 3 valuation

Unlisted investments were valued at net asset value, dividend growth model and price earnings multiple techniques. In applying this method judgement was used. The following factors are relevant in understanding the basis:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Equity Security	*Net Asset Value:* The valuation model determines the fair value of investment securities (non-listed entities) with reference to the net asset value, which was determined by the directors as a proxy valuation method. NAV valuation method was used where investees are largely property holdings and investment entities.	The fair values of investment securities are based on net asset values which make use of the net movements in the assets and liabilities of investee entities. Net asset values have been verified by independent auditors, but are not observable from market data.	The estimated fair value would increase or decrease due to the following: - Increase or decrease in fair value or historical cost adjustments of underlying assets and liabilities held by investees. - Decrease as a result of economic obsolescence of underlying assets. - Financial performance of the investee.
	The market approach as prescribed by IFRS 13 – Fair valuation requires the identification of a similar or identical quoted assets with similar risk profiles.	Adjusted market price earnings multiple. - Discounting rate.	The estimated fair value would increase / decrease if the adjusted market price earnings multiple and discounting rates were higher or lower.
	Dividend Growth model	- GDP growth - Discounting rate	The fair value would increase or decrease of: - GDP growth was higher or lower. - The discounting rate was high or lower.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.2.3 Level 3 valuation (continued)

Level 3 recurring fair values

A reconciliation from the opening balances to the closing balances for level 3 fair values is shown below:

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
CONSOLIDATED				
Balance at beginning of year	1 286 903 597	291 001 341	785 570 089	64 871 441
Fair value adjustments	1 609 734 622	923 424 336	2 220 073 695	662 205 898
Additions	670 825 200	108 491 636	552 039 275	71 314 829
Disposals	(240 088 749)	(36 013 716)	(230 308 389)	(12 822 079)
Balance at the end of year	3 327 374 670	1 286 903 597	3 327 374 670	785 570 089

39.2.3 Definition of financial risk

The Group defines financial risk as the risk that involves financial loss to the institution. The risk arises collectively due to liquidity risk, market risk, operational risk, legal risk and credit risk.

39.2.3.1 Liquidity risk

Definition

There are two types of liquidity risk, funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Group is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals, the inability to roll over maturing debt or meet contractual commitments to lend. Market liquidity risk is the risk that the Group will be unable to sell assets, without incurring an unacceptable loss, in order to generate cash required to meet payment obligations under a stress liquidity event.

Through the robust Liquidity Risk Management Framework, the Group manages the funding and market liquidity risk to ensure that the Group's operations continue uninterrupted under normal and stressed conditions. The key objectives that underpin the Liquidity Risk Management Framework include maintaining financial market confidence at all times, protecting key stakeholder interests and meeting regulatory requirements.

Liquidity risk governance and policy

The board of directors retains ultimate responsibility for the effective management of liquidity risk. Through the Board Risk Committee (a board subcommittee), the board has delegated its responsibility for the management of liquidity risk to ALCO and the ZB Group Executive Committee.

The Group's Liquidity Risk Management Framework articulates the board-approved risk appetite in the form of limits and guidelines, and sets out the responsibilities, processes, reporting and assurance required to support the management of liquidity risk. The Liquidity Risk Management Framework is reviewed annually by ALCO and approved by the Board Governance, Risk and Compliance Committee.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.3.1 Liquidity risk (continued)

Liquidity risk governance and policy (continued)

The Group's daily liquidity requirements are managed by an experienced centralised Treasury department. Within the context of the board-approved Liquidity Risk Management Framework, Group Treasury department is responsible for proactively managing liquidity risk at an operational, tactical and strategic level.

In terms of the overall liquidity risk management process independent oversight and assurance are provided by Group Business Risk Management and Group Internal Audit, which conduct independent reviews.

Identification techniques

This risk is identified through the analyses of contractual maturity mismatch between assets and liabilities and stress testing.

Measurement methods

Liquidity risk is measured using the gap analysis techniques and the term structure of assets and liabilities.

The Group uses liquidity management tools such as the liquidity ratio, maturity gap analysis (contractual and behavioural), daily cash flow summary & forecasting and stress testing to measure liquidity risk.

Impact evaluation

The level of aggregate inherent liquidity risk is considered moderate and the aggregate liquidity risk management systems in place are acceptable, hence the overall composite liquidity risk is moderate. The direction of the risk is stable.

The Group's Liquidity Risk Management Framework takes into account all sources and uses of liquidity and seeks to optimise the balance sheet by balancing the trade-off between liquidity risk on the one hand and cost or profitability on the other.

The Group is compliant with the minimum regulatory prudential liquidity ratio of 30% and the internal benchmark of 35%. The Group has taken a deliberate strategy to hold high levels of liquidity in view of limited lender of last resort capacity in the market and the transitory nature of deposits.

Stress testing results indicate that the Group is not susceptible to significant liquidity shocks since it can withstand a 10% fall in deposits. The Group maintained levels of liquid resources at acceptable levels throughout the year.

Impact of the COVID-19 Pandemic on the Group's Liquidity Risk

The Group's liquidity position was stable during the 2021 financial year, with a daily average liquidity ratio of 73%. In light of the COVID-19 pandemic's consequences, the Group leveraged on its effective and efficient digital channel systems to facilitate payment obligations.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.3.1 Liquidity risk (continued)

Strategies for management/mitigation

The Group Treasury is responsible for ensuring that the Group always has sufficient intraday liquidity to meet any obligations it may have in the clearing and settlement systems. In addition, net daily funding requirements are forecasted by estimating daily rollovers and withdrawals and managing the funding pipeline of new deals. The Treasury function is responsible for maintaining close interaction with the Group's larger depositors in order to manage their cash-flow requirements and the consequential impact on the Group's intraday liquidity position.

A portfolio of marketable and high quality liquid assets, which could be liquidated to meet unforeseen or unexpected funding requirements, is maintained.

The Group conducts regular scenario analysis and stress testing in order to assess the adequacy of the Group's liquidity buffers and contingency funding plan required to meet idiosyncratic and market-wide stress liquidity events. The objective of scenario analysis and stress testing is to identify potential weaknesses or vulnerabilities, thus enabling the Group to formulate strategies designed to mitigate potential weaknesses.

The Group has a Contingency Funding Plan (CFP) in place which is designed to protect depositors, creditors and shareholders under adverse liquidity situations. The CFP has been formulated in the belief that early detection, advance preparations and prompt responses can contribute to liquidity crisis avoidance or minimisation, and that accurate, timely and coordinated communication both internally and externally is essential for managing a crisis situation.

Monitoring and controlling mechanisms

The Group utilises metrics that capture specific information related to the Group's cash flows, balance sheet structure, available unencumbered collateral, and certain market indicators to monitor liquidity risk.

In utilising these metrics, the Group takes action when potential liquidity difficulties are signalled through a negative trend in the metrics, or when a deteriorating liquidity position is identified, or when the absolute result of the metric identifies a current or potential liquidity problem.

The metrics include; contractual maturity mismatch, concentration of funding, available unencumbered assets, liquidity ratios by significant currency, market-wide information, information on the financial sector and Group-specific information.

Adequacy of risk management systems

The aggregate liquidity risk management systems in place are acceptable and the direction of the risk is stable.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.3.1 Liquidity risk (continued)

LIQUIDITY GAP ANALYSIS
As at 31 December 2021

The tables below set out the remaining contractual maturities of the Group's financial assets and financial liabilities.

	Inflation adjusted					
	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Total ZW$	Carrying amount ZW$
CONSOLIDATED						
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	8 215 980 305	45 356 181	1 450 741 716	-	9 712 078 202	9 712 078 202
Trade and other receivables	1 494 345 380	498 115 127	-	-	1 992 460 506	1 992 460 506
Treasury bills	101 093 151	1 436 013 199	766 976 857	207 141 172	2 511 224 379	2 410 330 922
Mortgages and other advances	1 360 289 290	1 850 034 205	10 113 599 346	15 143 143 158	28 467 065 999	12 232 917 414
Financial assets classified at fair value through profit or loss	-	-	-	4 074 467 484	4 074 467 484	4 074 467 484
Financial assets held at amortised cost	-	69 896 797	-	521 270 562	591 167 359	591 167 359
Loan commitments	728 680 207	-	-	-	728 680 207	728 680 207
	11 900 388 333	3 899 415 509	12 331 317 919	19 946 022 376	48 077 144 136	31 742 102 094
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(1 080 628 318)	(273 149 424)	(9 592 694)	(19 846 634 216)	(21 210 004 652)	(19 669 689 027)
Short term borrowings	-	-	(512 438 356)	-	(512 438 356)	(403 331 507)
Trade and other payables	(4 007 040 076)	(132 401 664)	(112 401 669)	-	(4 251 843 409)	(4 251 843 409)
Long term loan	-	-	-	(20 000 000)	(20 000 000)	(16 947 671)
Offshore borrowings	-	(82 401 664)	(82 401 669)	(506 279 827)	(671 083 160)	(657 911 243)
Lease liabilities	(1 994 792)	(9 973 962)	(11 968 754)	(164 667 310)	(188 604 818)	(119 687 540)
	(5 089 663 186)	(497 926 714)	(728 803 142)	(20 537 581 353)	(26 853 974 395)	(25 119 410 397)
Period gap	6 810 725 147	3 401 488 795	11 602 514 777	(591 558 977)	21 223 169 741	6 622 691 697
Cumulative gap	6 810 725 147	10 212 213 941	21 814 728 718	21 223 169 741	-	-

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.3.1 Liquidity risk (continued)

LIQUIDITY GAP ANALYSIS
As at 31 December 2020

The tables below set out the remaining contractual maturities of the Group's financial assets and financial liabilities.

	Inflation adjusted					
	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Total ZW$	Carrying amount ZW$
CONSOLIDATED						
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	6 956 244 704	196 650 568	1 023 300 474	-	8 176 195 746	8 176 195 747
Trade and other receivables	828 179 293	146 149 287	-	-	974 328 580	974 328 580
Treasury bills	80 632 817	388 664 115	137 037 520	303 354 105	909 688 557	832 802 107
Mortgages and other advances	408 930 130	543 457 906	1 549 452 793	3 210 644 305	5 712 485 134	5 058 951 189
Financial assets held at fair value through profit or loss	-	-	-	1 483 448 893	1 483 448 893	1 483 448 893
Financial assets held at amortised cost	-	-	-	120 981 012	120 981 012	120 981 012
Loan commitments	353 514 982	-	-	-	353 514 982	353 514 982
	8 627 501 926	1 274 921 876	2 709 790 787	5 118 428 315	17 730 642 904	17 000 222 510
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(11 444 345 790)	(71 467 471)	(44 793 372)	(6 941 019)	(11 567 547 651)	(11 424 850 086)
Trade and other payables	(1 426 566 416)	(422 874 912)	(48 355 730)	-	(1 897 797 058)	(1 897 797 058)
Long term loan	-	-	-	(32 147 436)	(32 147 436)	(25 944 008)
Offshore borrowings	-	(107 464 821)	(107 464 821)	(214 929 647)	(429 859 290)	(390 923 496)
Lease liabilities	(1 863 950)	(9 319 749)	(11 183 699)	(89 469 599)	(111 836 998)	(111 836 998)
	(12 872 776 156)	(611 126 953)	(211 797 622)	(343 487 701)	(14 039 188 432)	(13 851 351 646)
Period gap	(4 245 274 230)	663 794 923	2 497 993 165	4 774 940 614	3 691 454 472	3 148 870 864
Cumulative gap	(4 245 274 230)	(3 581 479 307)	(1 083 486 142)	3 691 454 472	-	-

Trade and other receivables were not disclosed in 2020 financial statements and the omission was considered not material regarding the liquidity gap analysis, as the cumulative gap would not have been significant different without the trade and receivable numbers.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.3.1 Liquidity risk (continued)

LIQUIDITY GAP ANALYSIS
As at 31 December 2021

The tables below set out the remaining contractual maturities of the Group's financial assets and financial liabilities.

	Unaudited Historical cost					
	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Total ZW$	Carrying amount ZW$
CONSOLIDATED						
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	8 215 980 305	45 356 181	1 450 741 716	-	9 712 078 202	9 712 078 202
Trade and other receivables	1 494 345 380	498 115 127	-	-	1 992 460 506	1 992 460 506
Treasury bills	101 093 151	1 436 013 199	766 976 857	207 141 172	2 511 224 379	2 410 330 922
Mortgages and other advances	1 360 289 290	1 850 034 205	10 113 599 346	15 143 143 158	28 467 065 999	12 232 917 414
Financial assets classified at fair value through profit or loss	-	-	-	4 074 467 484	4 074 467 484	4 074 467 484
Financial assets held at amortised cost	-	69 896 797	-	521 270 562	591 167 359	591 167 359
Loan commitments	728 680 207	-	-	-	728 680 207	728 680 207
	11 900 388 333	3 899 415 509	12 331 317 919	19 946 022 376	48 077 144 136	31 742 102 094
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(1 080 628 318)	(273 149 424)	(9 592 694)	(19 846 634 216)	(21 210 004 652)	(19 669 689 027)
Short term borrowings	-	-	(512 438 356)	-	(512 438 356)	(403 331 507)
Trade and other payables	(4 007 040 076)	(132 401 664)	(112 401 669)	-	(4 251 843 409)	(4 251 843 409)
Long term loan	-	-	-	(20 000 000)	(20 000 000)	(16 947 671)
Offshore borrowings	-	(82 401 664)	(82 401 669)	(506 279 827)	(671 083 160)	(657 911 243)
Lease liabilities	(1 994 792)	(9 973 962)	(11 968 754)	(164 667 310)	(188 604 818)	(119 687 540)
	(5 089 663 186)	(497 926 714)	(728 803 142)	(20 537 581 353)	(26 853 974 395)	(25 119 410 397)
Period gap	6 810 725 147	3 401 488 795	11 602 514 777	(591 558 977)	21 223 169 741	6 622 691 697
Cumulative gap	6 810 725 147	10 212 213 941	21 814 728 718	21 223 169 741	-	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.3.1 Liquidity risk (continued)

LIQUIDITY GAP ANALYSIS
As at 31 December 2020

	Unaudited Historical cost					
	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Total ZW$	Carrying amount ZW$
CONSOLIDATED						
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	4 327 713 487	122 342 924	636 629 597	-	5 086 686 008	5 086 686 008
Trade and other receivables	454 621 903	151 540 634	-	-	606 162 537	606 162 537
Treasury bills	50 164 384	241 801 001	85 255 644	188 726 778	565 947 807	518 114 164
Mortgages and other advances	254 409 169	338 103 418	963 966 628	1 997 449 666	3 553 928 881	3 147 343 462
Loan commitments	219 933 545	-	-	-	219 933 545	-
Financial assets held at FVTPL	-	-	-	922 903 385	922 903 385	922 903 385
Financial assets held at amortised cost	-	-	-	75 266 351	75 266 351	75 266 351
	5 306 842 488	853 787 977	1 685 851 869	3 184 346 180	11 030 828 514	10 356 475 907
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(7 119 911 925)	(44 462 314)	(27 867 461)	(4 318 241)	(7 196 559 941)	(7 107 782 993)
Trade and other payables	(887 514 885)	(263 084 687)	(30 083 724)	-	(1 180 683 296)	(1 180 683 296)
Long term loan	-	-	-	(20 000 000)	(20 000 000)	(16 140 639)
Offshore borrowings	-	(66 857 475)	(66 857 475)	(133 714 953)	(267 429 903)	(243 206 638)
Lease liabilities	(1 159 626)	(5 798 129)	(6 957 755)	(55 662 042)	(69 577 553)	(69 577 553)
	(8 008 586 436)	(380 202 605)	(131 766 415)	(213 695 236)	(8 734 250 693)	(8 617 391 119)
Period gap	(2 701 743 948)	473 585 372	1 554 085 454	2 970 650 944	2 296 577 821	1 739 084 788
Cumulative gap	(2 701 743 948)	(2 228 158 576)	(674 073 123)	2 296 577 821	-	-

Trade and other receivables were not disclosed in 2020 financial statements and the omission was considered not material regarding the liquidity gap analysis, as the cumulative gap would not have been significant different without the trade and receivable numbers.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
39.2.3.1 Liquidity risk (continued)				
CONSOLIDATED				
Liquidity ratios				
Total liquid assets	12 122 409 124	9 008 997 854	12 122 409 124	5 604 800 172
Total liabilities to the public	19 669 689 027	11 424 850 086	19 669 689 027	7 107 782 993
Liquidity ratio	61.63%	78.85%	61.63%	78 .85%
Average for the year	76%	87%	76%	74%
Maximum for the year	77%	89%	77%	94%
Minimum for the year	60%	71%	60%	60%
Minimum statutory liquidity ratio	30%	30%	30%	30%

Regulated banking operations, ZB Bank Limited and ZB Building Society reported liquidity ratios that were above the minimum regulated ratios as follows:

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
ZB Bank Limited	58%	78%	58%	74%
ZB Building Society	70%	89%	70%	63%

39.2.3.2 Market risk

Market risk is the risk of losses in on- and off-balance sheet positions arising from movements in market prices. The Bank is exposed to market risk through holding interest rate, foreign exchange rate and stock price sensitive positions. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group have assessed the impact of COVID 19 pandemic on its market risk and there was no material impact as the market was not significantly impacted by the COVID 19 crisis.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.3.2.1 Interest rate risk

Definition

The changes in interest rates affect the Group's earnings by altering interest sensitive income and expenses. Interest rate changes also affect the underlying value of the Group's assets, liabilities, and off-balance sheet instruments through changes in the present value of future cash flows (and, in some cases, the cash flows themselves).

Interest rate risk in the banking book (IRRBB)
IRRBB comprises:

- Repricing risk (mismatch risk) – timing difference in the maturity (for fixed rate) and repricing (for floating rate) of the Bank's assets, liabilities and off-balance-sheet positions.
- Reset or basis risk – imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.
- Yield curve risk – changes in the shape and slope of the yield curve.
- Embedded optionality – the risk pertaining to interest-related options embedded in bank products.

IRRBB governance and policy

The board of directors retains ultimate responsibility for the effective management of IRRBB. Through the Board Risk Committee (a board subcommittee), the board has delegated its responsibility for the management of IRRBB to ALCO and the ZB Group Executive Committee. The ALCO proactively manages IRRBB through Treasury department.

The board assumes ultimate responsibility for IRRBB and has defined the Bank's overall risk appetite for IRRBB. Appropriate limits have been set to measure this risk for both earnings and economic value, within which this risk must be managed. Compliance with these limits is measured and reported to the ALCO and the board on a monthly basis and quarterly basis respectively.

Identification techniques

Interest rate risk is identified using the term structure of assets and liabilities. To evaluate the impact of interest rate risk on the net interest margin, the Group monitors the size of the gap between rate sensitive assets and rate sensitive liabilities (both on and off balance sheet positions) in terms of the remaining period to repricing.

Measurement methods

The Group employs various analytical techniques to measure interest rate sensitivity within the banking book on both an earnings and economic value basis. This includes a repricing profile analysis, and stress testing of earnings-at-risk for multiple stressed-interest-rate scenarios. The size of the interest rate movement used in the analysis is based on a variety of factors, which include historical experience, simulation of potential future interest rate movements, and the judgment of Group management.

Impact evaluation

As at 31 December 2021, the Group considered the risk to be moderate. Adequate systems are in place to ameliorate the risk.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.3.2.1 Interest rate risk (continued)

The level of aggregate inherent interest rate risk is considered moderate and the aggregate interest rate risk management systems in place are acceptable, hence the overall composite interest rate risk is moderate. The direction of the risk is stable.

As at 31 December 2021, the Group had a liability sensitive book, which exposes the Group to losses if interest rates increase. The Group is exposed to a decrease in Net Interest Income (NII) of approximately ZW$13.6 million before tax should interest rates increase by 3%, measured over a 12-month period. NII sensitivity, as currently modelled, exhibits very little convexity and results in an increase in pretax NII of approximately the same quantum should rates fall by 3%.

Stress testing results indicate that the Group is resilient to a minor interest rate shock of 3%, as the capital adequacy level will decrease from 28. 08% to 28.01%, which is above the minimum prudential threshold of 12%. Further, the Group remained resilient to a high interest rate shock of 10% which resulted in the capital adequacy ratio decreasing to 22.86%.

IRRBB strategies are evaluated regularly to align with interest rate views and defined risk appetite. This ensures that optimal on- and off-balance-sheet strategies are applied, either positioning the balance sheet or protecting interest income through different interest rate cycles.

Strategies for management / mitigation

As at 31 December 2021 the Group considered the risk to be moderate. Adequate systems are in place to ameliorate the risk.

The level of aggregate inherent interest rate risk is considered moderate and the aggregate interest rate risk management systems in place are acceptable, hence the overall composite interest rate risk is moderate. The direction of the risk is stable.

Monitoring and controlling mechanisms

ALCO meets regularly to discuss the future direction of interest rates after the economic fundamentals have been analysed. Decisions are then taken on rate sensitive assets and liabilities. If economic fundamentals turn out differently, ad-hoc ALCO meetings are convened to discuss the said issues and chart a way forward.

The Group monitors interest rate risk through the Treasury Middle Office using re-pricing gap analysis, net interest margin and stress testing. These tools are considered adequate for the level and complexity of the Bank's interest rate risk exposure.

Adequacy and effectiveness of risk management systems

The interest rate risk management systems noted above are adequate and effective in dealing with the interest rate risk.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.3.2.1 Interest rate risk (continued)

	Inflation adjusted				
	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Carrying amount ZW$
CONSOLIDATED					
INTEREST RATE GAP ANALYSIS					
As at 31 December 2021					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	9 712 078 202	-	-	-	9 712 078 202
Treasury bills	100 000 000	1 436 013 199	678 264 203	196 053 520	2 410 330 922
Advances and other accounts	1 482 157 082	1 245 625 211	1 679 750 587	7 825 384 534	12 232 917 414
Financial assets held at fair value through profit loss	-	-	-	4 074 467 484	4 074 467 484
Financial assets held at amortised cost	-	-	281 310 324	309 857 035	591 167 359
	11 294 235 284	2 681 638 410	2 639 325 114	12 405 762 573	29 020 961 381
FINANCIAL LIABILITIES BY TYPE					
Deposits and other accounts	(19 651 011 778)	-	-	(18 677 249)	(19 669 689 027)
Long term borrowings	-	-	-	(16 947 671)	(16 947 671)
Offshore borrowings	-	(80 784 297)	(80 784 302)	(496 342 644)	(657 911 243)
Short term borrowings	-	-	(403 331 507)	-	(403 331 507)
	(19 651 011 778)	(80 784 297)	(484 115 809)	(531 967 564)	(20 747 879 448)
Period gap	(8 356 776 494)	2 600 854 113	2 155 209 305	11 873 795 009	8 273 081 933
Cumulative gap	(8 356 776 494)	(5 755 922 381)	(3 600 713 076)	8 273 081 933	-

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.3.2.1 Interest rate risk (continued)

	Inflation adjusted				
	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Carrying amount ZW$
CONSOLIDATED					
INTEREST RATE GAP ANALYSIS					
As at 31 December 2020					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	8 176 195 747	-	-	-	8 176 195 747
Treasury bills	80 368 591	366 740 788	125 383 066	260 309 662	832 802 107
Advances and other accounts	760 537 232	480 854 082	1 414 288 789	2 403 271 086	5 058 951 189
	9 017 101 570	847 594 870	1 539 671 855	2 663 580 748	14 067 949 043
FINANCIAL LIABILITIES BY TYPE					
Deposits and other accounts	(11 315 473 886)	(70 904 505)	(43 274 916)	4 803 221	(11 424 850 086)
Long term borrowings	-	-	-	(25 944 008)	(25 944 008)
Offshore borrowings	-	(97 730 872)	(97 730 872)	(195 461 752)	(390 923 496)
	(11 315 473 886)	(168 635 377)	(141 005 788)	(216 602 539)	(11 841 717 590)
Period gap	(2 298 372 316)	678 959 493	1 398 666 067	2 446 978 209	2 226 231 453
Cumulative gap	(2 298 372 316)	(1 619 412 823)	(220 746 756)	2 226 231 453	-

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.3.2.1 Interest rate risk (continued)

	Unaudited Historical cost				
	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Carrying amount ZW$
CONSOLIDATED					
INTEREST RATE GAP ANALYSIS					
As at 31 December 2021					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	9 712 078 202	-	-	-	9 712 078 202
Treasury bills	100 000 000	1 436 013 199	678 264 203	196 053 520	2 410 330 922
Advances and other accounts	1 482 157 082	1 245 625 211	1 679 750 587	7 825 384 534	12 232 917 414
Financial assets held at fair value through profit loss	-	-	-	4 074 467 484	4 074 467 484
Financial assets held at amortised cost	-	-	281 310 324	309 857 035	591 167 359
	11 294 235 284	2 681 638 410	2 639 325 114	12 405 762 573	29 020 961 381
FINANCIAL LIABILITIES BY TYPE					
Deposits and other accounts	(19 651 011 778)	-	-	(18 677 249)	(19 669 689 027)
Long term borrowings	-	-	-	(16 947 671)	(16 947 671)
Offshore borrowings	-	(80 784 297)	(80 784 302)	(496 342 644)	(657 911 243)
Short term borrowings	-	-	(403 331 507)	-	(403 331 507)
	(19 651 011 778)	(80 784 297)	(484 115 809)	(531 967 564)	(20 747 879 448)
Period gap	(8 356 776 494)	2 600 854 113	2 155 209 305	11 873 795 009	8 273 081 933
Cumulative gap	(8 356 776 494)	(5 755 922 381)	(3 600 713 076)	8 273 081 933	-

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.3.2.1 Interest rate risk (continued)

	Unaudited Historical cost				
	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Carrying amount ZW$
CONSOLIDATED					
INTEREST RATE GAP ANALYSIS					
As at 31 December 2020					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	5 086 686 008	-	-	-	5 086 686 008
Treasury bills	50 000 000	228 161 763	78 005 017	161 947 384	518 114 164
Advances and other accounts	473 155 758	299 155 476	879 876 561	1 495 155 667	3 147 343 462
	5 609 841 766	527 317 239	957 881 578	1 657 103 051	8 752 143 634
FINANCIAL LIABILITIES BY TYPE					
Deposits and other accounts	(7 039 736 385)	(44 112 074)	(26 922 779)	2 988 245	(7 107 782 993)
Long term borrowings	-	-	-	(16 140 639)	(16 140 639)
Offshore borrowings	-	(60 801 658)	(60 801 658)	(121 603 322)	(243 206 638)
	(7 039 736 385)	(104 913 732)	(87 724 437)	(134 755 716)	(7 367 130 270)
Period gap	(1 429 894 619)	422 403 507	870 157 141	1 522 347 335	1 385 013 364
Cumulative gap	(1 429 894 619)	(1 007 491 112)	(137 333 971)	1 385 013 364	-

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.3.2.1 Interest rate risk (continued)

Sensitivity analysis

CONSOLIDATED

A 2% change in the interest rate sensitive assets would result in the reported profit/ loss and equity increasing or decreasing by ZW$436.9 million (2020: ZW$178.3 million).

A 2% change in the interest rate sensitive liabilities would result in the reported profit/loss and equity increasing or decreasing by ZW$312 million (2020: ZW$211.8 million).

39.2.3.3 Foreign exchange risk

Definition

Foreign exchange risk is the potential adverse impact on earnings and economic value due to currency rate movements. This involves settlement risk which arises when the Group incurs financial loss due to foreign exchange positions taken in both the trading and banking books.

The Group recognises foreign exchange risks which include;

i. exchange rate risk which is the risk of loss as a result of adverse movements in the exchange rate;
ii. interest rate risk which arises from maturity mismatches on foreign currency positions;
iii. credit risk which is due to counterparty default on foreign exchange loans or contracts; and
iv. sovereign risk which arises from country risk or political risk

Identification techniques

Foreign exchange risk arises as a result of holding foreign currency positions in the banking book (e.g. in the form of loans, deposits or cross-border investments) and trading in foreign currencies through spot and forward transactions as a market maker or position taker.

The risk is identified through the analysis of the Group's open foreign exchange positions.

Measurement methods

For measuring and monitoring foreign exchange rate risk, the Group has established a comprehensive framework of limits.

At a minimum, the Group has the following limits for its foreign exchange operations:

i. open position limits for individual currencies to which the Group has material exposures, both during the day and overnight.
ii. open position limits on the aggregate of all currencies, both during the day and overnight;
iii. stop loss and/or management-action-trigger limits; and limits for settlement risk of all counterparties.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.3.3 Foreign exchange risk (continued)

Impact evaluation

The level of inherent foreign exchange rate risk is considered low and the aggregate foreign exchange rate risk management systems in place are acceptable, hence the overall composite foreign exchange rate risk is low. The direction of the risk is stable.

The Group had significant exposures to USD, ZAR, GBP, BWP & the EUR and the positions/holdings are within the ALCO prescribed limits as at 31 December 2021.

As at 31 December 2021, the Group had an aggregate net asset position of US$5.57 million (2020: US$14.9 million) which is at 30% of the Group's capital and is in compliance with the internal maximum of 10%.

Any foreign exchange rate movement will therefore have a small effect on the Group's capital adequacy level.

Strategies for management/mitigation

The risk is managed through ALCO directives, compliance with the requirements of the Reserve Bank of Zimbabwe and market analysis techniques.

The Group's management principal goal is to ensure that foreign exchange losses that could arise from the open positions will not substantially diminish total earnings and that the capital cushion of the Group will not be undermined.

The Group manages foreign exchange rate risk by switching its currencies in line with ALCO driven strategies on foreign exchange rates.

The foreign exchange limits are reviewed at least annually or more frequently in line with changes in the operating environment.

Monitoring and controlling mechanisms

The risk is controlled through the use of dealer limits placed on the overall foreign exchange position.

Treasury Middle Office performs the risk review function in relation to day-to-day activities. The function reconciles regularly positions of traders to ensure that they are within assigned limits. Internal reports comparing actual positions against internal limits are routinely prepared for ALCO.

Adequacy and effectiveness of risk management system

Management is confident that the foreign exchange risk management systems in place are adequate, effective and are complied with in all material respects by all staff members.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.3.4 Foreign exchange risk (continued)

Foreign currency position

The carrying amount of the Group's foreign denominated monetary assets and liabilities as at 31 December 2021 were as follows:

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
Botswana pula	409 739 058	519 410 089	409 739 058	323 142 463
British pound	2 056 662 034	2 458 044 923	2 056 662 034	1 529 232 311
Euro	2 408 860 234	2 543 946 110	2 408 860 234	1 582 674 325
South African rand	9 869 369 305	12 098 149 651	9 869 369 305	7 526 665 268
USD	21 625 401 021	27 391 052 396	21 625 401 021	17 040 893 746
Total assets	36 370 031 652	45 010 603 169	36 370 031 652	28 002 608 113
Botswana pula	(390 511 055)	(294 117 897)	(390 511 055)	(182 980 623)
British pound	(2 037 712 851)	(1 340 527 760)	(2 037 712 851)	(833 987 347)
Euro	(1 732 888 753)	(1 449 834 505)	(1 732 888 753)	(901 990 745)
South African rand	(7 938 580 153)	(5 931 497 070)	(7 938 580 153)	(3 690 183 563)
USD	(18 697 030 146)	(12 004 802 823)	(18 697 030 146)	(7 468 591 071)
Total liabilities	(30 796 722 958)	(21 020 780 055)	(30 796 722 958)	(13 077 733 349)
	5 573 308 694	23 989 823 114	5 573 308 694	14 924 874 764

The Group's main exposure to foreign currency risk arises from the commitments for licence and support fees for information technology platforms that were sourced from foreign suppliers.

Sensitivity analysis

CONSOLIDATED

A 50% change in exchange rates would result in the reported profit being reduced or increased by ZW$2.8 billion (2020: ZW$3.6 billion) and equity being reduced or increased by ZW$2.1 billion (2020: ZW$2.7 million)

A 100% change in exchange rates would result in the reported profit being reduced or increased by ZW$5.6 billion (2020: ZW$3.6 billion) and equity being reduced or increased by ZW$4.2 billion (2020: ZW$2.7 million).

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.3.5 Equity price risk

Definition

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments that derive their value from a particular equity investment or index of equity prices.

Identification techniques

The Group tracks the performance of all its equity investments using the price listings from Zimbabwe Stock Exchange on a daily basis.

Measurement methods

Based on the price lists from the members of the Zimbabwe Stock Exchange, the Group quantifies the risk.

Impact evaluation

Equity price risk is assessed as moderate. Trends on the Zimbabwe Stock Exchange have not been easily predictable while current exit prices would crystallize losses on the statement of financial position.

Strategies for management / mitigation

The Group manages its exposure to equity price risk by maintaining a diversified portfolio.

Adequacy and effectiveness of risk management system

The risk management system has proved adequate and effective in managing equity price risk.

Sensitivity analysis

CONSOLIDATED

A 50% increase / (decrease) in the value of listed shares as at 31 December 2021 would result in an increase / decrease of ZW$553 million (2020: ZW$52.40 million) to the reported Group's profit and an increase / decrease of ZW$553 million (2020: ZW$114.4 million) in equity

SEPARATE

A 50% increase / (decrease) in the value of listed shares as at 31 December 2021 would result in an increase / decrease of ZW$239 million (2020: ZW$52.40 million) to the reported Group's profit and an increase / decrease of ZW$237 million (2020: ZW$10.77 million) in equity.

Impact of the COVID-19 Pandemic on equity price risk

The Group have assessed the impact of Covid-19 pandemic on the determination of fair values and there was no material impact as the pandemic has not been seen to have affected valuation techniques in this jurisdiction.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk

Definition

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets as well as settlement balances with market counterparties.

Forward looking information

The measurement of ECL involves complexity and judgement, including estimation of PD, LGD, a range of unbiased future economic scenarios, estimation of expected lives (where contractual life is not appropriate), and estimation of EAD and assessing significant increases in credit risk. Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate (EIR). ECLs are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each loans and advances portfolio. These economic variables and their associated impact on ECL vary by financial instrument. Expect judgment has been applied in this process. The key economic variables identified were inflation rates, central bank interest rates, exchange rates and the gross domestic product.

According to the Reserve Bank of Zimbabwe, in 2021 annual inflation closed at 60.74%, and is projected to end the year 2022 at between 25% - 35%. By the end of 2022, the Reserve Bank of Zimbabwe is most likely going to maintain the bank policy rate of 60% which has been maintained since 28 October 2021. Meanwhile, the Government of Zimbabwe is projecting 5.5% GDP growth in 2022 down from 7.8% growth achieved in 2021.

Loans with renegotiated terms and the Group's forbearance policy

Loans with renegotiated terms are loans that have been restructured due to the deterioration in the borrower's financial position, where the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group has provided initially. The Group implements forbearance policy in order to maximise collection opportunities and minimize the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis in situations where the debtor is currently in default on its debt, or where there is a risk of default, there is evidence that the debtor made all the reasonable effort to pay under the original contractual terms and it is expected to be able to meet revised terms.

The revised terms usually include extending maturity, changing timing of interest repayments and amendments to the terms of loan covenants.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

Both retail and corporate loans are subject to the forbearance policy. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

The Group's credit committees regularly review reports on forbearance activities on a quarterly basis.

Credit–related commitments

The Group makes available to its customers guarantees that may require that the Group makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to similar risks to loans and are mitigated by the same control processes and policies.

Write off policy

The Group writes off a loan and any related allowances for impairment losses, after assessment by the Group's Bad Debts Review Committee and / or the Loans Review Committee determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that the proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans write off decisions generally are based on a product specific past due status.

Impairment assessment

- The Group's impairment assessment and measurement approach is defined as follows:
- The Group's definition and assessment of default and cure
- An explanation of the Group's internal grading system
- How the Group defines, calculates and monitors the probability of default, exposure at default and loss given default
- When the Group considers there has been a significant increase in credit risk of an exposure
- The Group's policy of segmenting financial assets where ECL is assessed on a collective basis
- The details of the ECL calculations for Stage 1, Stage 2 and Stage 3 assets.

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit -impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Group considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near–default
- The borrower requesting emergency funding from the Group
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Group
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates that there has been a significant increase in credit risk compared to initial recognition.

The Group's internal rating and PD estimation process

The Group's independent Credit Risk Department operates its internal rating models. The Group runs separate models for its key portfolios in which its customers are rated using an internal 22 tier rating scale. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from rating agencies. These information sources are first used to determine the PDs within the Group's Basel II framework. The internal credit grades are assigned based on these Basel II grades. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenario as appropriate.

Treasury, trading and interbank relationships

The Group's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Group's credit risk department analyses publicly available information such as financial information and other external data, such as the rating of rating agencies, and assigns the internal rating.

For these relationships, the Group assesses individual credit requirements guided by a risk assessment framework that focuses on counterparty risk profile as guided by an internal rating system overseen by the Group's Treasury Middle Office function.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

Corporate and small business lending

For corporate loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond prices or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Group and the complexity and size of the customer. Some of the less complex small business loans are rated within the Group's models for retail products.

A discretionary and Committee approving structure is in place to manage the various credit requirements.

Consumer lending and retail mortgages

Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing
- Retail mortgages: GDP growth, unemployment rates, changes in personal income / salary levels based on records of current accounts, personal indebtedness and expected interest repricing.
- A discretionary approval structure facilitates approvals.

Insurance Debtors

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- Amounts due from cedents
- Amounts due from reinsurance contract intermediaries
- Investments and cash equivalents
- Retrocessionaire's share of insurance liabilities
- Amounts due from retrocessionaires and other third parties in respect of claims already paid

The Group limits the levels of credit risk that it accepts by placing limits on its exposure to a single counterparty or groups of counterparties, and to geographical and industry segments. The levels are subject to annual or more frequent reviews.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

Exposure at default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the life time of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding with the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Group's models.

Loss given default (LGD)

For corporate and investment banking financial instruments, LGD values are assessed at least every three months by account managers and reviewed and approved by the Group's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Group segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g. product type, wider range of collateral types) as well as borrower characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group. The Group estimates regulatory and IFRS 9 LGDs using different methods. Under IFRS 9, LGD rates are estimated for the Stage1, Stage2, Stage3 and POCI, IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

Significant increase in credit risk

The Group continuously monitors all assets with credit profiles to track changes in default risk using delinquency profiles. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following factors exist for retail, wholesale and treasury portfolios:

- The remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised, so that it exceeds the relevant threshold
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last 3 months
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default

Early signs of cash flow / liquidity problems such as delay in servicing of trade creditors/loans.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Percentage of exposure that is subject to collateral requirements

	Inflation adjusted		Unaudited Historical Cost		
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	Principal type of collateral held
Mortgage advances	100%	100%	100%	100%	Residential commercial property
Finance leases	100%	100%	100%	100%	Property and equipment
Bills discounted	100%	100%	100%	100%	Cash and treasury bills

Grouping financial assets measured on a collective basis

Dependent on the factors below, the Group calculates ECLs either on a collective or an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets
- The Corporate lending portfolio
- The large and unique exposures of the Small business lending portfolio
- The treasury, trading and interbank relationships (such as Due from banks, Cash collateral on securities borrowed and reverse repurchase agreements and debt instruments at amortised cost / FVTOCI
- Exposures that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result of a credit driven debt restructuring.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

Significant increase in credit risk (continued)

Asset classes where the Group may calculate ECL on a collective basis include:

- The smaller and more generic balances of the Group's Small business lending
- Stage 1 and 2 Retail mortgages and Consumer lending
- Purchased POCI exposures managed on a collective basis.

The Group categorises these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

For retail mortgages these are:

- Product type (buy to let/owner occupied)
- Property type (low density, medium density, high density, commercial)
- Geographic location
- Loan-to-value ratios
- Internal grade
- Exposure value

For consumer lending these are:

- Product type (overdraft, unsecured personal loan, credit card, etc.)
- Internal grade
- Geographic location/residence of the borrower
- Utilisation
- In the case of credit cards, whether or not borrowers repay their balances in full every month
- Exposure value

For small business lending these are:

- Borrower's industry
- Internal credit grade
- Geographic location
- Exposure value
- Collateral type

Identification techniques

Prior to granting facilities, the Group conducts an assessment through a credit assessment framework that incorporates use of rating and scoring systems which classifies an account depending on inherent risk profiles. Non-qualifying applications are avoided. Thereafter facilities extended to clients are reviewed on a regular basis and reclassified accordingly depending on actual performance. The Group also has a cocktail of tools used to identify risks on an ongoing basis.

Measurement methods

The risk is measured through assessing the risk of default using a credit risk-rating matrix. The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

The table below shows the credit quality and the maximum exposure for credit risk based on the Group internal credit rating system and period-end stage classification.

	Inflation adjusted 2021				Inflation adjusted 2020			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
CONSOLIDATED								
Total loans and advances	12 103 830 038	116 971 953	500 842 998	12 721 644 989	4 497 088 105	831 279 641	9 635 368	5 338 003 114
Guarantees	829 021 429	-	-	829 021 429	1 106 920 859	-	-	1 106 920 859
Loan commitments	728 680 207	-	-	728 680 207	353 514 983	-	-	353 514 983
Treasury bills	2 410 330 922	-	-	2 410 330 922	832 802 107	-	-	832 802 107
Insurance debtors	208 440 447	-	12 864 095	221 304 542	128 518 742	-	34 818 996	163 337 738
Other financial assets	211 413 527	-	-	211 413 527	35 273 145	-	-	35 273 145
Total financial assets	16 491 716 570	116 971 953	513 707 093	17 122 395 616	6 954 117 941	831 279 641	44 454 364	7 829 851 946
Total loans and advances								
Performing								
Good (AAA to- BBB-)	12 100 272 513	4 944 492	1 318 944	12 106 535 949	4 497 088 105	1 208 490	233 768	4 498 530 363
Special Mention (BB+ to CCC-)	3 557 525	112 027 461	148 085	115 733 071	-	830 071 151	1 345	830 072 496
Non performing (CC TO D)	-	-	499 375 969	499 375 969	-	-	9 400 255	9 400 255
Total loans and advances	12 103 830 038	116 971 953	500 842 998	12 721 644 989	4 497 088 105	831 279 641	9 635 368	5 338 003 114
Corporate Lending								
Good (AAA to- BBB-)	5 595 194 178	-	-	5 595 194 178	2 642 233 239	-	-	2 642 233 239
Special Mention (BB+ to CCC-)	-	35 831 810	-	35 831 810	-	789 599 392	-	789 599 392
Non performing (CC TO D)	-	-	472 638 134	472 638 134	-	-	4 989 309	4 989 309
Total corporate lending	5 595 194 178	35 831 810	472 638 134	6 103 664 122	2 642 233 239	789 599 392	4 989 309	3 436 821 940

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

	Inflation adjusted 2021				Inflation adjusted 2020			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
CONSOLIDATED								
Small business lending								
Good (AAA to- BBB-)	390 530 083	3 152	11 071	390 544 306	174 822 793	68	1 676	174 824 537
Special Mention (BB+ to CCC-)	-	35 324 191	-	35 324 191	-	15 674 683	-	15 674 683
Non performing (CC TO D)-	-	-	3 879 200	3 879 200	-	-	325 699	325 699
Total small business lending	390 530 083	35 327 343	3 890 271	429 747 697	174 822 793	15 674 751	327 375	190 824 919
Consumer Lending								
Good (AAA to- BBB-)	5 800 808 370	4 813 523	1 307 873	5 806 929 766	1 529 818 785	1 208 422	232 092	1 531 259 299
Special Mention (BB+ to CCC-)	3 557 525	40 575 052	148 085	44 280 662	770 037	8 348 254	1 345	9 119 636
Non performing (CC TO D) -	-	-	11 699 341	11 699 341	-	-	3 614 827	3 614 827
Total consumer lending	5 804 365 895	45 388 575	13 155 299	5 862 909 769	1 530 588 822	9 556 676	3 848 264	1 543 993 762
Mortgage Lending								
Good (AAA to- BBB-)	313 739 882	127 817	-	313 867 699	150 213 288	-	-	150 213 288
Special Mention (BB+ to CCC-)	-	296 408	-	296 408	60 510	16 448 822	-	16 509 332
Non performing (CC TO D)	-	-	11 159 294	11 159 294	-	-	470 420	470 420
Total mortgage lending	313 739 882	424 225	11 159 294	325 323 401	150 273 798	16 448 822	470 420	167 193 040

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

	Inflation adjusted 2021				Inflation adjusted 2020			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
CONSOLIDATED								
Guarantees								
Good (AAA to- BBB-)	829 021 429	-	-	829 021 429	1 106 920 859	-	-	1 106 920 859
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Total guarantees	829 021 429	-	-	829 021 429	1 106 920 859	-	-	1 106 920 859
Loan commitments								
Good (AAA to- BBB-)	728 680 207	-	-	728 680 207	353 514 983	-	-	353 514 983
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Total loan commitments	728 680 207	-	-	728 680 207	353 514 983	-	-	353 514 983
Other financial assets								
Bonds								
Good (AAA to BBB-)-	211 413 527	-	-	211 413 527	35 273 145	-	-	35 273 145
Total other financial assets	211 413 527	-	-	211 413 527	35 273 145	-	-	35 273 145

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

	Unaudited Historical cost 2021				Unaudited Historical cost 2020			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
CONSOLIDATED								
Total loans and advances	12 103 830 038	116 971 953	500 842 998	12 721 644 989	2 797 789 565	517 166 987	5 994 486	3 320 951 038
Guarantees	829 021 429	-	-	829 021 429	688 652 647	-	-	688 652 647
Loan commitments	728 680 207	-	-	728 680 207	219 933 545	-	-	219 933 545
Treasury bills	2 410 330 922	-	-	2 410 330 922	518 114 164	-	-	518 114 164
Insurance debtors	208 440 447	-	12 864 095	221 304 542	79 955 826	-	21 662 067	101 617 893
Other financial assets	211 413 527	-	-	211 413 527	21 944 608	-	-	21 944 608
Total financial assets	16 491 716 570	116 971 953	513 707 093	17 122 395 616	4 326 390 355	517 166 987	27 656 553	4 871 213 895
Total loans and advances								
Performing								
Good (AAA to- BBB-)	12 100 272 513	4 944 492	1 318 944	12 106 535 949	2 797 789 565	751 842	145 435	2 798 686 842
Special Mention (BB+ to CCC-)	3 557 525	112 027 461	148 085	115 733 071	-	516 415 145	837	516 415 982
Non performing (CC TO D)	-	-	499 375 969	499 375 969	-	-	5 848 214	5 848 214
Total loans and advances	12 103 830 038	116 971 953	500 842 998	12 721 644 989	2 797 789 565	517 166 987	5 994 486	3 320 951 038
Corporate Lending								
Good (AAA to- BBB-)	5 595 194 178	-	-	5 595 194 178	1 643 822 049	-	-	1 643 822 049
Special Mention (BB+ to CCC-)	-	35 831 810	-	35 831 810	-	491 236 304	-	491 236 304
Non performing (CC TO D)	-	-	472 638 134	472 638 134	-	-	3 104 017	3 104 017
Total corporate lending	5 595 194 178	35 831 810	472 638 134	6 103 664 122	1 643 822 049	491 236 304	3 104 017	2 138 162 370

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

	Unaudited Historical cost 201				Unaudited Historical cost 2020			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
CONSOLIDATED								
Small business lending								
Good (AAA to- BBB-)	390 530 083	3 152	11 071	390 544 306	108 763 132	42	1 043	108 764 217
Special Mention (BB+ to CCC-)	-	35 324 191	-	35 324 191	-	9 751 747	-	9 751 747
Non performing (CC TO D)-	-	-	3 879 200	3 879 200	-	-	202 628	202 628
Total small business lending	390 530 083	35 327 343	3 890 271	429 747 697	108 763 132	9 751 789	203 671	118 718 592
Consumer Lending								
Good (AAA to- BBB-)	5 800 808 370	4 813 523	1 307 873	5 806 929 766	951 751 652	751 800	144 392	952 647 844
Special Mention (BB+ to CCC-)	3 557 525	40 575 052	148 085	44 280 662	479 066	5 193 729	837	5 673 632
Non performing (CC TO D) -	-	-	11 699 341	11 699 341	-	-	2 248 905	2 248 905
Total consumer lending	5 804 365 895	45 388 575	13 155 299	5 862 909 769	952 230 718	5 945 529	2 394 134	960 570 381
Mortgage Lending								
Good (AAA to- BBB-)	313 739 882	127 817	-	313 867 699	93 452 732	-	-	93 452 732
Special Mention (BB+ to CCC-)	-	296 408	-	296 408	37 645	10 233 365	-	10 271 010
Non performing (CC TO D)	-	-	11 159 294	11 159 294	-	-	292 664	292 664
Total mortgage lending	313 739 882	424 225	11 159 294	325 323 401	93 490 377	10 233 365	292 664	104 016 406

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

	Unaudited Historical cost 2021				Unaudited Historical cost 2020			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
CONSOLIDATED								
Guarantees								
Good (AAA to- BBB-)	829 021 429	-	-	829 021 429	688 652 647	-	-	688 652 647
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Total guarantees	829 021 429	-	-	829 021 429	688 652 647	-	-	688 652 647
Loan commitments								
Good (AAA to- BBB-)	728 680 207	-	-	728 680 207	219 933 545	-	-	219 933 545
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Total loan commitments	728 680 207	-	-	728 680 207	219 933 545	-	-	219 933 545
Other financial assets								
Bonds								
Good (AAA to BBB-)	211 413 527	-	-	211 413 527	21 944 608	-	-	21 944 608
Total other financial assets	211 413 527	-	-	211 413 527	21 944 608	-	-	21 944 608

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

An analysis of changes in the ECLs in relation to loans and advances are as follows:

	Inflation adjusted 2021				Inflation adjusted 2020			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
CONSOLIDATED								
Total loans and advances	197 262 622	30 890 580	469 014 820	697 168 022	195 319 829	209 197 190	3 053 648	407 570 667
Insurance debtors	-	-	12 864 095	12 864 095	-	-	34 818 996	34 818 996
In respect of guarantees	38 278 038	-	-	38 278 038	1 338 190	-	-	1 338 190
In respect of loan commitments	1 587 940	-	-	1 587 940	1 012 901	-	-	1 012 901
In respect of other financial assets	13 115 193	-	-	13 115 193	2 470 455	-	-	2 470 455
Total impairment allowances	250 243 793	30 890 580	481 878 915	763 013 288	200 141 375	209 197 190	37 872 644	447 211 209

Treasury bills were assessed for impairment at 31 December 2021 and, having been considered to carry low credit risk, no IFRS 9 impairment charge was raised..

Total loans and advances								
Good (AAA to- BBB-)	197 088 559	1 204 713	910 554	199 203 826	195 290 258	293 937	135 460	195 719 655
Special Mention (BB+ to CCC-)	174 063	29 685 867	60 647	29 920 577	29 571	208 903 253	1 345	208 934 169
Non performing (CC TO D)	-	-	468 043 619	468 043 619	-	-	2 916 843	2 916 843
	197 262 622	30 890 580	469 014 820	697 168 022	195 319 829	209 197 190	3 053 648	407 570 667
Impairment allowance for loans and advances by lending category:								
Corporate Lending								
Good (AAA to- BBB-)	321 454 976	-	-	321 454 976	148 415 121	-	-	148 415 121
Special Mention (BB+ to CCC-)	-	5 531 988	-	5 531 988	-	206 557 663	-	206 557 663
Non performing (CC TO D)	-	-	460 158 219	460 158 219	-	-	826 056	826 056
Impairment allowance for corporate lending	321 454 976	5 531 988	460 158 219	787 145 183	148 415 121	206 557 663	826 056	355 798 840

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

	Inflation adjsuted 2021				Inflation adjusted 2020			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
CONSOLIDATED								
Small business Lending								
Good (AAA to- BBB-)	29 258 466	202	9 299	29 267 967	6 564 857	21	918	6 565 796
Special Mention (BB+ to CCC-)-	-	14 115 587	-	14 115 587	-	368 257	-	368 257
Non performing (CC TO D)	-	-	989 564	989 564	-	-	170 383	170 383
Impairment allowance for small business lending	29 258 466	14 115 789	998 863	44 373 118	6 564 857	368 278	171 301	7 104 436
Consumer lending								
Good (AAA to- BBB-)	155 178 955	1 204 511	901 255	157 284 721	38 149 016	293 916	134 542	38 577 474
Special Mention (BB+ to CCC-)	174 063	9 964 884	60 647	10 199 594	29 571	1 520 720	1 345	1 551 636
Non performing (CC TO D)	-	-	6 161 576	6 161 576	-	-	1 920 404	1 920 404
Impairment allowance for consumer lending	155 353 018	11 169 395	7 123 478	173 645 891	38 178 587	1 814 636	2 056 291	42 049 514
Mortgage Lending								
Good (AAA to- BBB-)	7 604 114	-	-	7 604 114	2 161 264	-	-	2 161 264
Special Mention (BB+ to CCC-)	-	73 408	-	73 408	-	456 613	-	456 613
Non performing (CC TO D)	-	-	734 260	734 260	-	-	-	-
Impairment allowance for mortgage lending	7 604 114	73 408	734 260	8 411 782	2 161 264	456 613	-	2 617 877

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

	Inflation adjusted 2021				Inflation adjusted 2020			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
CONSOLIDATED								
Impairment allowances on guarantees and loan Commitments included in provisions under other liabilities								
Guarantees								
Good (AAA to- BBB-)	38 278 038	-	-	38 278 038	1 338 190	-	-	1 338 190
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Impairment allowances for guarantees	38 278 038	-	-	38 278 038	1 338 190	-	-	1 338 190
Loan commitments								
Good (AAA to- BBB-)	1 587 940	-	-	1 587 940	1 012 901	-	-	1 012 901
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Impairment allowances for loan commitments	1 587 940	-	-	1 587 940	1 012 901	-	-	1 012 901
Other financial assets								
Bonds								
Good (AAA to BBB-)	13 115 193	-	-	13 115 193	2 470 455	-	-	2 470 455
Impairment allowances for other financial assets	13 115 193	-	-	13 115 193	2 470 455	-	-	2 470 455

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

An analysis of changes in the ECLs in relation to loans and advances are as follows:

	Unaudited Historical cost 2021				Unaudited Historical cost 2020			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
CONSOLIDATED								
Total loans and advances	197 262 622	30 890 580	469 014 820	697 168 022	121 515 027	130 148 598	1 899 777	253 563 402
Insurance debtors	-	-	12 864 095	12 864 095	-	-	-	-
Other financial assets	-	-	-	-	-	-	21 662 067	21 662 067
In respect of guarantees	38 278 038	-	-	38 278 038	832 533	-	-	832 533
In respect of loan commitments	1 587 940	-	-	1 587 940	630 160	-	-	630 160
In respect of other financial assets	13 115 193	-	-	13 115 193	1 536 953	-	-	1 536 953
Total impairment allowances	250 243 793	30 890 580	481 878 915	763 013 288	124 514 673	130 148 598	23 561 844	278 225 115

Treasury bills were assessed for impairment at 31 December 2021 and, having been considered to carry low credit risk, no IFRS 9 impairment charge was raised.

	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
Total loans and advances								
Good (AAA to- BBB-)	197 088 559	1 204 713	910 554	199 203 826	121 496 630	182 868	84 274	121 763 772
Special Mention (BB+ to CCC-)	174 063	29 685 867	60 647	29 920 577	18 397	129 965 730	837	129 984 964
Non performing (CC TO D)	-	-	468 043 619	468 043 619	-	-	1 814 666	1 814 666
	197 262 622	30 890 580	469 014 820	697 168 022	121 515 027	130 148 598	1 899 777	253 563 402
Impairment allowance for loans and advances by lending category:								
Corporate Lending								
Good (AAA to- BBB-)	5 047 024	-	-	5 047 024	92 334 033	-	-	92 334 033
Special Mention (BB+ to CCC-)	-	5 531 988	-	5 531 988	-	128 506 460	-	128 506 460
Non performing (CC TO D)	-	-	460 158 219	460 158 219	-	-	513 917	513 917
Impairment allowance for corporate lending	5 047 024	5 531 988	460 158 219	470 737 231	92 334 033	128 506 460	513 917	221 354 410

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

	Unaudited Historical cost 2021				Unaudited Historical cost 2020			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
CONSOLIDATED								
Small business Lending								
Good (AAA to- BBB-)	29 258 466	202	9 299	29 267 967	4 084 218	13	571	4 084 802
Special Mention (BB+ to CCC-) -	-	14 115 587	-	14 115 587	-	229 105	-	229 105
Non performing (CC TO D)	-	-	989 564	989 564	-	-	106 001	106 001
Impairment allowance for small business lending	29 258 466	14 115 789	998 863	44 373 118	4 084 218	229 118	106 572	4 419 908
Consumer lending								
Good (AAA to- BBB-)	155 178 955	1 204 511	901 255	157 284 721	23 733 784	182 855	83 703	24 000 342
Special Mention (BB+ to CCC-)	174 063	9 964 884	60 647	10 199 594	18 397	946 091	837	965 325
Non performing (CC TO D)	-	-	6 161 576	6 161 576	-	-	1 194 748	1 194 748
Impairment allowance for consumer lending	155 353 018	11 169 395	7 123 478	173 645 891	23 752 181	1 128 946	1 279 288	26 160 415
Mortgage Lending								
Good (AAA to- BBB-)	7 604 114	-	-	7 604 114	1 344 595	-	-	1 344 595
Special Mention (BB+ to CCC-)	-	73 408	-	73 408	-	284 074	-	284 074
Non performing (CC TO D)	-	-	734 260	734 260	-	-	-	-
Impairment allowance for mortgage lending	7 604 114	73 408	734 260	8 411 782	1 344 595	284 074	-	1 628 669

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

	Unaudited Historical cost 2021				Unaudited Historical cost 2020			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
CONSOLIODATED								
Impairment allowances on guarantees and loan commitments included in provisions under other liabilities								
Guarantees								
Good (AAA to- BBB-)	38 278 038	-	-	38 278 038	832 533	-	-	832 533
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Impairment allowances for guarantees	38 278 038	-	-	38 278 038	832 533	-	-	832 533
Loan commitments								
Good (AAA to- BBB-)	1 587 940	-	-	1 587 940	630 160	-	-	630 160
Special Mention (BB+ to CCC-)								
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Impairment allowances for loan commitments	1 587 940	-	-	1 587 940	630 160	-	-	630 160
Other financial assets								
Bonds								
Good (AAA to BBB-)	13 115 193	-	-	13 115 193	1 536 953	-	-	1 536 953
Impairment allowances for other financial assets	13 115 193	-	-	13 115 193	1 536 953	-	-	1 536 953

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

An analysis of changes in the gross carrying amount are as follows:

	Inflation adjusted 2021				Inflation adjusted 2020			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
CONSOLIDATED								
Total loans and advances	12 103 830 038	116 971 953	500 842 998	12 721 644 989	4 497 088 105	831 279 641	9 635 368	5 338 003 114
Guarantees	829 021 429	-	-	829 021 429	1 106 920 859	-	-	1 106 920 859
Loan commitments	728 680 207	-	-	728 680 207	353 514 983	-	-	353 514 983
Treasury bills	2 410 330 922	-	-	2 410 330 922	832 802 107	-	-	832 802 107
Insurance debtors	208 440 447	-	12 864 095	221 304 542	128 518 742	-	34 818 996	163 337 738
Other financial assets	211 413 527	-	-	211 413 527	35 273 145	-	-	35 273 145
Total financial assets	16 491 716 570	116 971 953	513 707 093	17 122 395 616	6 954 117 941	831 279 641	44 454 364	7 829 851 946
Balance at beginning of year	6 954 117 941	831 279 641	44 454 364	7 829 851 946	7 330 729 863	150 630 409	116 150 276	7 597 510 548
Effects of inflation adjustments	(2 627 727 586)	(314 112 654)	(16 797 811)	(2 958 638 051)	(5 696 527 736)	(117 051 142)	(90 257 488)	(5 903 836 366)
New assets	14 929 618 630	27 538 861	8 384 400	14 965 541 891	7 628 194 451	659 983 346	21 745 434	8 309 923 231
Repayments	(2 491 722 397)	(194 682 175)	(27 513 388)	(2 713 917 960)	(2 084 491 114)	(86 423 757)	(2 830 596)	(2 173 745 467)
Transfers to Stage 1	-	(38 106 802)	310 676 820	272 570 018	-	224 168 642	(381 119)	223 787 523
Transfers to Stage 2	38 106 802	-	194 944 918	233 051 720	(224 168 642)	-	27 857	(224 140 785)
Transfers to stage 3	(310 676 820)	(194 944 918)	-	(505 621 738)	381 119	(27 857)	-	353 262
Amounts written off	-	-	(442 210)	(442 210)	-	-	-	-
Balance at the end of year	16 491 716 570	116 971 953	513 707 093	17 122 395 616	6 954 117 941	831 279 641	44 454 364	7 829 851 946

All amounts written off are still subject to collection and enforcement activities.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

An analysis of changes in the ECLs are as follows:

	Inflation adjusted 2021				Inflation adjusted 2020			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
CONSOLIDATED								
Total loans and advances	197 262 622	30 890 580	469 014 820	697 168 022	195 319 830	209 197 189	3 053 648	407 570 667
Insurance debtors	-	-	12 864 095	12 864 095	-	-	34 818 996	34 818 996
Total loans and other advances	197 262 622	30 890 580	481 878 915	710 032 117	195 319 830	209 197 189	37 872 644	442 389 663
In respect of guarantees	38 278 038	-	-	38 278 038	1 338 190	-	-	1 338 190
In respect of loan commitments	1 587 940	-	-	1 587 940	1 012 901	-	-	1 012 901
In respect of other financial assets	13 115 193	-	-	13 115 193	2 470 454	-	-	2 470 454
Total impairment allowances	250 243 793	30 890 580	481 878 915	763 013 288	200 141 375	209 197 189	37 872 644	447 211 208
Balance at beginning of the year	200 141 375	209 197 190	37 872 644	447 211 209	363 644 068	16 522 695	109 694 973	489 861 736
Effects of inflation adjustments	(75 626 702)	(79 048 592)	(14 310 800)	(168 986 094)	(282 578 755)	(12 839 376)	(85 241 233)	(380 659 364)
New assets	500 150 120	39 911 795	69 197 680	609 259 595	250 903 643	152 244 807	15 093 753	418 242 203
Repayments	(101 466 384)	(12 347 831)	(10 342 818)	(124 157 033)	(55 745 452)	(21 565 656)	(2 922 258)	(80 233 366)
Transfers to Stage 1	-	(2 085 391)	275 040 007	272 954 616	-	74 985 149	1 096 980	76 082 129
Transfers to Stage 2	2 085 391	-	124 736 591	126 821 982	(74 985 149)	-	150 429	(74 834 720)
Transfers to stage 3	(275 040 007)	(124 736 591)	-	(399 776 598)	(1 096 980)	(150 429)	-	-
Amounts written off	-	-	(314 389)	(314 389)	-	-	-	(1 247 409)
Balance at the end of year	250 243 793	30 890 580	481 878 915	763 013 288	200 141 375	209 197 190	37 872 644	447 211 209

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

An analysis of changes in the gross carrying amount are as follows:

	Unaudited Historical cost 2021				Unaudited Historical cost 2020			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
CONSOLIDATED								
Total loans and advances	12 103 830 038	116 971 953	500 842 998	12 721 644 989	2 797 789 565	517 166 987	5 994 486	3 320 951 038
Guarantees	829 021 429	-	-	829 021 429	688 652 647	-	-	688 652 647
Loan commitments	728 680 207	-	-	728 680 207	219 933 545	-	-	219 933 545
Treasury bills	2 410 330 922	-	-	2 410 330 922	518 114 164	-	-	518 114 164
Insurance debtors	208 440 447	-	12 864 095	221 304 542	79 955 826	-	21 662 067	101 617 893
Other financial assets	211 413 527	-	-	211 413 527	21 944 608	-	-	21 944 608
Total financial assets	16 491 716 570	116 971 953	513 707 093	17 122 395 616	4 326 390 355	517 166 987	27 656 553	4 871 213 895
Balance at beginning of the year	4 326 390 355	517 166 987	27 656 553	4 871 213 895	1 016 692 035	20 890 790	16 108 773	1 053 691 598
New assets	14 929 618 630	27 538 861	8 384 400	14 965 541 891	4 745 755 995	410 597 808	13 528 565	5 169 882 368
Repayments	(2 491 722 397)	(194 682 175)	(27 513 388)	(2 713 917 960)	(1 296 831 940)	(53 767 122)	(1 761 009)	(1 352 360 071)
Transfers to Stage 1	-	(38 106 802)	310 676 820	272 570 018	-	139 462 842	(237 107)	139 225 735
Transfers to Stage 2	38 106 802	-	194 944 918	233 051 720	(139 462 842)	-	17 331	(139 445 511)
Transfers to stage 3	(310 676 820)	(194 944 918)	-	(505 621 738)	237 107	(17 331)	-	219 776
Amounts written off	-	-	(442 210)	(442 210)	-	-	-	-
Balance at end of the year	16 491 716 570	116 971 953	513 707 093	17 122 395 616	4 326 390 355	517 166 987	27 656 553	4 871 213 895

The amounts written off are still subject to collection and enforcement activities.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

An analysis of changes in the ECLs are as follows:

	Unaudited Historical cost 2021				Unaudited Historical cost 2020			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
CONSOLIDATED								
Total loans and advances	197 262 622	30 890 580	469 014 820	697 168 022	121 515 027	130 148 598	1 899 777	253 563 402
Insurance debtors	-	-	12 864 095	12 864 095	-	-	21 662 068	21 662 068
Total impairment allowances	197 262 622	30 890 580	481 878 915	710 032 117	121 515 027	130 148 598	23 561 844	275 225 470
In respect of guarantees	38 278 038	-	-	38 278 038	832 533	-	-	832 533
In respect of loan commitments	1 587 940	-	-	1 587 940	630 160	-	-	630 160
In respect of other financial assets	13 115 193	-	-	13 115 193	1 536 953	-	-	1 536 953
	250 243 793	30 890 580	481 878 915	763 013 288	124 514 673	130 148 598	23 561 844	278 225 115
Balance at beginning of the year	124 514 673	130 148 598	23 561 844	278 225 115	50 433 455	2 291 516	15 213 493	67 938 464
New assets	500 150 120	39 911 795	69 197 680	609 259 595	156 095 584	94 716 608	9 390 331	260 202 523
Repayments	(101 466 384)	(12 347 831)	(10 342 818)	(124 157 033)	(34 681 118)	(13 416 719)	(1 818 035)	(49 915 872)
Transfers to Stage 1	-	(2 085 391)	275 040 007	272 954 616	-	46 650 780	682 468	47 333 248
Transfers to Stage 2	2 085 391	-	124 736 591	(126 821 982)	(46 650 780)	-	93 587	(46 557 193)
Transfers to stage 3	(275 040 007)	(124 736 591)	-	(399 776 598)	(682 468)	(93 587)	-	(776 055)
Amounts written off	-	-	(314 389)	(314 389)	-	-	-	-
Balance at end of year	250 243 793	30 890 580	481 878 915	763 013 288	124 514 673	130 148 598	23 561 844	278 225 115

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
ECL Movement				
Balance at beginning of year	442 389 663	482 827 065	275 225 469	66 962 832
Increase / (decrease) in respect - of impairments are:				
Loans and insurance	36 613 986	433 008 353	437 965 834	208 074 088
Write offs against provision net of recoveries	(2 431 581)	303 068	(3 159 186)	188 549
Effects of inflation movement	233 460 049	(473 748 823)	-	-
	710 032 117	442 389 663	710 032 117	275 225 469
Analysis of ECL on loans and advances				
Balance at beginning of year	407 570 667	393 195 949	253 563 402	54 531 977
Increase in ECL for the year	45 411 958	418 170 363	446 763 806	198 842 876
Write offs against provision net of recoveries	(2 431 581)	303 068	(3 159 186)	188 549
Effects of inflation movement	246 616 978	(404 098 713)	-	-
Balance at end of year	697 168 022	407 570 667	697 168 022	253 563 402
Analysis of ECL on insurance debtors				
Balance at beginning of year	34 818 996	89 631 116	21 662 067	12 430 855
(Decrease)/Increase ECL for the year	(8 797 972)	14 837 990	(8 797 972)	9 231 212
Effects on inflation movement	(13 156 929)	(69 650 110)	-	-
Balance at end of year	12 864 095	34 818 996	12 864 095	21 662 067

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 ZW$	31 Dec 2020 ZW$	31 Dec 2021 ZW$	31 Dec 2020 ZW$
Analysis of ECL on guarantees and letters of credit guarantees				
Balance at beginning of year	1 338 190	1 008 132	832 533	139 817
Increase in ECL for the year	38 167 875	1 113 452	37 445 505	692 716
Effect of inflation movements	(1 228 027)	(783 394)	-	-
Balance at end of year	38 278 038	1 338 190	38 278 038	832 533
Analysis of ECL on loan commitments				
Balance at beginning of year	1 012 901	5 368 246	630 160	744 517
Increase / (decrease) in ECL for the year	1 556 802	26 635 709	957 780	(114 357)
Effects of inflation movement	(981 763)	(30 991 054)	-	-
Balance at end of year	1 587 940	1 012 901	1 587 940	630 160
Analysis of ECL on other financial assets				
Balance at beginning of year	2 470 455	658 293	1 536 953	91 298
Increase in ECL for the year	547 367 482	2 241 128	11 578 240	1 445 655
Effect of Inflation movements	(536 722 744)	(428 966)	-	-
Balance at end of year	13 115 193	2 470 455	13 115 193	1 536 953

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

Impact evaluation

Credit risk was rated high due to the volatile operating environment as well as unavailability of foreign exchange.

The default and downgrade risk components of credit risk are more prevalent in the current operating environment. Bankruptcy risk wherein collateral fails to realise exposure is marginal. Settlement risk posed by counterparties remains manageable.

Strategies for management / mitigation

The Group has a credit risk management process which operates through a hierarchy of exposure discretions. All exposures above a certain level require the approval of the Board Credit Committee which comprises executive and Non-Executive Directors. Exposures below the Board Credit Committee's discretion are approved according to a system of tiered exposure discretions delegated to management committees.

Monitoring and controlling mechanisms

Regular credit audits and reviews are conducted and problem accounts are highlighted and management action is taken as appropriate.

Adequacy and effectiveness of risk management systems

The credit risk management and control techniques alluded to above are adequate and effective and all staff members are required to adhere to them is indicated in the mitigation strategies.

Risk Communication

Risk communication is prioritised to ensure that management / stakeholders have all the available risk information to aid their decision making as well as to facilitate assessment of the effectiveness and efficiency of the risk management function.

Financial guarantees

The Group has issued financial guarantees in respect of clients for which the maximum amount is payable by the Group, assuming all guarantees are called on is ZW$829 million (2020: ZW$1.1 billion).

Sensitivity analysis

A 10% change in the assets classified as good to marginal category to a "loss" classification would result in the reported profit being reduced by ZW$874.6 million (2020: ZW$177.6 million) and the total assets in the consolidated statement of financial position reducing by ZW$1.3 million (2020:ZW$361.2 million).

The impact of the COVID-19 Pandemic on Credit Risk

COVID-19 pandemic has impacted on repayment capacity of the Group's clientele as individuals and business borrowers faced job losses, slowed sales and declining profits respectively. The school's portfolio was one area hard hit by the pandemic. However, risks related to School's default risk are anticipated to recede owing to the opening of schools and vaccinations roll out by the government.

The Group have assessed the impact of Covid-19 pandemic and there was no significant impact on ECLs as there were no material changes on the terms and conditions on loans and the lending processes and procedures.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.2.4 Credit risk (continued)

The impact of the COVID-19 Pandemic on Credit Risk (continued)

The Group was in compliance with all Government and World Health Organisation (WHO) guidelines aimed at taming the spread of the virus. The Government rolled out COVID-19 vaccination programs in order to reduce adverse impact of the COVID-19 pandemic on the economy. For further information on COVID-19 Pandemic refer to note 41.

IFRS 9 Models Recalibration

The IFRS 9 models housed on the Oracle Financial Services Analytical Applications (OFSAA) have been recalibrated to align them to the macro-economic trends currently obtaining.

39.3 Insurance Risk

Definition

Insurance risk is the risk that future claims (in relation to death, disability, retrenchment and withdrawal) and expenses will exceed the allowance for expected claims and expenses in the measurement of policyholder liabilities and in product pricing. In addition to these insurance risks, the Group assumes further risks in relation to policyholder behavior (including lapses and converting recurring premium policies to paid up status) and tax regulations which could have adverse impact on the Group's earnings and capital if different from that assumed in the measurement of policyholder liabilities and product pricing. From a risk management perspective, management groups these under insurance risk.

Ownership and identification

Group management is responsible for the day to day identification, management and monitoring of insurance risk. It is also management's responsibility to report any material insurance risks, risk events and issues identified to the Board of Directors. The statutory actuaries provide independent oversight of the compliance with the Group's risk management policies and procedures and the effectiveness of the Group's insurance risk management process.

Risk identification, assessment and measurement

Insurance risks are due to the uncertainty of the timing and amount of cash flows arising under insurance contracts. The timing is specifically influenced by future mortality, longevity, morbidity, withdrawal and expenses about which assumptions are made in the measurement of policyholder liabilities and in product pricing. Deviations from assumptions will result in actual cash flows being different from those expected. As such each assumption represents a source of uncertainty.

Experience investigations are conducted regularly on all significant insurance risks so as to ascertain the reasons for deviations from assumptions and their financial impacts. If the investigations indicate that these deviations are likely to persist in future, the assumptions will be adjusted accordingly in the subsequent measurement of policyholder liabilities.

Insurance risks are assessed and reviewed against the Group's appetite for risk. Mitigating actions are developed for any risks that fall outside management's assessment of risk appetite in order to reduce the level of risk to within the approved tolerance limits.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.3 Insurance risk (continued)

Risk Management

The management of insurance risk is effectively the management of deviations of actual experience from assumed best estimate of future experience. The first line of defense processes and procedures that manage insurance risk differ considerably by risk type. These are described by each risk type in the sections which follow.

The consulting actuaries provide insight into the insurance risks undertaken by the Group in that they are required to:

- Assess the ability of the Group to continue as a going concern whilst providing an equitable return to the Group's shareholders and benefit to policyholders and other stakeholders
- Report at least annually on the financial soundness of the Group
- Set the assumptions used to provide best estimate liabilities, and allowing for prudence via appropriate margins
- Report on the actuarial soundness of premium rates in use for new business and the profitability of the business, taking into consideration the reasonable benefit expectations of policyholders and the associated insurance and market risks.

In addition, all new products and premium rates are set in consultation with the consulting actuary. The Group also makes use of reinsurance to reduce its exposures to some insurance risks.

Reporting

The consulting actuaries include information and propose mitigating actions on insurance risk in the annual actuarial valuation report. The report is presented to the Board for decision making and adoption.

39.3.1 Policyholder Behavior risk

Policyholder behavior risk is the risk of loss arising due to actual policyholder behavior being different from expected.

The primary policyholder risk is persistency risk. This arises due to policyholders discontinuing or reducing contributions or withdrawing benefits partially or in total when this is not in line with expectations. This behavior results in loss of future charges that are designed to recoup expenses and commission incurred early in the life of the contract and to provide a profit margin or return on capital.

The Group has policies and procedures in place to ensure that new business is of an acceptable quality. Persistency is monitored on an ongoing basis and corrective action taken whenever the ratios start deteriorating.

39.3.2 Mortality risk

Mortality risk is the risk of loss arising due to the actual death rates on life insurance business being higher than expected.

The Group has the following processes and procedures in place to manage mortality risk

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.3.2 Mortality risk (continued)

Pricing

Premiums are differentiated by factors which historical experience has shown are significant determinants of mortality claims experience.

Where adequate claims data is available, actual claims experience is monitored on an on-going basis. Product pricing and the measurement of liabilities are revised if deteriorating experience is identified and expected to continue – and where no alternative risk mitigating measures are available.

Allowance for HIV and AIDS and other terminal illnesses (where identified) are made in product pricing, as well as when setting the actuarial liabilities.

Terms and conditions

To mitigate mortality risk, the policy terms and conditions allow for specific exclusions, as well as premium loadings when accepting non-standard risk.

Underwriting

Underwriting guidelines are in place. These cover authorization limits and procedures on assessing new policy proposals.

All applications for risk cover are underwritten except for some policies with cover below defined thresholds where specific allowance for no underwriting has been made in the product design. Covers in excess of specified limits are reviewed by experienced underwriters. For Group Life covers these specified limits are scheme-specific and based on the size of the scheme and distribution of individual covers. The annually reviewable terms on Group Life business enable premiums to be aligned with emerging claims experience.

Specific testing for HIV is carried out in all cases where the applications for risk cover exceed set limits..

The expertise of reinsurers is used to assist in the rating of new applications.

Financial underwriting is used where necessary to determine insurable interest.

Claims management

Experienced claims assessors determine the merits of a claim in relation to the policy terms and conditions.

Reinsurance

Reinsurance arrangements are put in place to reduce the mortality exposure per individual and provide cover in catastrophic events.

The Group performs an annual review of the reinsurance arrangements in line with the stated risk appetite.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.3.3 Longevity risk

Longevity risk is the risk of loss arising due to policyholders living longer than expected. For life annuities, the risk is due to the Group having undertaken to make regular payments to policyholders for their remaining lives and possibly to the policyholders' spouses for their remaining lives. The most significant risk on these liabilities is continued medical advances and improvement in social conditions that lead to longevity improvements being better than expected.

The Group manages longevity risk as follows:

- Where adequate in-house data is available, the actual longevity experience is monitored on an on-going basis and trends assessed over time.
- Allowance is made for future mortality improvements in the pricing of new business and the measurement of policyholder liabilities. Such allowances are based on the trends identified in experience investigations and external data.

39.3.4 Expense risk

Expense risk is the risk of loss arising due to expenses incurred in the administration of individual policies and pension funds being higher than expected.

Allowance is made for expected future maintenance expenses in the measurement of policyholder liabilities utilizing a cost per policy methodology. These expected expenses are dependent on estimates of the number of in force and new business policies. As a result, the risk of expense loss arises due to expenses increasing by more than expected as well as the number of in force and or new business policies being less than expected. The management of expense risk is core to the business. The expenses that the Group is expected to incur on policies are allowed for in product pricing. If the expenses expected to be incurred are considerably higher than those of assurers offering competing products, the ability of the Group to sell business on a profitable basis will be impaired. This not only has capital implications but can also affect the Group's ability to function as a going concern in the long term.

39.3.5 Insurance risk sensitivity analysis

The Group's statutory actuary subjected the life fund liability before bonus declarations to 10% variations in mortality rates and renewal expenses as well as 1% variations in discount rates as shown below. The valuation of the liability was carried out in accordance with the requirements of the Insurance Act of 1987 (Chapter 24:07).The Financial Soundness Valuation (FSV) methodology was used. The actuaries followed the FSV principles set out in the professional guidance issued by the Actuarial Society of South Africa, notably Advisory Practice Note 103 and Standard of Actuarial Practice Note 104.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

38.3.5 Insurance risk sensitivity analysis (continued)

	Inflation Adjusted ZW$			Unaudited Historical Cost ZW$		
2021	After Change	Change Amount	% Change	After Change	Change Amount	% Change
Valuation of insurance liabilities - before bonuses	**2 832 719 000**			**2 832 719 000**		
Increase of 10% in expected mortality - assured lives only	2 846 871 000	14 151 000	0.5%	2 846 871 000	14 151 000	0.5%
Reduction of 10% in expected mortality - annuitants only	2 838 583 000	5 864 000	0.2%	2 838 583 000	5 864 000	0.2%
Reduction of one percentage point in the valuation discount rate	2 963 505 000	130 786 000	4.4%	2 963 505 000	130 786 000	4.4%
Increase of one percentage point in the valuation discount rate	2 756 927 000	(75 792 000)	-2.7%	2 756 927 000	(75 792 000)	-2.7%
Increase in renewal expenses of 10%	2 933 562 000	100 843 000	3.4%	2 933 562 000	100 843 000	3.4%
Increase of one percentage point in the expense inflation rate	2 944 672 000	111 953 000	3.8%	2 944 672 000	111 953 000	3.8%

	Inflation Adjusted ZW$			Unaudited Historical Cost ZW$		
2020	After Change	Change Amount	% Change	After Change	Change Amount	% Change
Valuation of insurance liabilities - before bonuses	**2 201 408 224**			**1 369 570 000**		
Increase of 10% in expected mortality - assured lives only	2 203 996 092	2 586 261	0.1%	1 371 180 000	1 609 000	0.1%
Reduction of 10% in expected mortality - annuitants only	2 209 903 184	8 494 960	0.4%	1 374 855	5 285 000	0.4%
Reduction of one percentage point in the valuation discount rate	2 263 838 545	62 428 714	2.8%	1 408 410	38 839 000	2.8%
Increase of one percentage point in the valuation discount rate	2 163 610 875	37 798 956	-1.7%	1 346 055	23 516 000	-1.7%
Increase in renewal expenses of 10%	2 261 411 414	60 001 583	2.7%	1 406 900	37 329 000	2.7%
Increase of one percentage point in the expense inflation rate	2 257 298 149	55 888 318	2.5%	1 404 341	34 770 000	2.5%

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.4 Other business risks

39.4.1 Operational risk

Definition

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements.

Operational risk is not typically taken in pursuit of an expected return, but exists as part of the normal course of business at all levels. The main sources of operational risk include;

- Legal risk
- Compliance and regulatory risk
- Financial crime

Legal risk

Legal risk arises from the necessity that the Group conducts its activities in conformity with the business and contractual legal principles applicable in each of the jurisdictions where it conducts its business. The possibility of a failure to meet these legal requirements may result in unenforceable contract disputes, litigation, fines, penalties, claims for damages or other adverse consequences.

Compliance and regulatory risk

Compliance and regulatory risk refers to the risk of failure to comply with laws, rules, regulations and other ethical and statutory standards. Compliance and regulatory risk has become increasingly significant and there continues to be considerable demand for compliance with various new and amended regulatory requirements. The Group remains committed to the highest regulatory and compliance standards, especially due to the increasing scale and complexity of laws and regulations.

Financial Crime

Financial crime refers to all crimes committed by an individual or a group of individuals that involve taking money or other property that belong to someone else, to obtain a financial or professional gain.

Operational risk management

The Group business units act as the first line of defence and are responsible for the identification, measurement, monitoring and reporting of operational risk. Operational risk is reported and monitored through the Operational Risk function within the Group Business Risk department and overseen by the Board Risk Committee. The Operational Risk function acts as the second line of defence.

The primary responsibilities of the Operational Risk unit are to develop, maintain and champion the Group Operational Risk Management Framework, policies and enablers to support operational risk management in the business as well as the implementation of the Basel II and regulatory requirements and international best practice for operational risk management.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.4.1 Operational risk

In addition, the Group has an independent Compliance function that it reports directly to the Group Chief Executive and they form part of the second line of defence within the risk management governance structure and the Group Internal Audit, being the third line of defence, provides assurance to the Board.

Measurement methods

The risk is measured by the extent of loss due to system failure reported during the period.

The primary operational risk measurement processes include Operational Risk Self Assessments (ORSA), internal loss data collection processes and governance, the tracking of key risk indicators (KRIs) and scenario analysis, which are designed to function in an integrated and mutually reinforcing manner.

Impact evaluation

The level of inherent operational risk is considered high and the aggregate operational risk management systems in place are acceptable, hence the overall composite operational risk is moderate. The direction of the risk is stable.

The Group's operational risk is heightened by the partial compliance to the Anti – Money Laundering (AML) and Counter Terrorist Financing (CFT) regulations; however, there is a comprehensive, formal, well-documented and closely monitored plan to be fully compliant to the AML/CFT regulations.

Operational risk losses as at 31 December 2021 were within the set risk tolerance levels and a scenario where operational risk losses rise by 100% will have a minor impact on the Bank's Capital Adequacy Ratio.

The Group has put in place acceptable tools and techniques for managing operational risk.

Strategies for management / mitigation

The Group minimises people risk by ensuring that controls are incorporated into the recruitment and selection processes of all employees, including contractors, temporary employees and consultants. This process aims to minimise the Group's vulnerability to fraud, embezzlement, theft, corruption and mismanagement of job responsibilities. Fraud prevention measures include internal and external whistle blowing reporting lines and the Group maintains a policy of zero tolerance towards any dishonesty among staff members.

Staff members are continuously trained on new and amended regulatory requirements, and clearly defined policies and procedures that ensure compliance with all statutory requirements and regulatory obligations are in place.

The Group has a qualitative insurance programme for its financial and non-financial risks to mitigate its operational and fraud exposures. A business continuity management system which is aimed at ensuring resilient business activities in emergencies and disasters is in place. In response to COVID 19, the Group implemented safety measures and protocols as defined by the World Health Organisation in order to ensure business continuity through remote working and introduction of the use of digital platforms.

Monitoring and controlling mechanisms

A well-defined and embedded reporting process is in place. Risk profiles, loss trends and risk mitigation actions are reported to and monitored by the risk governance structures of the Group.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.4.1 Operational risk (continued)

Adequacy and effectiveness of risk management systems

The Group has put in place acceptable risk management systems to protect the Group's assets and mitigate operational risk.

39.4.2 Reputational risks

Definition

Reputational risk arises when a situation, occurrence, business practice or event has the potential to materially influence the public and stakeholder's perceived trust and confidence in the Group. Reputational risk may arise from a variety of sources, such as fraud and non-compliance with statutory or regulatory requirements. Other sources of reputational risk may arise from failing to safeguard non-public customer information through outsourcing relationships, a high volume of customer complaints, or public regulatory sanctions.

Reputational risk management

Reputational risk is, to a large degree, mitigated by adequately managing the other key risks the Group faces. External communication to stakeholders is controlled by risk management policies, with a designated Group spokesperson.

The Group Corporate Services unit plays a major role in managing the Group's image and reputation. Key functions include marketing and communications.

Impact evaluation

The level of inherent reputational risk is considered high and the aggregate reputational risk management systems in place are acceptable, hence the overall composite reputational risk is moderate. The direction of the risk is stable.

The continued delay in the resolutions of the ZB Group shareholders' issues is heightening the reputational risk of the Group due to negative market perception.

The ZB Group has in place a Marketing Committee to oversee reputational risk, among other deliverables, including policy direction and guidance on brand visibility, innovation, new product development, product profitability and pricing.

Strategies for management through mitigation

The Group manages this risk through staff training and development, regular and independent audits.

Monitoring and controlling mechanisms

Any losses incurred are reported to the Board Audit, Board Risk and Board Executive Committees. Lessons learnt are used in staff training to avoid recurrences.

Adequacy and effectiveness of the risk management system

The management system for legal, reputational and compliance risks is adequate and effective and all staff members adhere to the system.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.4.3 Technological risk

Definition

Technology risk stems from risks associated with misalignment with business strategy; an uncoordinated or inefficient information technology (IT) strategy; failure of projects to deliver desired change, data protection and information privacy; effects of physical disasters on information systems; IT outsourcing, IT performance and information systems governance.

Information technology risk deals with the management of all risks associated with the ownership, involvement, operation, influence, adoption and use of IT in the Group.

Identification techniques

An Information Technology Committee which reviews developments and proposes enhancements to the technological platform is in place. The Group also has Business Continuity Plans (BCP) and Disaster Recovery Plans (DRPs) and these are tested and maintained up to date. Access to computer systems is restricted to authorized personnel through a hierarchy of authority levels. A comprehensive information security policy drives and guides every aspect of acquisition and use of information technologies.

Impact evaluation

The level of inherent IT risk is considered high and the aggregate IT risk management systems in place are acceptable, hence the overall composite IT risk is moderate. The direction of the risk is increasing.

Measurement methods

The Group measures the risk through setting and monitoring the maximum tolerance limits for system downtimes, ensuring that the reports are available at the appropriate times and generally that operational efficiency is being achieved. An enterprise wide risk management framework identifies and measures each domain of information technology risk, appropriating the level of inherent risk and the direction.

Strategies for management/mitigation

The Group manages this risk through continuous learning and staff development, regular and independent audits. Issues are also escalated to system vendors in accordance with the service level agreements in place and these are resolved expeditiously. Further, the Group updates BCPs and DRPs regularly and also conducts business continuity and disaster recovery simulations annually. The information technology policy document is reviewed, updated and shared on a regular basis, in view of the on-going changes in IT.

Monitoring and controlling mechanisms

The deadlines for the production of all reports are monitored strictly. Any system breakdowns are attended to and reported promptly to ensure that appropriate corrective action is instituted. The Group constantly reviews new technologies and adopts them where appropriate. All computer rooms are temperature controlled and well ventilated. Access is restricted to authorized persons only. There are various levels of access to the system based on the seniority of the officers concerned.

Adequacy and effectiveness of risk management systems

The management system for identifying, monitoring and controlling technological risk is adequate and effective and all staff members adhere to the system.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.4.4 Solvency risk

Definition

Solvency risk is the risk that the Group may incur liabilities that are far in excess of its ability to pay leading to financial distress.

Identification techniques

The Group strictly monitors the assets and liabilities and has set limits to the liabilities that can be incurred and the placements arising there from. The loan/deposit ratio is monitored regularly and corrective action instituted where appropriate.

Impact evaluation

The Group considers this risk as moderate as there are adequate systems of identifying, monitoring and controlling solvency risk. However, funding pressures remain pronounced whilst revenue expansion, as source of funding, is constrained.

Measurement methods

The Group measures this risk through setting maximum levels for loan/deposit ratios and reviewing the relationship between liabilities and assets through maturity profiles and term structures.

Strategies for management/mitigation

The Group manages the risks through setting limits for the loan/deposit ratio and ensuring that these limits are not exceeded.

Adequacy and effectiveness of risk management systems

The management system for identifying, monitoring and controlling solvency risk is adequate and effective and all staff members adhere to the system.

39.4.5 Underwriting risk

Definition

Underwriting risk in reinsurance business is the probability of losses incurred in a given reinsurance period exceeding premium in the corresponding period. On the other hand, in life assurance business underwriting risk is the risk that the actual exposure to mortality and disability risks will exceed the best estimate of the statutory valuator, thereby causing financial loss.

Impact evaluation

The underwriting risk in reinsurance business would only materialize in the case of a catastrophe. The risk in case of a catastrophe has been reinsured and is limited to equivalent of US$75 000 (2020: US$75 000) and concentration of insurance risk is in fire and motor classes, as management consider these classes to be profitable. There is no concentration of risk in terms of exposure to single customers.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.4.5 Underwriting risk (continued)

Measurement methods

In life assurance business, all applications for life and disability cover are assessed using sound underwriting techniques and methods, including HIV testing, where necessary. Mortality and disability investigations are periodically carried out and actuarial assumptions are adjusted accordingly.

Strategies for management/mitigation

In reinsurance business, this is normally mitigated by the purchase of reinsurance from the London insurance market annually. All mortality and disability risks above periodically determined retention levels are reassured with professional reassurance firms.

Details of underwriting risk in reinsurance business are as follows:

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2021 US$	31 Dec 2020 US$	31 Dec 2021 US$	31 Dec 2020 US$
CONSOLIDATED				
Total insurance risk before retrocession	6 000 000	6 000 000	6 000 000	6 000 000
Retroceded risk	(5 000 000)	(5 000 000)	(5 000 000)	(5 000 000)
Insurance risk after reinsurance	1 000 000	1 000 000	1 000 000	1 000 000

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For the year ended 31 December 2021

39.5 Risk rating

39.5.1 Regulatory risk rating

The Reserve Bank of Zimbabwe conducts regular offsite and onsite examinations of the institutions that it regulates. The last on-site examination of the Group was concluded on the 9th of December 2014 using data as at 30 September 2014.

Being a Bank Holding Group (BHG), the condition of ZB Financial Holdings Limited was assessed using the RFI/(C)D rating system which is an acronym for **R**isk Management; **F**inancial Condition; Potential **I**mpact of the parent Group and non-depository subsidiaries on the subsidiary depository institutions; **C**omposite rating based on an evaluation and rating of its managerial and financial condition; and assessment of the subsidiary **D**epository institutions.

ZB Bank Limited and ZB Building Society were assessed using the Risk Assessment System (RAS) and the CAMELS[5] rating model.

The individual components of the rating systems were rated as follows:

RFI/(C)D/CAMELS/CEFM Component	Latest Rating	
	ZB Bank	ZB Building Society
Capital Adequacy	4	4
Asset Quality	4	2
Management	3	3
Earnings	4	3
Liquidity and Funds Under Management	2	2
Sensitivity to Market Risk	2	2
Composite rating	**4**	**3**

Key: 1 = Strong; 2 = Satisfactory; 3 = Fair; 4 = Weak; 5 = Critical

Summary of Risk Assessment

RAS Component	Latest Rating	
	ZB Bank	ZB Building Society
Aggregate inherent risk	High	Moderate
Quality of aggregate risk management systems	Acceptable	Acceptable
Overall composite risk	High	Moderate
Direction of overall composite risk	**Increasing**	**Stable[1]**

[5] "CAMELS" stands for **C**apital **A**dequacy **A**sset **Q**uality **M**anagement **E**arnings, **L**iquidity management and **S**ensitivity to market risk

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.5.1 Regulatory risk rating (continued)

Overall Risk Matrix – ZB Bank Limited

Type of Risk	Level of Aggregate Inherent Risk	Adequacy of Aggregate Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit Risk	High	Inadequate	High	Increasing
Liquidity Risk	Moderate	Acceptable	Moderate	Stable
Interest Rate Risk	Moderate	Acceptable	Moderate	Stable
Foreign Exchange Risk	Low	Acceptable	Low	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Increasing
Operational Risk	High	Acceptable	Moderate	Stable
Legal & Compliance Risk	High	Inadequate	High	Increasing
Reputational Risk	High	Acceptable	High	Stable
Overall Risk	**High**	**Acceptable**	**High**	**Increasing**

Overall Risk Matrix – ZB Building Society

Type of Risk	Level of Aggregate Inherent Risk	Adequacy of Aggregate Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit Risk	Low	Acceptable	Low	Stable
Liquidity Risk	Moderate	Acceptable	Moderate	Stable
Interest Rate Risk	Moderate	Acceptable	Low	Stable
Foreign Exchange Risk	Low	Acceptable	Low	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	Moderate	Acceptable	High	Increasing
Legal & Compliance Risk	High	Weak	High	Increasing
Reputational Risk	Moderate	Acceptable	Moderate	Stable
Overall Risk	**Moderate**	**Acceptable**	**Moderate**	**Stable**

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.5.1 Regulatory risk rating (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 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 policies and limits are put in place. The policies comprehensively define the Bank's or Society'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 organization.

High - risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the bank's overall condition.

Direction of Overall Composite risk

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

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

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

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

39.5.1 Regulatory risk rating (continued)

Some of the Group's significant trading companies subscribe to an internationally recognised rating agency, Global Credit Rating Group (GCR)[2] and the ratings for the last three (3) years were as follows:

Long-term debt rating scale:

Entity	2021	2020	2020
ZB Bank Limited	BBB+	BB	BB
ZB Building Society	B-	B-	B-
ZB Reinsurance Company	BBB	BBB	BBB

The ratings for ZB Bank Limited and ZB Building Society expires in September 2022, whilst the rating for ZB Reinsurance expires in May 2022.

40. COMPLIANCE WITH REGULATIONS

40.1 Regulatory capital requirements

Commercial banks and building societies in Zimbabwe were required to maintain a minimum capital level of ZW$ equivalent of USD30 million and USD20 million respectively, using the spot rate as at 31 December 2021. ZB Bank Limited met this requirement as at 31 December 2021, whilst ZB Building Society was not in compliant with this minimum regulatory capital requirement as at 31 December 2021.

40.2 Corrective orders and regulatory penalties

The Company was issued with a corrective order on 7 March, 2017 following a targeted corporate governance inspection by the Reserve Bank of Zimbabwe (RBZ) in terms of Section 48(4) of the Banking Act (Chapter 24:20).

A compliance review was carried out in March, 2018 and noted progress made as well as residual matters that still require further action by the company.

The company has made significant progress in addressing outstanding matters and has kept the RBZ abreast with progress being made.

[2] GCR suspended short-term bank ratings in Zimbabwe from 2006 owing to the volatility of the economic environment. At the same time, all long-term ratings were placed on rating watch due to the resultant pricing risk attached to the potential roll-over of government debt, the impact that this would have on profitability across the sector and ultimately the ability to meet new capital requirements.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

40.3 Insurance operations

In terms of paragraph 3 of Statutory Instrument 206 of 2020, Amendment Regulations of 2020 (Number 22), paragraph 11B (1) was inserted to the principal regulations of the Insurance Act (Chapter 24:07) with the effect of setting the minimum prescribed assets ratios for insurers at the rate of 15% of the market value of total adjusted assets in the case life assurance businesses and 10% of the market value of total adjusted assets in the case of short-term re-insurance businesses.

ZB Life Assurance Limited did not comply with these ratios throughout 2021, closing the year with ratio at 0.81% (2020: 0.7%). As further required by paragraph 11B sub-section 4, ZB Life Assurance has collaborated with the Insurance and Pensions Commissions (IPEC) on the non-compliance as required by the Regulations, and provided a roadmap to remedy the non-compliance which is being tracked on a monthly basis. Compliance has been affected by the shortage of qualifying assets on the market. Furthermore, the ratio have been impacted on by an inflationary growth in the value of assets. The non-compliance persisted up to the date of release of these financial statements. No penalties have been levied on ZB Life Assurance Limited for the non-compliance.

ZB Reinsurance complied with this requirement as at 31 December 2021 with a ratio of 11% (2020: 5%).

40.4 Other compliance issues

The Directors are not aware of any other cases of non-compliance with regulations governing the operations of all companies within the Group.

41 SUBSEQUENT EVENTS

As at 31 December 2021, ZB Building Society was not in compliance with the new Reserve Bank of Zimbabwe's minimum capital requirements. The target was to finalise the consolidation of the banking and building society operations, by merging ZB Building Society and Intermarket Banking Corporation Limited (property owning company) into ZB Bank Limited by 31 December 2021, but the transaction has taken longer than anticipated, and is now scheduled to be completed in 2022. The Group is confident that the non-compliance by the Society will be remedied by consolidating ZB Building Society and Intermarket Banking Corporation Limited net assets and operations into the Bank before 31 December 2022.

The Directors are confident that the Society will meet the regulatory minimum capital requirements either through the proposed consolidation of the Society's operations with the rest of ZB Financial Holdings Limited's banking operations or through organic growth and capital injection as required and committed to in a letter of support provided by ZB Financial Holdings Limited to the Society.

Notes to the Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2021

42. GOING CONCERN

The Board undertakes regular assessment of whether the Company and its subsidiaries is a going concern in the light of current economic conditions and all available information about future risks and uncertainties.

The Monetary Policy Committee of the Reserve Bank of Zimbabwe, revised minimum capital requirements for banking institutions which became effective from 31 December 2021. The revised limit for Tier 1 Banks is the ZW$ equivalent of US$30m and for Building Societies is the ZW$ equivalent of US$20m reckoned with reference to the exchange rate ruling at that time.

A rearrangement of capital resources through the restructuring of the Group's banking operations namely ZB Bank Limited and ZB Building Society is planned for the optimisation of capital resources and also address possible capital strain at a solo level for the subsidiaries. The Group will ensure that it continues to support the ZB Building Society operations to meet the minimum capital requirements.

The projections for the Group have been prepared, covering its future performance, capital and liquidity for a period of 12 months from the date of approval of these financial statements including performing sensitivity analyses. These analyses have taken into account the ongoing developments related to the COVID-19 pandemic and do not reflect the possibility of a strain that can affect the continuation of operations in their current state.
Whilst aggregate risk has been assessed as a whole, risks in the following areas continue to remain under close monitoring as a result of the continuation of the COVID-19 pandemic:

a) **Credit Risk –** changed operating models and market dynamics may affect the ability of borrowers to service their obligations. The Group may be forced to consider loan forbearance to mitigate the risk of loss.

b) **Liquidity Risk –** During the year, the market continued to have excess liquidity and the Group has not been affected by this risk. For any mismatches that may arise between assets and liabilities due to changed business models for suppliers of critical funding, the Group will maintain a significant liquidity buffer in the short-term. This may affect asset creation activities in the short-term period.

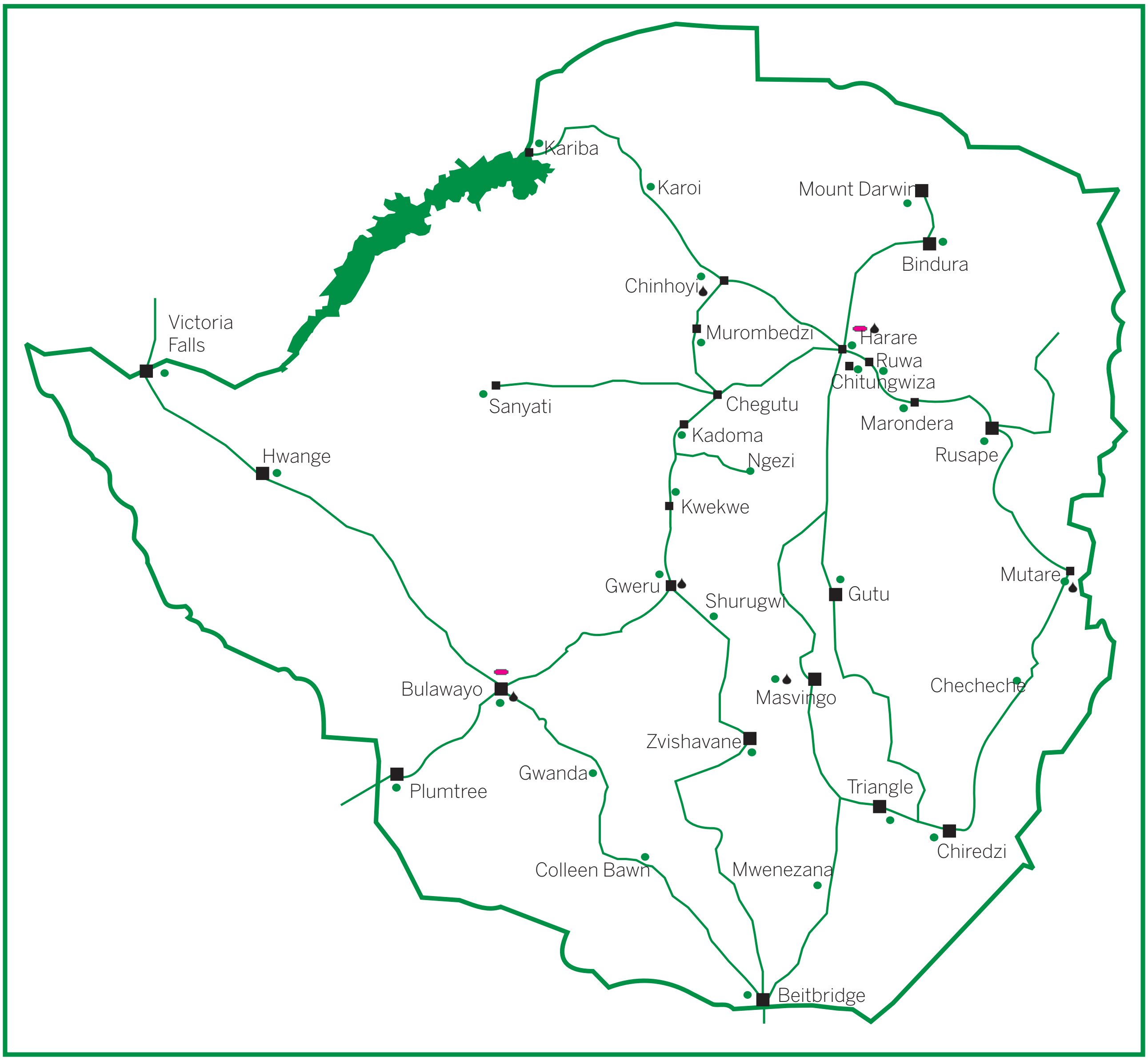
c) **Insurance Risk –** funeral insurance claims remained very low on individual life products despite the advent of COVID-19. There was also an improvement in the claims experience for 2021 where the overall claims ratio came down to 30% compared to 32% in 2020. Current claims levels have been in line with expected trends.

d) **Market risk –** the valuation of equity investments maybe affected through an unfavourable underlying performance fundamentals as a result of COVID-19. This may have an effect of reducing the carrying value for investments designated as fair value instruments. The Group does not hold any derivative instruments which may be exposed to secondary risks related to COVID-19. Additionally, there may be a market wide requirement to re-price instruments which may affect the Group's investment portfolio of interest rate sensitive instruments. This may result in a repricing gap between assets and liabilities. The Group's interest sensitive liabilities were higher than interest sensitive assets as at 31 December 2021. A market wide increase in interest rates is likely to reduce the Group's net interest earnings in the short-term.

Consequently, the financial statements for the year ended 31 December 2021 have been prepared on a going-concern basis.

ZB Financial Holdings Group Footprint

For the year ended 31 December 2021



KEY

- Banking operations
- ZB Reinsurance
- ZB Life Assurance

NB: Banking operations include both ZB Bank and ZB Building Society.

ZB Financial Holdings Group Footprint (continued)

For the year ended 31 December 2021

ZB FINANCIAL HOLDINGS HEAD OFFICE AND REGISTERED OFFICE
21 Natal Road
Avondale
Harare
Telephone: +263 (0) 867 700 2001
E-mail: zb@zb.co.zw
Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

ZB BANK UNITS
Managing Director's Office
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Web address: www.zb.co.zw

Head Corporate and Investment Banking
21 Natal Road
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Harare
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E-mail: zb@zb.co.zw
Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

Credit Services Bulawayo
Cnr Fife Street and 10th Avenue
PO Box 849
Bulawayo
Telephone: (09) 888501/5, 75031/9
Fax: (09)75030,76032
E-mail: info@zbco.zw
Web address: www.zb.co.zw

Agribusiness
21 Natal Road
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Telephone: +263 (0) 867 700 2001
E-mail: zb@zb.co.zw
Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

Head Treasury
21 Natal Road
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Harare
Telephone: +263 (0) 867 700 2001
E-mail: zb@zb.co.zw
Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

Investment Banking
21 Natal Road
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Harare
Telephone: +263 (0) 867 700 2001
E-mail: zb@zb.co.zw
Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

Head Retail Banking
21 Natal Road
Avondale
Harare
Telephone: +263 (0) 867 700 2001
E-mail: zb@zb.co.zw
Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

International Business and Trade Finance
21 Natal Road
Avondale
Harare
Telephone: +263 (0) 867 700 2001
E-mail: zb@zb.co.zw
Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

Electronic Banking
Cnr Robert Mugabe Road/Chinhoyi Street
P O Box 3198
Harare
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Fax: (04) 751869

RETAIL BANKING UNITS

21 Natal Road Branch
21 Natal Road
Avondale
Harare
Telephone: +263 (0) 867 700 2001
E-mail: zb@zb.co.zw
Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

Airport Branch
Harare International Airport
P O Box 4189
Harare
Telefax: 575364

Avondale Branch
Riverside Walk
King George Way
P O Box A92
Avondale
Harare
Tel: (04) 334281/4
Fax: (04) 302798

Borrowdale Branch
34 Sam Levy Village
P O Box BW480
Borrowdale
Tel: (04) 885686/8
Fax:- (04) 883262

ZB Financial Holdings Group Footprint (continued)

For the year ended 31 December 2021

ZB BANK (continued)

Chisipite Branch
2 Hind House
P Box CH 233
Chisipite
Harare
Tel: (04) 495145/61
Fax: (04) 495161

Douglas Road Branch
Lytton/Douglas Roads
P O Box ST491
Southerton
Harare
Tel: (04) 772181/772182
Fax: (04) 772183

Electronic Transactions Centre
Ground Floor, ZB Centre
Harare
Tel: (04) 796849
Fax: (04) 774303

First Street Branch
46 Speke Avenue
ZB House
P O Box 3198
Harare
Tel: (04) 757471/9 757535/40
Fax: (04) 752211

Gazaland
5986- 237 Street
Western Triangle
Highfield
Harare
Tel: 0772 453 455

Graniteside Branch
27B, Cripps Road
Graniteside
Harare
Tel: (04) 772062/5
Tel/Fax: (04) 772062

High Glen
1027, Glenview Complex
Glenview
Harare
Tel: +263 (0) 8677002001

Longcheng
Shop 99-100
Longcheng Plaza Complex
Cnr Mutley Bend/Samora Machel West Avenue
Belvedere
Tel: +263 (0) 8677002001

Msasa Branch
Colonade Complex Beverley West
P O Box AY160
Amby
Tel: (04) 486427/9
Fax: (04) 486427/9

Premier Tobacco Branch
334. Affirmative Way
Willowvale
Harare
Tel: 611240

Rotten Row Branch
Kaguvi St/Kwameh Nkrumah Avenue
P O Box 1374
Harare
Tel: (04) 774281/9, (04) 774303/9
Fax: (04) 774281 Ext 6012

Ruwa
Stand No. 428
Bay 1 Maha
Ruwa
Tel: (0273) 2691

Siyaso
Block 33, Siyaso
Mbare
Harare
Tel: 0777 939 270, 0772 308 532

Tobacco Sales Floor Branch
161 Eltham Road
Gleneagles Road
Willowvale
Harare
Tel: 621621
Fax: 621639

Westend Branch
Cnr Robert Mugabe Road/Chinhoyi Street
P O Box 3198
Harare
Tel: (04) 781361/6
Fax: (04) 751869

Belmont Branch
10 Birmingham Road
P O Box 8025
Bulawayo
Tel (09) 61795/7
Fax: (09) 889579

Bulawayo Polytechnic
Corner 12th Street and Park Road ,
Bulawayo
Tel:(09) 231422/424

Fife Street Branch
Cnr Fife Street/10th Avenue
P O Box 849
Bulawayo
Tel: (09) 888501/6
Fax: (09) 75030

Jason Moyo Branch
Old Mutual Centre
Cnr Jason Moyo St/8th Avenue
P O Box 2148
Bulawayo
Tel: (09) 882491/9
Tel: (09) 68801

Beitbridge Branch
Bloomfield Centre
P O Box 250
Beitbridge
Tel: (0286) 22641
Fax: (0286) 22817

ZB Financial Holdings Group Footprint (continued)

For the year ended 31 December 2021

ZB BANK (continued)

Colleen Bawn Branch
Stand No. 90
P O Box 40
Colleen Bawn
Tel: (0284) 24445/6
Fax: (0284) 24445

Gwanda Branch
Shop No. 8, NSSA Complex,
P O Box 371
Gwanda
Tel: +263 (0) 8677002001

Hwange
Coronation Drive
Hwange
P. O. Box 191
Tel: (0281) 23208 / 22444 / 23587
Cell: 0774 144 281

Plumtree Branch
Kingsway Drive
P Bag 5924
Plumtree
Tel: (019) 2282/2410

Victoria Falls Branch
P O Box 100
Livingstone Way
Victoria Falls
Tel: (013) 44541/2
Fax: (013) 42070

Gweru Branch
36 R. Mugabe Way
P O Box 736
Gweru
Tel: (054) 222501/4
Fax: (054) 225938

Kadoma Branch
42 R. Mugabe Street
P O Box 430
Kadoma
Tel: (068) 22112/4

Kwekwe Branch
Cnr 3rd Avenue/ R. Mugabe Street
P O Box 478
Kwekwe
Tel: (055) 22813/4
Fax: (055) 24124

Midlands State University Campus
Senga Road
Gweru
Tel: (054) 260622

Sanyati Branch
Stand 39/42
P Bag 2002
Sanyati
Tel:- (0687) 2507/9

Shurugwi Branch
287/288 Beit Street
Shurugwi
Tel: (052) 6813 & 6604

Zvishavane Branch
86 Fowler Avenue
Zvishavane
P O BOX 7
Zvishavane
Tel:- (051) 2934
Telefax (051) 2934

Marondera Branch
Ash Street
P O Box 414
Tel: (079) 24001/1

Mutare Branch
88 Herbert Chitepo Street
P O Box 646
Mutare
Tel: (020) 63587
Fax: (020) 68673

Rusape Branch
20 Herbert Chitepo Street
Box 234
Rusape
Tel: (025) 2395/2336

Chiredzi
350 Chilonga Drive
Chiredzi
Tel: (031) 3116 / 2746
Cell: 0772 405 649

Gutu Branch
Stand 362/3 Mpandawana
P O Box 19
Gutu
Tel: (030) 2564/66

Masvingo Branch
Electricity House
R. Mugabe Street
P O Box 600
Masvingo
Tel: (039) 262856/7
Fax:(039) 265285

Mwenezana Branch
P O Box 60
Mwenezana Estates
Mwenezi
Cell: 0772 420 828
Fax: 014/273

Triangle Branch
Ground Floor, Vernon Crooks Court
Triangle
Tel: (033) 6992
Fax: (033) 6993

Chinhoyi Branch
Stand 47 Magamba Way
P O Box 399
Chinhoyi
Tel: (067) 22274, 23146
Fax: (067) 25845

Chinhoyi University
78, Off-Harare Chirundu Road
Chinhoyi
Tel: (067) 28541/28527

ZB Financial Holdings Group Footprint (continued)

For the year ended 31 December 2021

ZB BANK (continued)

Karoi Branch
No. 3 Rose Way Road
Karoi
Tel: (064) 7350/1

Kariba Branch
Stand No. 636, Nyamhunga T/Ship
P O Box 270
Kariba
Tel: 061-3101/3102/3043-4
Fax: 061-2892

Murombedzi Branch
Murombedzi Township
P O Box 100
Murombedzi
Tel: (0678) 2133/2131
Fax: (0678) 2133

Ngezi Branch
Old Mutual Complex
Shop no 6
Turf Village, Ngezi
Cell: 0772 415 175

Bindura
28 Robert Mugabe Road
Bindura
Tel: (0271) 6373 / 6870
Cell: 0772 990 266

Mt Darwin Branch
Cnr Hospital/Bindura Road
P O Box 110
Mt Darwin
Tel: (076) 2532, 335
Fax: (076) 2633

QUPA MICROFINANCE

Head Office
2nd Floor
ZB Chambers
Corner George Silundika and First Street
Harare
Telephone: +263 (0) 867 700 2001

QUPA ZB Chambers Branch
2nd Floor
ZB Chambers
Corner George Silundika and First Street
Harare
Telephone: +263 (0) 867 700 2001

QUPA Westend Branch
Cnr Robert Mugabe Road/Chinhoyi Street
P O Box 3198
Harare
Tel: (04) 781361/6
Fax: (04) 751869

ZB LIFE ASSURANCE LIMITED

Head Office
ZB Life Towers
Sam Nujoma Street /Jason Moyo Avenue
P O Box 969
Harare
Telephone: 708801/09
E-mail: info@zblife.co.zw
Website: www.zb.co.zw

Bulawayo
ZB Life Centre
90 Main Street
P O Box 517
Bulawayo
Tel: (09) 65632
Fax: (09) 71002
Bulawayo@zblife.co.zw

Gweru
Intermarket Place
36 – 6th Street
P O Box 1931
Gweru
Tel: (054) 227826
gweru@zblife.co.zw

Harare
Chiyedza House
Frist Street/Kwame Nkrumah Avenue
P O Box 969
Harare
Tel: (04) 708891/706441
info@zblife.co.zw

Mutare
ZB Life Centre
First Avenue
P O Box 598
Mutare
Tel: (020) 62285
Fax: (020) 64084
mutare@zblife.co.zw

ZB Financial Holdings Group Footprint (continued)

For the year ended 31 December 2021

ZB BUILDING SOCIETY

Chitungwiza
Shop No. 5
Old Mutual Complex
Chitungwiza
Tel: (0270) 22281
Cell: 0772 606 905
E-mail: info@zbco.zw
Website: www.zb.co.zw

ZB REINSURANCE LIMITED

Head Office
Finsure House
5th Floor
Sam Nujoma Street/Kwame Nkrumah Avenue
P O Box 2594
Harare
Telephone: 759735-7
Facsimile: 751877
E-mail: info@zbre.co.zw
Website: www.zb.co.zw

Bulawayo Office
2nd Floor ZB Centre
9th Avenue
Bulawayo
Tel: (09) 65631/3
Fax: (09) 71002
E-mail: info@zbco.zw
Website: www.zb.co.zw

ZB CAPITAL (PRIVATE) LIMITED

21 Natal Road
Avondale
Harare
Tel: +263 (0) 8677002001
Fax: +263 (04) 251029
E-mail: info@zbco.zw
Website: www.zb.co.zw

ZB TRANSFER SECRETARIES (PRIVATE) LIMITED

21 Natal Road
Avondale
Harare
Tel: +263 (0) 8677002001
Fax: +263 (04) 251029
E-mail: info@zbco.zw
Website: www.zb.co.zw

Proxy Form

For the year ended 31 December 2021

I/We ....

....

of..

.... being (a)

member(s) of ZB Financial Holdings Limited entitled to ....

.... votes/shares held, do hereby appoint ....

......................or failing whom, ...

As my proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of members of the Company to be held virtually on Friday 24 June 2022, commencing at 1030 hours, and any adjournment as follows:

ORDINARY BUSINESS

Resolution Number	Type of Resolution	Provision of the Resolution	In favour of	Against	Abstain
1	Ordinary	To receive, consider and adopt, if appropriate, the financial statements, and the reports of the directors and auditors for the year ended 31 December 2021.			
2	Ordinary	To confirm the final dividend of ZW144.93 cents per Ordinary Share as recommended by the board.			
3 (i)	Ordinary	To elect the following directors who retire by rotation in terms of Article 68 of the Company's articles of Association: and, having been eligible, offered themselves for re-election. Unless otherwise resolved, the election of the Directors will be done by separate resolution for each director: i. A.Makamure			
		ii. K. Maukazuva			
		iii. T. Sibanda			
(i)	Ordinary	To elect the following directors who retire in terms of Article 62 of the Company's articles of Association having been appointed after the previous AGM: and, having been eligible, offered themselves for re-election. Unless otherwise resolved, the election of the Directors will be done by separate resolution for each director: i. P.M.V. Wood			
		ii. L.Zembe			
		iii. S. Dimairho			
4	Ordinary	To approve the remuneration of Directors for the past financial year. The total remuneration for the Directors of the Company in 2021 amounted to ZW$7 992 847			
5	Ordinary	5.1 To approve the remuneration paid to KPMG Chartered Accountants (Zimbabwe), the Company's Auditor for the past financial year's audit, in terms of Article 112 of the Articles of the Company.			
		5.2 To appoint auditors for the ensuing year until the conclusion of the next Annual General Meeting. KPMG Chartered Accountants (Zimbabwe), the current auditors of the Company have indicated their willingness to continue as auditors of the Company.			

Proxy Form (continued)

For the year ended 31 December 2021

ANY OTHER BUSINESS

Resolution Number	Type of Resolution	Provision of the Resolution
6	Ordinary	To transact any other business as may be transacted at an Annual General meeting.

Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If no indication is given the proxy will vote or abstain at his/her discretion.

Signed at .... this .... day ....of ....2022.

Full name(s) ....

Signature of member ....

NOTES:

i. Appointment of a Proxy

In terms of the Companies and Other Businesses Entities (Chapter 24;31), a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote and speak in his/her stead.

The proxy form must be delivered at the registered office of the Company not less than 48 hours before the meeting is scheduled to commence.

A proxy need not be a member of the Company.

ii. General Information

a) The minutes of the last Annual General Meeting held on 30 July 2021 are available for inspection at the Company's registered office.

b) Electronic copies of the Company's 2021 Annual Report comprising of the Directors Report, the Independent Auditor's Report and the consolidated and separate Company's financial statements for the year ended 31 December 2021, can be accessed on the Company's website https://www.zb.co.zw/investor-updates/. Copies have been emailed to shareholders whose e-mail addresses are on record.

c) Physical attendance at the meeting may be difficult for some members due to the need to observe social distancing rules. The Company will therefore facilitate electronic participation at the meeting for any such affected members, subject to that any voting for such member must be in the form of a duly executed form of proxy to be received by the company in the manner prescribed under the "Appointment of Proxy" section above.

Members requiring log in credentials or any other assistance with regards to electronic participation should contact ZB Transfer Secretaries on 08677002001 or 0242 2934 585. In the alternative, e-mails can be sent to transfersecretaries@zb.co.zw or Robert Mutakwa (rmutakwa@zb.co.zw) or Samuel Chatitima (schatitima@zb.co.zw).