ZB FINANCIAL HOLDINGS

ANNUAL REPORT 2020

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Notice to Shareholders

NOTICE IS HEREBY GIVEN THAT the 32nd Annual General Meeting of the shareholders of ZB Financial Holdings Limited will be held virtually via Zoom Communication application, on Friday 30 July 2021, 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 inflation adjusted consolidated and separate financial statements, and the reports of the Directors and Auditors for the year ended 31 December 2020.

2. Dividend

To confirm the final dividend of ZW$0.7413 per Ordinary Share as recommended by the Board.

3. Directorate

i) In terms of Article 68 of the Company's Articles of Association, Messrs Pamela Chiromo, Jacob Mutevedzi and Alexio Z Mangwiro, retire by rotation and being eligible for re-election. The election of the Directors will be done by separate resolution for each Director.

ii) To note the resignation of Messrs Sydney T Bvurere and Olatunde Akerele from the Board with effect from 3 May 2021 and Ronald Mutandagayi with effect from 31 May 2021.

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).

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.

Notice to Shareholders (continued)

6. SPECIAL BUSINESS

Adoption and Substitution of a New Memorandum and Articles of Association for the Company

To resolve as a special resolution, the adoption and substitution of a new Memorandum and Articles of Association for the Company, compliant with the requirements of the new Companies and Other Business Entities Act (Chapter 24:31) and the new ZSE Listing Requirements (Statutory Instrument (S.I.) 134/2019).

(NOTE: The draft copy of the new Memorandum and Articles of Association shall be available for inspection by members at the registered office of the Company)

7. 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 Businesses Entities Act (Chapter 24:31), a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend, 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 2020 are available for inspection at the Company's registered office.

b) Electronic copies of the Company's 2020 Annual Report comprising of the Directors Report, the Independent Auditor's Report and the consolidated and Company's financial statements for the year ended 31 December 2020, 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 **0867 7002 001** or **0242 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
7 July 2021
First Floor, 21 Natal Road
Avondale
HARARE

Shareholder Information

ANALYSIS OF SHAREHOLDERS as at 31 December 2020

Size of Shareholding	No of Holders	% of Total Holders	No of Shares	% of Total Shares
1 - 500	255	18.06	51 840	0.03
501 - 1 000	463	32.79	265 732	0.15
1 001 - 10 000	366	25.92	1 533 211	0.88
10 001 - 20 000	216	14.52	2 898 127	1.65
20 001 - 50 000	70	5.60	1 846 844	1.05
50 001 - 100 000	6	0.49	362 472	0.21
100 001 - 500 000	17	1.28	3 311 367	1.89
500 001 - 10 000 000	15	1.06	34 322 867	19.59
10 000 001+	4	0.28	130 598 182	74.55
Totals	1 412	100.00	175 190 642	100.00

ANALYSIS BY CATEGORY

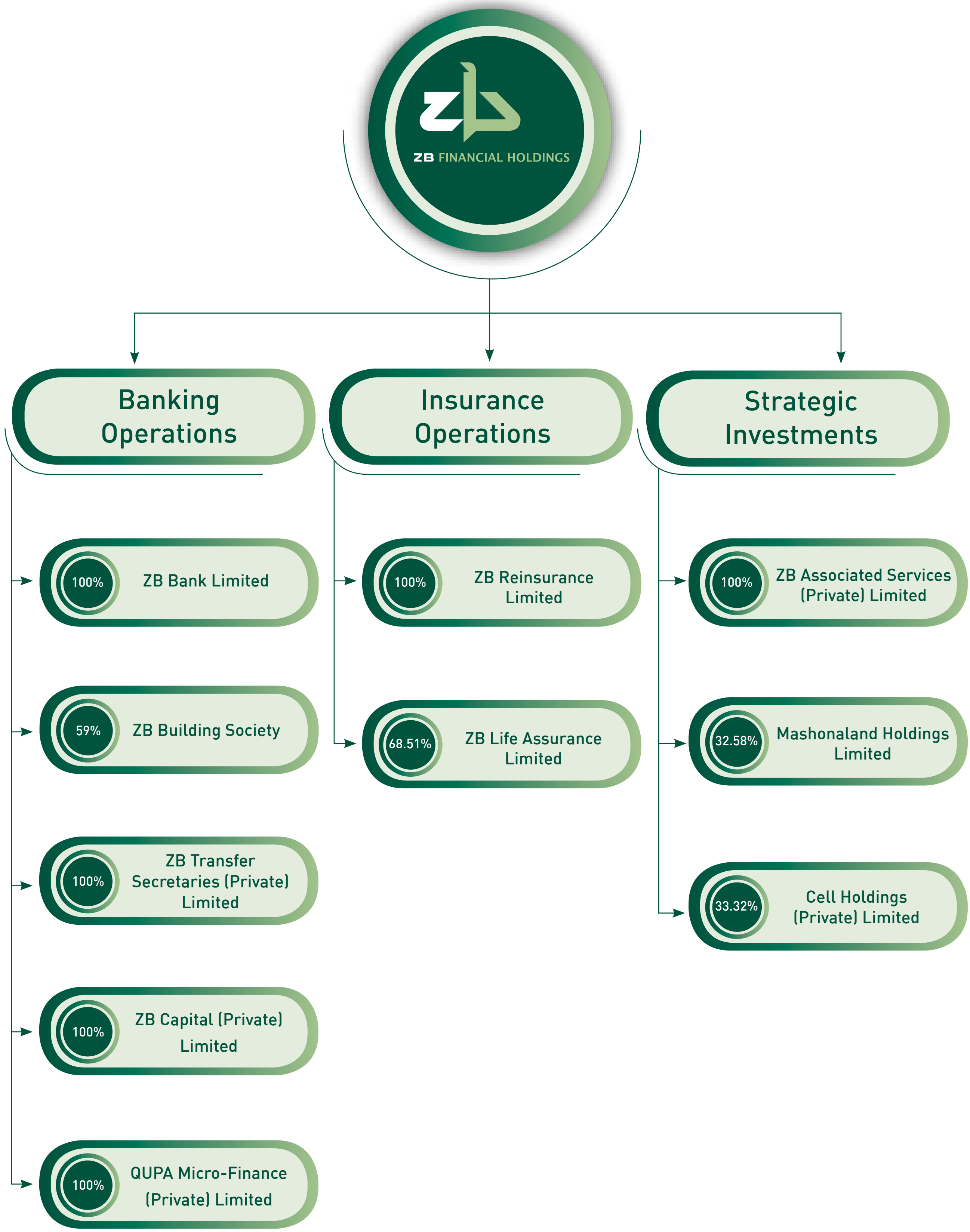
Category	No of Holders	% of Total Holders	No of Shares	% of Total Shares
COMPANIES	124	8.78	151 258 488	86.34
FCDA RESIDENT AND NEW NON RESIDENT	21	1.49	69 717	0.04
INDIVIDUALS	1 202	85.13	6 605 138	3.77
INSURANCE COMPANIES	3	0.21	215 856	0.12
INVESTMENT, TRUST AND PROPERTY COMPANIES	12	0.85	5 346 526	3.05
NOMINEE COMPANY	28	1.98	8 720 729	4.98
PENSION FUNDS	22	1.56	2 974 188	1.70
Totals	1 412	100.00	175 190 642	100.00

TOP TEN SHAREHOLDERS as at 31 December 2020

Shareholder's Name	No of Shares	% Shareholding
DATVEST NOMINEES (PRIVATE) LIMITED	59 565 522	34.00
TRANSNATIONAL HOLDINGS LIMITED	43 186 358	24.65
ZB FINANCIAL HOLDINGS LIMITED	17 667 740	10.08
OLD MUTUAL LIFE ASSURANCE OF ZIMBABWE LIMITED	10 178 562	5.81
QUANTAFRICA WEALTH MANAGEMENT	6 963 790	3.97
MASHONALAND HOLDINGS LIMITED	5 281 975	3.01
FINHOLD GROUP STAFF TRUST	5 273 438	3.01
PIM NOMINEES (PRIVATE) LIMITED	4 612 500	2.63
GENESIS ENVIRO SOLUTIONS	2 926 236	1.67
STANBIC NOMINEES (PRIVATE) LIMITED -A/C 140043470003	1 173 521	0.67
Total Holding of top 10 Shareholders	156 829 642	89.52
Remaining Holding	18 361 000	10.48
Total Issued Shares	175 190 642	100

Group Corporate Structure

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



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:

- <u>Fire</u>
  This covers fire and allied perils, including business interruption insurance cover.
- <u>Engineering</u>
  Includes machinery breakdown, contractors all risks, electronic equipment, plant all risks, erection all risks as well as loss of profits.
- <u>Motor</u>
  This includes comprehensive cover and Third Party Insurance cover for personal and commercial lines.
- <u>Marine</u>
  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 provides a wide range of security services to Group and non - Group customers. The entity was incorporated on 17 December 2009 and is 100% owned by ZBFH. Its services include:

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

Company and Product Profile (continued)

Qupa Microfinance

Qupa Microfinance is a wholly owned subsidiary of ZBFH, it was incorporated 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 consumer loans, 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%which is held primarily through the life fund policyholders and the life assurance subsidiary's own proprietary book, with the remaining portion of the shareholding held through the banking subsidiary. 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 33.32% 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

ZBFH invested in a credit only Microfinance unit.

2008

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

2007

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

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 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

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

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

1979

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

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

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, at all material times, 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)], Securities and Exchange Act (Chapter 24:25) 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 (COBE ACT), the Company has undertaken a process to review its Articles and Memorandum of Association as well as those of its subsidiaries. The revised constitutional documents will be tabled at the Annual General Meeting (AGM) for approval.

THE BOARD OF DIRECTORS

The Composition of the Board

The Board of Directors comprises two executive directors and nine non-executive directors. The Board Chairman is a non-executive director.

The following were the directors of the company as at 31 December, 2020:

NAME OF DIRECTOR	DATE OF APPOINTMENT
Mrs Pamela Chiromo (Chairman)	04 August 2017
Mr Ronald Mutandagayi (Group Chief Executive)	01 June 2013
Mr Olatunde Akerele	13 May 2016
Mr Terekuona S Bvurere	17 February 2017
Mrs Agnes Makamure	01 March 2019
Mr Fanuel Kapanje (Group Finance Director)	26 June 2008
Mr Alexio Z Mangwiro	04 October 2017
Mr Kangai Maukazuva	01 March 2019
Mr Jacob Mutevedzi	04 August 2017
Mr Peter B Nyoni	29 February 2016
Ms Thenjiwe Sibanda	01 March 2019

Mrs Pamela Chiromo was confirmed as the substantive Board Chairman with effect from 28 September 2020.

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

Mr Fanuel Kapanje was appointed on 1 June 2021 to act as Group Chief Executive pending recruitment of a substantive Group Chief Executive.

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

Article 68 of the Company's articles of association requires one third of the Company's Directors to retire by rotation annually. Retiring Directors are eligible to stand for re-election at regular intervals not exceeding three years.

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;
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.

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. A special meeting will be convened to discuss the outcome and address any areas of concern. The results will be used to improve Board processes and effectiveness.

Corporate Governance Report (continued)

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.

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	ZBFH	ZBBL	ZBBS	ZBRE	ZBLA
TOTAL MEETINGS	10	5	5	5	5
*P CHIROMO	10	X	X	X	X
R MUTANDAGAYI	10	4	5	5	5
O AKERELE	10	X	X	X	X
T S BVURERE	9	X	X	X	X
F KAPANJE	8	X	X	X	X
A Z MANGWIRO	10	X	X	X	X
J MUTEVEDZI	8	X	X	X	X
B P NYONI	8	X	X	X	X
T SIBANDA	10	X	X	X	X
A MAKAMURE	9	X	X	X	X
K MAUKAZUVA	9	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	5	X	X	X
***E MASINIRE	X	2	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	5	X
B SHUMBA	X	X	X	5	X
P MURAMBINDA (MRS)	X	X	X	5	X
A NYAKONDA	X	X	X	5	X
******M SHONIWA	X	X	X	5	X
C MASIMBE	X	X	X	5	X
E T Z CHIDZONGA	X	X	X	X	5
L MAWIRE (MRS)	X	X	X	X	5
C MAKONI	X	X	X	X	5
****A MANGORO	X	X	X	X	5
****R DZIMBA-MABVURUNGE (MRS)	X	X	X	X	5
******T SANDURA	X	X	X	X	2

* P. Chiromo was appointed as the substantive board chairman of ZBFH with effect from 28 September 2020.
** G. Chikomo was appointed as the substantive Managing Director with effect from 17 August 2020.
*** E Masinire was appointed to the board with effect from 1 September 2020.
**** A. Mangoro and R. Dzimba- Mabvurunge were appointed to the board with effect from 27 January 2020.
***** M. Shoniwa was appointed to the board with effect from 13 January 2020.
******* T. Sandura was appointed to the board with effect from 1 September 2020.

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 appointed as the Group's new Auditors following the expiry of Deloitte & Touche Chartered Accountants (Zimbabwe)'s five year term in terms of regulatory requirements.

Directorate

Pamela Chiromo
Chairman

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

Fanuel Kapanje
Acting Group Chief Executive

- Bachelor of Accountancy (Honours) (UZ)
- Bachelor of Accounting Science (Accounting) (UNISA)
- Chartered Accountant (Z)
- Registered Public Accountant (RPAcc, Z)

Agnes Makamure
Non Executive Director

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

Alexio Z. Mangwiro
Non Executive Director

- Bachelor of Science in Health Sciences (UZ)

Kangai Maukazuva
Non Executive Director

- Diploma in Information Technology (IT)
- Executive Masters in Business and Adminstration (AU)
- Graduate Diploma in Management
- ISACA Certified in the Governance of Enterprise IT

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 B. Nyoni
Non Executive Director

- Masters of Business Adminstration
- Bachelor of Arts in Religious Education
- Masters of Arts (Combined Honours) Theology and African Studies
- Advanced Diploma in Theology

Corporate Social Investments 2020

The 2020 Group Corporate Social Investment 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 has left many companies destabilized with others facing the real prospect of collapse. It has also left communities shaken and exposed by deep rooted frailties affecting a wide range of social infrastructure worldwide. 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 directing 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 expected 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 its business operations by embedding it into its strategy, its business processes and its culture.

A critical first stage in the sustainability journey has seen the Group engaging in a reflective review of its purpose and business mission, resulting in a recast of its Purpose, and High Impact Goals as follows:

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 2020 (continued)

Going foward, 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 are 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, minimising 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.

Sustainable energy solutions

The group is investing in 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 the 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 and the National University of Science and Technology (NUST) in Bulawayo 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 organisation, the Group takes suggestions and feedback from its staff, customers and the community very seriously and always 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 organisation and the people within it and ultimately the customers served by the Group.

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 2020 are described under the banner of relevant SDGs as below:

Corporate Social Investments 2020 (continued)

Goal 2 -Zero Hunger

In 2019 the Group launched the "Spread the Cheer Campaign." This is an annual campaign in which the Group makes donations to welfare organizations that look after the disadvantaged, especially during the festive season. Beneficiary instituitions include orphanages and Old peoples' homes.

Donations of food hampers were made in 2020 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.

Spreading the Cheer in pictures

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 3 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, 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.

Corporate Social Investments 2020 (continued)

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%.

ZB supporting the community during difficult times in pictures

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.

In addition, schools benefited from the Group's schools promotions and donations towards prize giving days and other investments that ZB supported.

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.

Corporate Social Investments 2020 (continued)

IIn the same vein, the Group continued to partner with several strategic national institutions during 2020, such as Zimbabwe Revenue Authority (ZIMRA), Zimbabwe National Chamber of Commerce (ZNCC), Institute of Public Relations and Communications Zimbabwe (IPRCZ) 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.

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. Total number of agents offering selected banking services stood at 473 as at 31 December 2020.

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 500 000 users were enjoying this service as at 31 December 2020.

c) Qupa

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 licenced by Reserve Bank of Zimbabwe (RBZ) and launched in December 2020.

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 2020 are women-owned. Furthermore, the Group partners a women's empowerment network organisation, Women Excel, that seeks to enhance financial literacy and financial empowerment of women in Zimbabwe.

Corporate Social Investments 2020 (continued)

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.

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.

In the 2020 second edition, 173 schools participated in the business case with a total reach of 2 400 students and 120 teachers, notwithstanding the interruptions caused by the COVID-19 induced lock down. The second edition was extensively covered in the print and social media reaching over 500 000 viewers. Learners had access to 30 global advisors.

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 2020. The teachers training program was successfully carried out in all provinces.

Pictures of Emergination Africa National Business Case Competition (NBCC) 2020 in action

Corporate Social Investments 2020 (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.

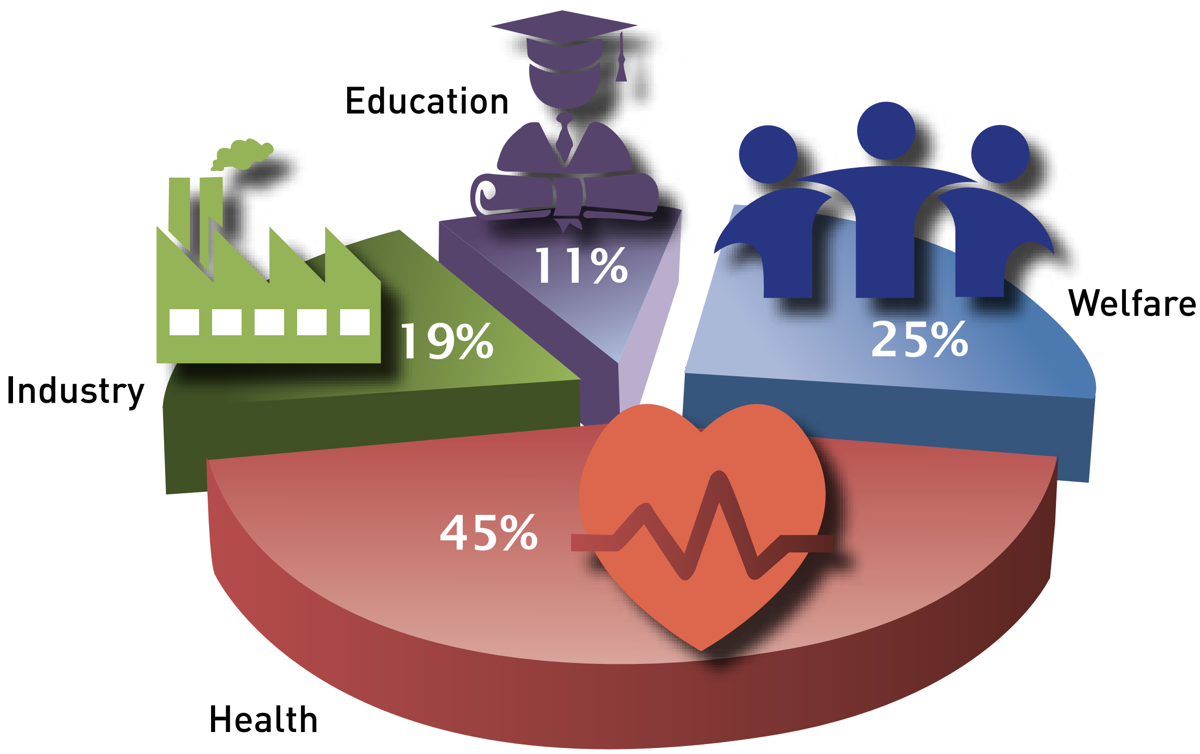
In the period under review, the Group, through the bank participated as follows;

- Branch management undertook financial literacy workshops in schools throughout the country
- Some school children were also invited to visit the banking halls and learn about banking
- A crossword puzzle competition was carried out online

Beneficiaries of the Group's special COVID-19 social investment program included hospitals, municipality clinics and other community centres throughout the country, amongst which were:

- Plumtree Town Council;
- Bulawayo City Council
- Chinhoyi Town Council
- Harare City Council's Mbare, Epworth, Glenview and Highfield polyclinics.
- St Anne's Hospital in Harare;
- Karanda Mission Hospital in Mount Darwin;
- St Paul's Musami Mission Hospital in Murehwa;
- Chinhoyi Provincial Hospital;
- Hartzell Hospital in Mutare;
- RCZ Morgenster Mission Hospital in Masvingo; and
- ZAOGA's Mbuya Dorcas Hospital in Harare.

The distribution of 2020 Corporate Social Investments (CSI):



Learner Testimonial

"My name is Avumile Ndlovu and I am aged 17 currently doing my A levels at Sikhulile High School in Bulawayo and I took part in the 2019 National Business Case Competition (NBCC). Before joining the NBCC I was quite an introvert I used to live in a vacuum and I was really unable to think outside the box. The NBCC gave me a chance to challenge my abilities, step out of my comfort zone and be the person I want to be and I want to see in the near future. My eyes were opened when Taku the founder of Emergination Africa (EA) was addressing us and posed a question "would it make a difference to Zimbabwe that you lived?" Not only did Taku's words inspire me but those of the panel of entrepreneurs that were shortlisted on Forbes.

These individuals gave me the much needed inspiration and boosted my confidence that was buried under the fear of failure. I have since erased the thought that I was inferior because of my financial status. They all taught me to focus on achievements instead of failure as failures will always be part of the journey. In addition, I also learned that when you decide to take a stand you must not accept it when it suits you but stick to it always; the NBCC also taught me that honesty is the best policy. From the first competition held in Bulawayo until last day in Harare it was such a wonderful experience. We had fun, we socialized and most of all, we learned valuable lessons. Today I can say with confidence, that whatever challenge that I face in my life I am ready to accept it and I do not believe that there are any limitations to my potential and I can do much more only because of The NBCC."

Chairman's Statement

Pamela Chiromo
Chairman

"The introduction of the foreign exchange auction system in June 2020 brought a modicum of stability in the exchange rate, which curtailed the rapid expansion in the general price level."

Operating environment:

The operating environment remained beset with significant headwinds in the year 2020, with the outbreak of the COVID-19 pandemic taking centre stage, exacerbating an already fragile domestic economy. Like most other economies globally, Zimbabwe endured varying levels of lockdown restrictions during the year and subsequent to year end, as part of measures instituted to limit the spread of the COVID-19 virus. This adversely affected business activities across the board.

The introduction of the foreign exchange auction system in June 2020, brought a modicum of stability in the exchange rate, which curtailed the rapid expansion in the general price level. This saw annual inflation rate dropping from a peak of 837.53% in July 2020 to 348.59% in December 2020. According to the Confederation of Zimbabwe Industries, industry capacity utilisation improved to 47% as at year end, compared to 36.4% in 2019.

Group Performance:

I am pleased to announce that despite challenges in the macroeconomic environment, the ZB Financial Holdings Limited (ZBFH) Group remained profitable, with greater detail shared in the Acting Group Chief Executive's report.

Capital Requirements:

As at 31 December 2020, all ZBFH companies were in compliance with prescribed minimum capital requirements.

The Group is confident that it will meet the new minimum capital requirements for banking operations, which come into effect from 31 December 2021. This will be achieved by the re-arrangement of capital resources and the planned merger of banking operations within the Group which should result in the Group retaining a single banking licence, should required approvals be obtained before the regulatory deadline.

Dividend:

The Board has declared a dividend of ZW$0.7413 per share for the year ended 31 December 2020. A detailed dividend announcement will be published after the Annual General Meeting.

Legal Contingencies:

The long-standing legal dispute between the Company and Transnational Holdings Limited (THL) regarding the ownership of Intermarket Holdings Limited (IHL) was resolved by the withdrawal of THL's appeal at the Supreme Court of Zimbabwe on 2 October 2020. This followed a settlement arrangement in which the Government of Zimbabwe (GoZ) ceded its shareholding in the Company to THL in transactions concluded between 2017 and 2020.

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

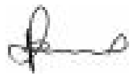
On behalf of the Board, I would like to express our gratitude for their diligent service to the Group and wish them success in their future endeavours.

Mr Fanuel Kapanje was appointed on 1 June 2021 to act as Group Chief Executive pending recruitment of a substantive Group Chief Executive.

Outlook:
The Zimbabwean economy is projected to rebound in 2021 and beyond, following contraction in 2019 and 2020. The positive outlook is predicated on an above-average 2020/21 farming season, a tight monetary policy complemented by fiscal discipline, stability in the exchange rate and expected further slow-down in inflation.

The Group will proceed with cautious optimism in the short to medium term. It remains imperative for the Group to continuously seek ways to preserve its capital from value erosion occasioned by inflation. Furthermore, the 'new normal' brought about by the COVID-19 pandemic has placed increased importance on the need to build digital capacities for customer service delivery in a sustainable and cost-effective manner.

Conclusion:
I wish to express my appreciation to all our valued Customers and Stakeholders, for the support and commitment to the ZBFH Group. I am grateful to fellow Directors, Management and Staff, for their hard work and contributions for the year ended 31 December 2020.



Pamela Chiromo
Chairman

30 June 2021

Acting Group Chief Executive's Report

Fanuel Kapanje
Acting Group Chief Executive

"Overall credit quality continued to improve, with non-performing loans as a percentage of total loans reducing from 2% in 2019 to 0.7% in 2020. "

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 information have been presented for information purposes only.

Performance Outturn:

In 2020, the Group recorded a 9% decline in total income from ZW$3.656bn in 2019 to ZW$3.323bn. The revenue performance was mainly underpinned by an 87% decrease in fair value adjustments, from ZW$1.032bn in 2019 to ZW$0.136bn in 2020. Banking commissions and fees also fell in real terms by 8%, from ZW$1.242bn in 2019 to ZW$1.142bn in 2020, as inflation continued to outpace rate adjustments for commissions and fees.

Net interest income increased by 0.34%, from ZW$0.657bn in 2019 to ZW$0.660bn in 2020.

Loan impairment charges to the income statement decreased from ZW$0.339bn in 2019 to ZW$0.282bn in 2020. Overall credit quality continued to improve, with non-performing loans as a percentage of total loans reducing from 2% in 2019 to 0.7% in 2020.

Net insurance related earnings declined from ZW$0.4bn in 2019 to a loss of ZW$0.002bn in 2020. This was influenced by a 58% increase in insurance related expenses which grew faster than the growth in gross premiums. Gross premiums increased by 2% from ZW$1.128bn in 2019 to ZW$1.148bn in 2020, whilst the related expenses increased from ZW$0.728bn in 2019 to ZW$1.149bn in 2020.

Other income increased by 152%, from ZW$0.663bn in 2019 to ZW$1.669bn in 2020, mainly underpinned by exchange gains.

The subdued revenue performance in 2020 was mainly due to the combined effects of low-cost absorption as performance of most economic sectors receded. This was compounded by the freeze on banking fees by the authorities which was necessary to ameliorate the effects of COVID-19 on industry and the general public.

Operating costs increased by 25% from ZW$2.222bn in 2019 to ZW$2.789bn in 2020, largely influenced by a catch-up adjustment on the cost base in tandem with the inflation profile over the past 2 years.

The cost to income ratio rose from 61% in 2019 to 84% in 2020. The sustainability of the cost base against contracting income levels in real terms continues to be a matter of continued strategic importance for the Group.

Profit from ordinary activities declined by 63% from ZW$1.433bn in 2019 to ZW$0.534bn in 2020.

An increased transfer to the life fund of ZW$0.599bn, compared to ZW$0.092bn in 2019 was made on the back of strong performance of the underlying assets.

The Group earned ZW$1.405bn as its share of profits reported by its associate companies for 2020, compared to ZW$1.091bn in 2019. The share of profits from associates is largely driven by the revaluation of investment properties which constitute the bulk of the assets at a significant listed investee entity.

The Group posted a net profit after taxation of ZW$1.065bn in 2020, representing a 45% decline from the ZW$1.939bn attained in 2019.

Meanwhile, the Group's total assets increased by 21% in real terms, from ZW$15.636bn as at 31 December 2019 to ZW$18.977bn as at 31 December 2020.

Deposits and other related funding account balances grew by 15%, from ZW$6.155bn as at 31 December 2019 to ZW$7.108bn as at 31 December 2020.

Earning assets increased by 25% from ZW$7.982bn as at 31 December 2019 to ZW$10bn as at 31 December 2020 whilst constituting 53% of total assets (51% as at 31 December 2019).

The Group maintained a comfortable liquidity margin of safety, with the ratio of liquid assets to customer deposits being above 79% throughout the year against a prescribed ratio of 30%.

The Group's total equity increased by 22%, from ZW$6.575bn as at 31 December 2019 to ZW$8.038bn as at 31 December 2020, driven by the positive performance for the year as well as gains on the revaluation of properties and equipment.

Operations Review:

Banking Operations:

ZB Bank Limited posted a profit of ZW$0.633bn in 2020, as compared to ZW$0.819bn in 2019. The reduction in profitability was mainly as a result of an increase in operating expenses from ZW$1.632bn in 2019 to ZW$2.284bn in 2020.

The Bank's total assets stood at ZW$12.434bn as at 31 December 2020, from ZW$10.244bn as at 31 December 2019.

ZB Building Society posted a loss of ZW$0.055bn for the year ended 31 December 2020, reducing from a profit of ZW$0.285bn in 2019. Its assets increased from ZW$1.043bn as at 31 December 2019 to close the year 2020 at ZW$1.119bn.

A review of the branch network was done in 2020 resulting in the merger of branches in Harare and Bulawayo into modernised facilities with improved ambience which also offer safe online self-help facilities.

During the year, the Group expanded its product portfolio by launching VISA and Kesto Diaspora Banking.

Insurance Operations:

ZB Reinsurance posted a profit of ZW$0.086bn in 2020 compared to ZW$0.113bn in 2019. Its total assets increased in real terms from ZW$0.678bn as at 31 December 2019 to close the year 2020 at ZW$0.839bn.

The company has maintained good relations with its cedants and retrocession partners.

ZB Life Assurance posted a profit of ZW$0.135bn in 2020, compared to ZW$0.650bn in 2019. Its total assets increased in real terms from ZW$2.418bn as at 31 December 2019 to ZW$3.257bn as at 31 December 2020.

Growth in life assurance premiums has slowed down significantly as household incomes are affected by inflation.

Acting Group Chief Executive's Report (continued)

The company has started offering funeral and related services as an add-on to its bouquet of services in partnership with selected partners.

Other Strategic Operations:
Land bank acquisition was maintained as a focal strategy to preserve value against inflation.

The Group attained an operating licence for its micro-finance business on 3 December 2020, and the unit was launched virtually on 16 December 2020, initially operating from 2 branches in Harare.

Internal Processes:
During the year, the Group commenced the process of certification under the Sustainability Standards & Certification Initiative (SSCI) through the European Organisation for Sustainable Development (EOSD). Full certification is expected within 18 months. Satisfactory progress in this regard has been registered.

The Group initiated processes to replace its core banking system, as an integral component of a digitalisation thrust, which will have an impact on the business model and customer experience going forward. This has become a strategic imperative to guarantee the long-term survival of the business in a fast-changing business environment.

Group Human Resources and Training:
Despite the local operating environment becoming less competitive relative to other countries in the region and beyond, staff attrition in the Group continues to be within acceptable levels.

The Group staff complement as at 31 December 2020 was 967, with 655 being permanent employees whilst 312 members were employed on a fixed contract basis.

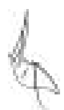
A total of 1 423 attendances were recorded at 115 training courses held in 2020. All staff members attended wellness clinics and soft skills training during the year.

Industrial relations remained cordial during the year under review.

Appreciation:
I extend gratitude to our valued customers for their support during a very challenging period.

I also thank staff and the management team for their contribution to the profitable outturn in 2020.

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



Fanuel Kapanje
Acting Group Chief Executive

30 June 2021

ZB MONEY TRANSFER

Exciting news for you

Receive money from **Mukuru, WorldRemit, Ria** and **Small World** at any ZB branch where money is guaranteed and win exciting prizes.

Mukuru sign up, send it, sorted! WorldRemit Ria small world

zb

Economic Overview

WORLD ECONOMY

The world economy is recovering from the collapse triggered by COVID-19 in late 2019. In fact, the World Bank, in its January 2021 Global Economic Prospects, estimates that the depth of the COVID-19 induced global recession was only surpassed by the Great Depression and the Two World Wars in the last 150 years. Given the magnitude of the global economy's collapse in 2020, the recovery going forward is expected to be subdued – global Gross Domestic Product (GDP) is projected to remain well below its pre-pandemic levels for the foreseeable future. According to the World Bank, the global economy is estimated to have contracted by 4.3% in 2020, and is expected to expand by 4% in 2021, but still remain more than 5% below pre-pandemic projections. Global growth is projected to moderate to 3.8% in 2022, weighed down by the pandemic's lasting damage to potential growth.

Significant uncertainty still abounds in the outlook, with the major downside risks naturally being linked to the pandemic, particularly as regards the possibility of increased spread of the virus, the onset of a third wave and new variants, as well as the likelihood that achievement of global 'herd immunity' through vaccination will take a few years. Risks also relate to rapidly rising debt levels worldwide.

For most economies, the pandemic just further diminished already-weak growth prospects. Decisive policy actions will be critical in raising the likelihood of better growth outcomes while warding off worse ones. Immediate priorities include supporting vulnerable groups and ensuring a prompt and widespread vaccination process to bring the pandemic under control. Although macroeconomic policy support will continue to be important, limited fiscal policy space amid high debt highlights the need for an ambitious reform agenda that bolsters growth prospects.

Meanwhile, Sub-Saharan Africa has been hard hit by the COVID-19 pandemic, with activity in the region shrinking by an estimated 3.7% in 2020, according to the World Bank. Growth is forecast to resume at a moderate average pace of 3% in 2021-22—essentially zero in per capita terms and well below previous projections—as persistent outbreaks in several countries continue to inhibit the recovery. COVID-19 is likely to weigh on growth in Sub-Saharan Africa for a prolonged period, as the rollout of vaccines in the region is expected to lag that of advanced economies and major Emerging Market and Developing Economies EMDEs, further dampening growth. The biggest economies in the Sub-Saharan Africa region, Nigeria and South Africa, are forecast to grow by 1.1% and 3.3% in 2021, and anticipated to also grow by 1.8% and 1.7% in 2022, respectively.

DOMESTIC ECONOMY

1.1 Economic Growth

Like most other economies globally, the Zimbabwean economy was severely ravaged by the COVID-19 pandemic in 2020. It is worth noting though, that even before the effects of COVID-19 were factored in, the fragile economy was forecast to contract on the back of climatic shocks in the form of drought and Cyclone Idai, worsening hyperinflation and attendant subdued aggregate demand, as well as contracting capacity utilisation in the productive sectors, among other factors. Infact, the Government of Zimbabwe estimates that the domestic economy endured a worse contraction (-6%) in 2019 than 2020 (-4.1%), and will rebound to 7.4% in 2021. Only the transport & communication sector is estimated to have grown in 2020 by 3.2%. Going forward, Government projects that all sectors will register positive growth in 2021, driven by significant growth in the real sectors that is; agriculture and forestry (11.3%); mining and quarrying (11.0%); manufacturing (6.5%) as well as 18.8% growth for the electricity & water sector. According to the Government's National Budget for 2021, growth is expected to level off to around 5% annually starting from 2022 and beyond. Meanwhile, the World Bank estimates that the Zimbabwean economy contracted by 10% in 2020, and is forecast to register a 2.9% growth in 2021 and 3.1% in 2022.

1.2 REAL SECTORS

1.2.1. Agriculture Sector

Agriculture remains central, not only in driving Zimbabwe's economic growth, but also in powering the industrialization and value chains strategy. The sector is estimated to have contracted by 0.2% in 2020, and is projected to rebound to 11.3% in 2021. Whilst the mainstay sector of agriculture was less

Economic Overview (continued)

1.2.1. Agriculture Sector (continued)

affected by the impact of the COVID-19 pandemic, the drought had already caused some damage to the sector's summer season culminating into a poor 2020 outturn. The anticipated 2021 growth is expected to be underpinned by a normal to above-normal rainfall season, improved access and timely financing of agriculture, timely provision of farming inputs to vulnerable households under Pfumvudza/ Intwasa model, enhanced irrigation support and general support towards mechanisation of agricultural activities.

1.2.2. Manufacturing Sector

The Government estimates that the manufacturing sector contracted by 9.6% in 2020, largely as a result of reduced aggregate demand and a reduction in working hours brought by the COVID-19 pandemic. However, some sub-sectors recorded positive impact from the pandemic - pharmaceuticals, chemicals and petroleum, rubber, foodstuffs and ICT, as well as exporters.

Meanwhile, according to the Confederation of Zimbabwe Industries (CZI) 2020 State of Manufacturing Sector Survey, the country's manufacturing capacity utilisation increased by 11 percentage points from 36.4% in 2019 to 47% in 2020, reversing the 2018-2019 drop of similar magnitude. Between 2019 and 2020, the greatest improvement in average capacity utilisation was recorded in the Other Manufactured Products sub-sector, whilst the Wood and Furniture sub-sector was the only one to record a decline in capacity utilisation. Furthermore, Other Manufactured Products (average capacity utilisation 65%) and Non Metallic Mineral Products (63%) had the highest average capacity utilisation, whilst Chemical and Petroleum Products (43%) and Drinks, Tobacco & Beverages (43%) sub-sectors had the lowest average capacity utilisation. Major contributors to the increased capacity utilisation were improved foreign currency availability, increased sales and retooling.

1.2.3. Mining Sector

According to Government projections, the mining sector is expected to grow by 11% in 2021, having contracted by 4.7% in 2020. The 2021 National Budget allocated ZW$1 billion towards the operations of the ministry for planning, promotion and exploration, data capturing, and automation, among other key mining processes. Overall, the sector is expected to grow to US$12 billion by 2023, supported by a stable macroeconomic environment, policy consistency, and availability of long-term capital to fund mining projects along the entire mineral value chain.

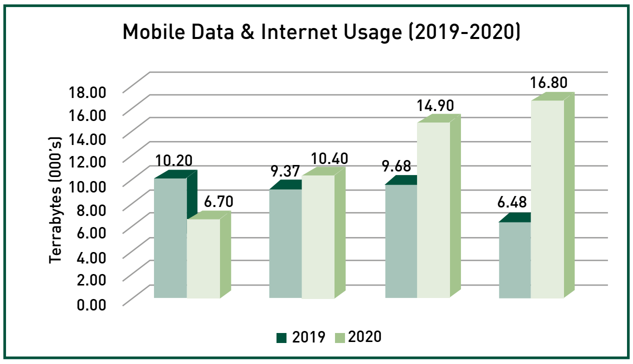
Meanwhile, gold deliveries to Fidelity Printers and Refiners (FPR) for the period 1 January 2020 to 31 December 2020 were 19.05 tonnes as compared to 27.66 tonnes during the same period in 2019, representing a year to year decline of 31%. In value terms, gold exports declined by 6% from US$1.1 billion in 2019 to US$994.7 million in 2020.

1.2.4. Information, Communication and Technology (ICT) Sector

Globally, the telecommunications sector was one of the winners in the wake of the COVID-19 outbreak. Like most essential services sectors, the industry was thrust on the frontline, and had to improve on its capacity to deliver connectivity to homes, businesses and governments, to keep economic activity going as the pandemic raged on. With most economies, including Zimbabwe, enduring prolonged periods of lockdown, the concept of "remote working" increasingly gained prominence – most firms were required to make significant investments in ICT technologies as well as to capacitate eligible staff members to work remotely.

1.2.4. Information, Communication and Technology (ICT) Sector (continued)

Data from the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) Abridged Postal and Telecommunications Sector Performance Reports for 2019 and 2020 show that there was a 36.6% increase in mobile internet and data usage, from a total of 35.7 terabytes in 2019 to 48.8 terabytes in 2020. Further interrogation of the statistics shows that mobile internet and data usage increased significantly in Q3 2020 (53.9% increase from 9.68 terabytes in Q3 2019 to 14.9 terabytes in Q3 2020) and Q4 2020 (159.3% increase from 6.48 terabytes in Q4 2019 to 16.8 terabytes in Q4 2020). The trend is summarised graphically as follows:



However, the POTRAZ Reports show that total number of active mobile subscriptions fell by 0.03% from 13,195,902 in 2019 to 13,191,708 in 2020. Mobile penetration rate also fell marginally from 90.6% in 2019 to 90.5% in 2020. However, internet penetration rate rose slightly from 60.6% in 2019 to 60.9% in 2020. In terms of Mobile money transactions, the total number of active mobile money subscriptions declined by 11.4% from 7,334,639 in December 2019 to 6,495,682 in December 2020. A total of 295,205,189 mobile money transactions were processed in 2020 - EcoCash continued to dominate, processing 97.98% of the transactions, while OneMoney processed 1.98% and TeleCash processed 0.04% of the total volume of transactions.

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. Hence, digitalisation is likely to be scaled up, with operators repositioning themselves by upgrading and automating their networks to enhance agility to deliver new services/ applications to meet fast changing and versatile consumer demands. Coverage only, will no longer be a key strategic factor, hence operators may increasingly have to invest more in faster broadband technologies such as 4G and probably, 5G.

1.2.5. Tourism

According to the World Tourism Organisation (UNWTO), international tourist arrivals (overnight visitors) worldwide are estimated to have fallen by 74% in 2020 to reach levels around 381 million, levels below 1990 levels largely due to effects of corona virus. In 2020, tourism arrivals fell by about a billion which is equivalent to an estimated US$1.3 trillion loss in international tourism receipts or US$2 trillion in GDP equivalence.

Zimbabwean tourism was not spared - in 2020 tourism arrivals fell significantly largely as a result of lockdown measures put in place by a number of governments in a bid to minimise the spread of corona virus. The measures ensured that international movements were restricted to critical movements. Some hotels were closed while international airlines were grounded during the greater part of the year 2020. No arrival estimates for the year 2020 are available for Zimbabwe yet, however the outturn is expected to be negative largely owing to COVID-19 induced bottlenecks. This will follow an 11% decline in tourist arrivals from 2,579,974 received in 2018 to 2,294,259 which was largely attributed to destination image issues. Going forward, due to the measures that restrict travel aimed at containing the COVID 19 pandemic, international tourism will be slow to recover.

Economic Overview (continued)

1.3 MONETARY AND FISCAL DEVELOPMENTS

1.3.1. Monetary Developments

Generally, 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 achieved a conservative quarterly growth in reserve money of 18.6% in 2020, against a target of 25% per quarter. As at end of December 2020, reserve money was ZW$18.76 billion, compared to a year-end target of ZW$25.20 billion.

However, broad money supply increased by 485.8% year on year, rising from ZW$34.98 billion in December 2019 to ZW$204.92 billion in December 2020. The growth in money supply was largely attributable to the impact of exchange rate movements on the foreign currency component of the deposits, which constituted 51% of deposits as at December 2020 (ZW$103.73 billion). The exchange rate depreciated from ZW$17.35/USD in January 2020 to ZW$57/USD at the first foreign exchange auction in June 2020, and further to ZW$ 81.7866/USD by end of December 2020.

1.3.2. Inflation

Inflation pressures remained on the high side during the year under review. In fact, the month on month inflation averaged 13.86%, in 2020, down from an average of 16.98% for 2019. The year on year inflation registered peaked at 837.53% in July 2020, but progressively fell to 348.59% by December 2020, mainly on the back of the forex auction market stability.

In the outlook, inflationary pressures are expected to ease, albeit slowly in 2021, with the authorities anticipating year on year inflation to fall to single digit levels by end of 2021.

1.3.3. Exchange Rates

On the international foreign currency market, the US Dollar firmed against 7 of the 18 major currencies. The US Dollar was stronger the most against the Zimbabwean Dollar (appreciating by 386.7%), Argentine Peso (40.6%), Russian Rubble (19.8%), Brazilian Real (28.6%) and South African Rand (3.7%). However, the US Dollar weakened the most against the Swedish Krona (12.3%), during the year 2020.

Going forward, the US Dollar is likely to be under pressure as a result of the continued uncertainty surrounding the coronavirus pandemic, a contracting US economy and a projected increase in USD money supply mainly towards safety nets associated with the pandemic.

1.3.4. Money Market and Interest Rates

In 2020, the country's Monetary Policy Committee (MPC) was responsible largely for setting the baseline interest rates and money market operations for the nation. Following MPC deliberations, the Reserve Bank of Zimbabwe largely maintained the policy rate for overnight accommodation at 35% and the medium-term lending rate for the productive sector at 25%. The MPC also introduced an exchange rate indexed open market operations (OMO) instrument; open for uptake by individuals and entities with excess liquidity during the year under review. The instrument features included settlement in Zimbabwe Dollar; a principal linked to the auction determined exchange rate; earning interest at the rate of 5% per annum (subject to review from time to time); and maturity varying from 30 days to 360 days. The MPC also urged banks to structure similar exchange rate linked instruments for depositors and borrowers. Going forward, the RBZ, through the MPC, is expected to continue proactively guiding the market on the expected path of interest rates as part of its efforts to build on policy transparency and confidence.

1.3.5. Equities Market

The Zimbabwe Stock Exchange (ZSE) market capitalization rose by 647% from ZW$42.427 billion in January 2020 to ZW$317 billion in December 2020. On that same note, the industrial index and the mining index rose from 1,109.49 and 344.92 to 8,782.18 and 3,969.54, respectively during the same period. Market capitalization also rose in USD terms from about US$2,444.93 million in January 2020 to US$3,875.94 million by December 2020.

In the near future the market is expected to be largely bullish as determined by actions of local investors seeking a hedge to preserve capital against inflation.

1.3.6. Financial Sector

As at 31 December 2020, there were 19 operating banking institutions (13 commercial banks, 5 building societies, and 1 savings bank), as well as 216 Other Institutions under the Supervision of the Reserve Bank (2 Development Financial Institutions, 8 Deposit-taking Microfinance Institutions and 209 Credit-only Microfinance Institutions). The banking sector performed satisfactorily during the year ended 31 December 2020, as reflected by improved financial soundness indicators for the period provided in the table:

Key Indicators	Benchmark	Dec -19	June - 20	Sept - 20	Dec - 20
Total Assets (ZW$ Billion)	-	60.64	193.56	284.37	349.59
Total Loans & Advances (ZW$ Billion)	-	12.63	37.77	56.76	82.41
Net Capital Base (ZW$ Billion)	-	9.75	29.47	42.06	53.18
Total Deposits (ZW$ Billion)	-	34.50	97.40	154.47	208.90
Net Profit (ZW$ Billion)	-	6.41	13.46	23.37	34.24
Return on Assets (%)	-	8.99	10.53	12.50	13.55
Return on Equity (%)	-	33.02	27.38	39.92	45.54
Capital Adequacy Ratio (%)	12	39.56	61.72	47.16	34.62
Tier 1 Ratio (%)	8	27.87	34.35	27.61	22.65
Loans to Deposits (%)	70	36.60	37.71	36.75	39.45
Non-Performing Loans Ratio (%)	5	1.75	1.03	0.41	0.31
Liquidity Ratio (%)	30	72.42	74.85	71.69	73.06

Deposits: Total banking sector deposits increased by 505.5%, from ZW$34.50 billion reported as at 31 December 2019, to ZW$208.9 billion as at 31 December 2020. The deposits as at December 2020 were made up of ZW$125.3 billion (60%) in foreign currency and ZW$83.5 billion (40%) in local currency. The increase in total deposits was mainly attributable to revaluation of foreign currency denominated deposits.

In the short-to-medium term, bank deposits are expected to remain short-term, thus 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.

1.3.7. Public Sector Finance

During the year 2020, Zimbabwe Revenue Authority (ZIMRA) collected net revenue of ZW$182.59 billion, against a target of ZW$171.90 billion for the year ended 31 December 2020 and this translated to 6.22% above target. Expenditures for the period January to September 2020 were ZW$84.9 billion, against a target of ZW$49.4 billion. Of this amount, current expenditures amounted to ZW$53.0 billion, transfer to provincial and local authorities ZW$688.4 million while capital expenditures and net lending amounted to ZW$31.2 billion. Expenditures for the year are estimated at ZW$162.4 billion. The country largely realised budget surpluses over the period January 2020 to September 2020, save for March, April and July, where there were pressures for mitigating the impact of the COVID-19 pandemic, cushioning of civil servants as well as other operational cost escalations. Overall, a budget deficit of ZW$4.9 billion (-0.5% of GDP) is estimated for the year 2020, reflecting better performance of revenues against managed expenditures.

Economic Overview (continued)

1.4 EXTERNAL SECTOR

The country's external sector position continued to improve, with the current account remaining in surplus in 2020. Preliminary estimates show that the current account improved from a surplus of US$0.9 billion in 2019 to a surplus of US$1.1 billion in 2020. The strong external sector position was spurred by merchandise exports which increased by 5.8%, from US$4.7 billion in 2019 to US$4.9 billion in 2020. Export performance was largely driven by increases in exports of the platinum group metals (PGMs), amid improved palladium and rhodium prices. The increase was, however, partially offset by declines in exports of gold, tobacco, manufactured goods, chrome ore and diamond.

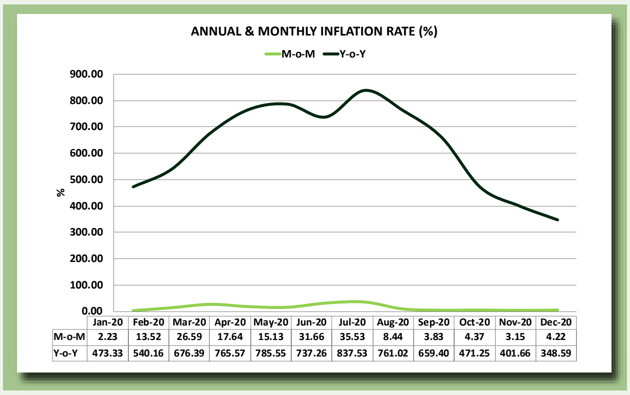
Merchandise imports are estimated to have registered an increase of 5.1% to US$4.7 billion in 2020, from US$4.5 billion in 2019, notwithstanding sharp declines in imports of energy, notably electricity, fuel, raw materials, machinery, manufactured goods and vehicles in the second quarter of 2020. This was mainly due to the impact of COVID-19 restrictions domestically and externally. Food imports, however, increased by 204%, from US$194.3 million in 2019 to US$591.6 million in 2020, on the back of increases in maize, wheat and rice imports. Maize imports sharply rose from US$26.7 million in 2019 to US$297.8 million in 2020, reflecting the impact of two consecutive drought years.

Going forward, performance of the export sector will continue to be largely determined by, among others, 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.

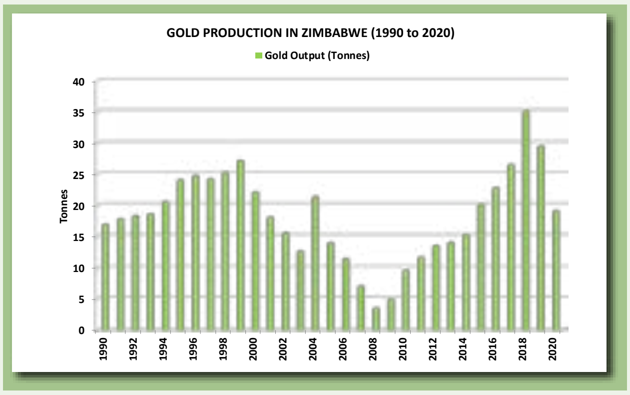
ECONOMIC OUTLOOK

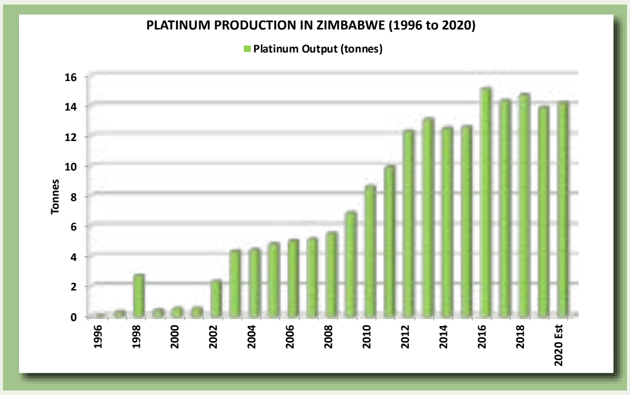
In the outlook, the Zimbabwean economy should slowly rise from the devastating effects of the COVID-19 pandemic, but the downside risks remain, particularly regarding the possibility of the continued spread of the corona virus, despite the putting in place of a national vaccination program by the Government.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

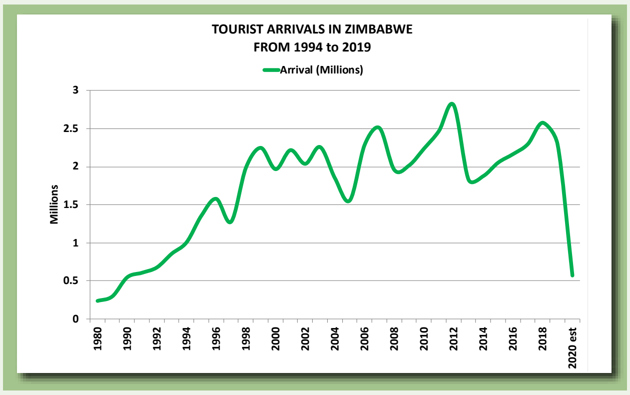
Economic Overview (continued)

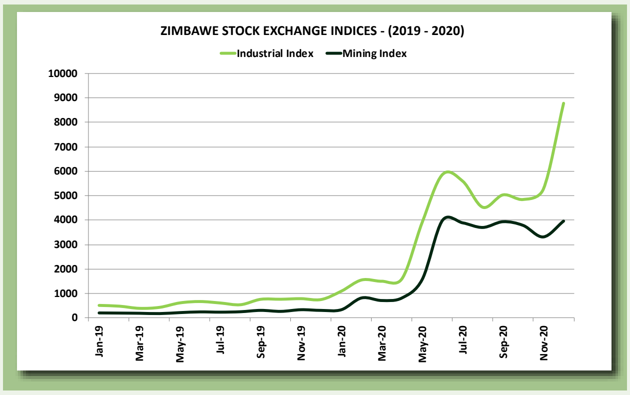


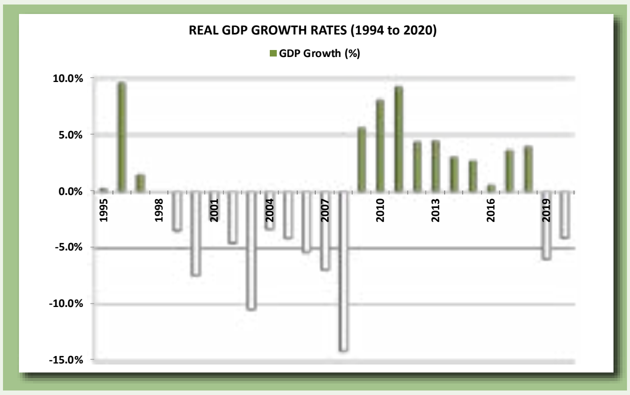
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
M-o-M	2.23	13.52	26.59	17.64	15.13	31.66	35.53	8.44	3.83	4.37	3.15	4.22
Y-o-Y	473.33	540.16	676.39	765.57	785.55	737.26	837.53	761.02	659.40	471.25	401.66	348.59



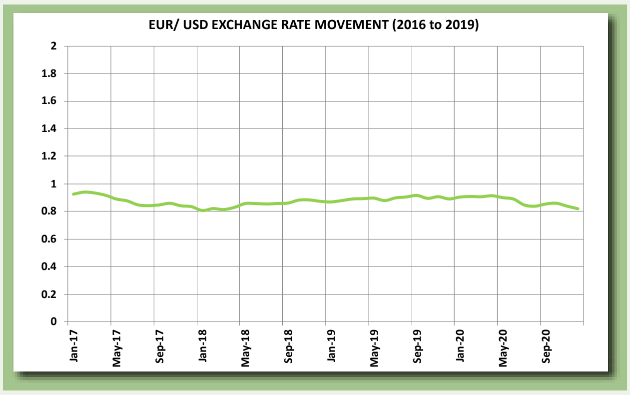


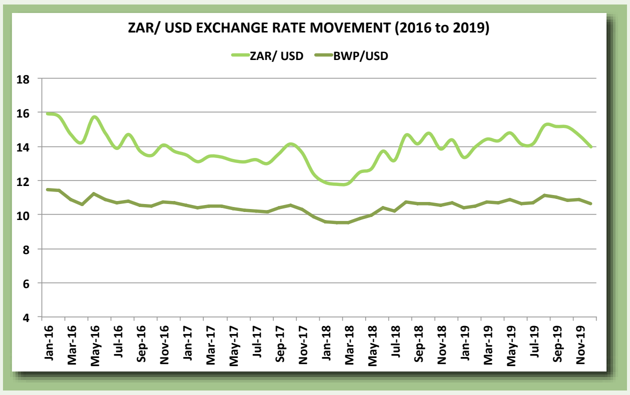


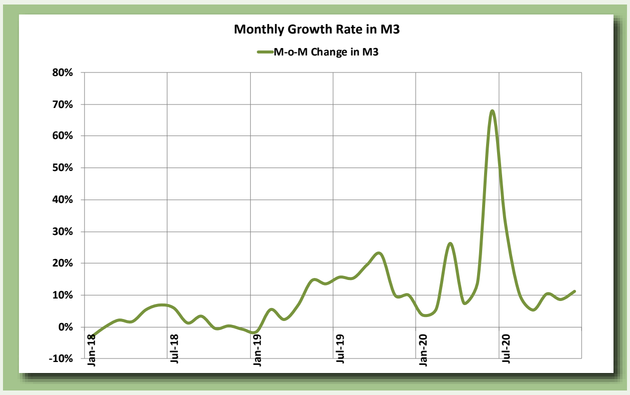


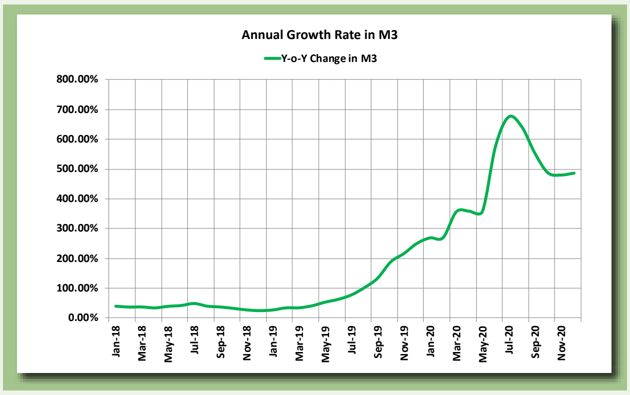


Economic Overview (continued)







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CONTENTS

Six Year Financial Review

	Inflation adjusted			Historical cost					
in ZW$	2020	Restated 2019	2018	2020	Restated 2019	2018	2017	2016	2015
Income Statement									
Total income	3 322 896 053	3 655 530 010	2 353 557 028	4 800 161 243	830 603 010	83 527 263	68 951 738	65 069 820	57 994 664
Expected credit loss	281 831 858	339 348 244	155 024 311	205 384 931	49 666 837	4 920 365	2 995 395	(771 021)	2 933 841
Net income / (loss) after tax	1 064 944 232	1 939 278 223	(530 106 313)	4 185 927 033	775 387 293	21 789 462	14 151 465	11 430 911	9 356 462
Attributable income / (loss)	1 051 585 421	1 344 922 287	(420 499 722)	3 255 331 492	554 224 420	19 717 014	13 053 305	9 947 436	8 986 539
Balance Sheet									
Issued share capital	72 710 908	72 710 908	72 710 908	1 751 906	1 751 906	1 751 906	1 751 906	1 751 906	1 751 906
Shareholders' funds	6 791 686 093	5 348 005 645	2 715 500 318	6 385 626 243	1 166 317 794	98 112 015	78 649 359	69 146 210	61 109 139
Total equity	8 037 607 966	6 575 416 323	3 315 459 904	7 636 356 429	1 448 871 419	120 373 946	99 771 231	89 433 498	80 671 038
Deposits and other accounts	7 107 782 993	6 155 055 357	12 065 244 066	7 107 782 993	1 372 115 021	433 006 499	347 105 859	275 272 254	269 697 449
Cash and short term funds	5 086 686 008	4 453 093 877	4 008 756 489	5 086 686 008	992 705 450	143 869 250	106 816 218	82 193 499	55 789 139
Advances and other accounts	3 147 343 462	2 021 222 577	3 396 812 822	3 147 343 462	450 580 815	121 907 358	104 970 338	99 193 658	99 578 547
Risk provisions	275 225 469	300 382 935	398 158 111	275 225 469	66 962 832	14 289 396	7 616 804	6 684 196	9 153 069
Total assets	18 977 407 123	15 635 720 544	18 417 312 299	18 518 787 126	3 449 751 718	663 195 772	525 725 201	439 292 796	417 625 071
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
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
Earnings per share (cents)	667.58	853.79	(59.51)	2 066.58	351.84	(12.52)	0.08287	0.06315	0.05705
Net book asset value per share (cents)	5 102.50	4 174.26	469.20	4 847.78	919.78	76.42	63.34	56.77	51.21
Share price at year end (cents)	2 400.0	72.0	5.3	2 400.0	72.0	3.5	3.6	3.5	3.5
Number of employees at year end	967	967	1 046	967	967	1 046	1 009	922	923
Ratios (%)									
Return on average shareholders' funds	14.58%	57.94%	-16.00%	92.15%	94.02%	19.90%	13.80%	13.44%	12.55%
Return on average assets	6.08%	13.63%	-2.46%	-	26.01%	3.32%	2.71%	2.32%	2.16%
Non interest income to total income	89%	91%	69%	95%	98%	77%	79%	73%	76%
Operating expenses to total income	84%	61%	108%	32%	26%	70%	67%	76%	80%

Inflation adjusted financial highlights

Total assets

21%

31 Dec 2020
ZW$18,977bn

31 Dec 2019
ZW$15,636bn

Total capital and reserves

22%

31 Dec 2020
ZW$8,038bn

31 Dec 2019
ZW$6,575bn

Net profit after taxation

31 Dec 2020
ZW$1,065bn

31 Dec 2019
ZW$1,939bn

45%

Return on equity

31 Dec 2020
15%

31 Dec 2019
58%

43pps

Liquidity ratio (Group)

31 Dec 2020
79%

31 Dec 2019
88%

9pps

Cost to income ratio

31 Dec 2020
84%

31 Dec 2019
61%

23pps

pps - percentage points

Report of the Directors

For the year ended 31 December 2020

The Directors have pleasure in presenting their report to shareholders for the year ended 31 December 2020.

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.

Litigation and Claims

The dispute in which Transnational Holdings Limited (THL) was contesting the acquisition of Intermarket Holdings Limited (IHL) by the Company, which was before the Supreme Court of Appeal was resolved through a notice of withdrawal of the appeal filed by Transnational Holdings Limited (THL) on 2 October 2020.

Consolidated Financial results

The Group posted consolidated inflation adjusted profit of ZW$1 064 944 232 (unaudited historical cost profit of ZW$4 185 927 033) compared to consolidated inflation adjusted profit of ZW$1 939 278 223 (unaudited historical cost profit of ZW$775 387 293) in 2019.

The increase in equity arising from consolidated inflation adjusted other comprehensive income amounted to ZW$512 959 640 (unaudited historical cost other comprehensive income ZW$2 016 274 265) compared to consolidated inflation adjusted comprehensive income of ZW$1 364 338 063 (unaudited historical cost other comprehensive income of ZW$423 399 654) in 2019.

Consolidated inflation adjusted total assets as at 31 December 2020 amounted to ZW$18 977 407 123 (unaudited historical cost of ZW$18 518 787 126) compared to consolidated inflation adjusted total assets as at 31 December 2019 of ZW$15 635 720 544 (unaudited historical cost of ZW$3 449 751 718).

Dividend

The Board has declared a final dividend of ZW$0.7413 per share for the year ended 31 December 2020.

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 remain going concerns for the foreseeable future. The going concern basis has, therefore, been adopted for the preparation of these consolidated 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.

Report of the Directors (continued)

For the year ended 31 December 2020

Directorate

In terms of Article 68 of the Company's Articles of Association, Messrs Pamela Chiromo, Jacob Mutevedzi and Alexio Z Mangwiro retire by rotation. Being eligible, they offer themselves for re-election at the forthcoming members' meeting.
Messrs Olatunde Akerele and Sydney T Bvurere resigned from the Board effective 3 May 2021 and Ronald Mutandagayi resigned as Group Chief Executive from the Board and the Company on 31 May 2021.

Mr Fanuel Kapanje was appointed to act as Group Chief Executive pending recruitment of a substantive Group Chief Executive.

None of the directors held any shares, directly or indirectly, in the company as at 31 December 2020.

Auditors

In terms of paragraph 4(4) of Part III of Banking Act (Chapter 24:20), a banking institution is prohibited from appointing as its auditor the same institution for a continuous period of more than five (5) years in any eight (8) year period. Messrs Deloitte & Touche (Zimbabwe) retired at the last Annual General Meeting, having served the Group for a period of five consecutive years.

Messrs KPMG Chartered Accountants (Zimbabwe) were selected to provide audit services to the Group and have met the Banking Act requirements for the provision of those services. Shareholders will be requested to confirm their appointment in respect of the audit for the year ended 31 December 2020 and to approve their remuneration for that period.

By order of the Board

P Chiromo (Mrs) (Chairman)	F Kapanje (Acting Group Chief Executive)	T F A Masiiwa (Group Secretary)

Harare

30 June 2021

BOARD OF DIRECTORS

Mrs P Chiromo *(Chairman)*
Mr. F. Kapanje *(Acting Group Chief Executive)*
Mrs. A. Makamure
Mr. A. Z. Mangwiro
Mr. K. Maukazuva
Mr. J. Mutevedzi
Mr. P. B. Nyoni
Ms. T. Sibanda

Directors' Statement of Responsibility

The directors of the Company take full responsibility for the preparation and the integrity of the consolidated and separate inflation adjusted financial statements and financial information included in this report. The Directors are responsible for the preparation and fair presentation of the consolidated and separate inflation adjusted financial statements of ZB Financial Holdings Limited, comprising the consolidated and separate inflation adjusted statement of financial position as at 31 December 2020, and the consolidated and separate inflation adjusted statement of profit or loss and other comprehensive income, the consolidated and separate inflation adjusted statement of changes in equity and the consolidated and separate inflation adjusted statement of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes. The consolidated and separate inflation adjusted financial statements as at 31 December 2020 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), Securities and Exchange Act (Chapter 24:25) 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 consolidated and separate inflation adjusted 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 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 consolidated and separate inflation adjusted financial statements are fairly presented in accordance with the applicable financial reporting framework.

The consolidated and separate inflation adjusted annual financial statements of ZB Financial Holdings Limited, which appear on pages 62 to 242, were approved by the Board on 30 June 2021.

The Group's independent external auditor, KPMG (Zimbabwe), has audited the consolidated and separate inflation adjusted financial statements and its report is attached to these consolidated and separate inflation adjusted financial statements on pages 52 to 61.

P Chiromo (Mrs)	F Kapanje	T F A Masiiwa
(Chairman)	(Acting Group Chief Executive)	(Group Secretary)

Harare
30 June 2021

Preparer of financial statements

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

....
F Kapanje CA (Z)
Registered Public Accountant number 2295

Extracts from the Report of the Independent Actuary

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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 2020

exceeds the amount of the liabilities in respect of those classes of insurance business by ZWL 1 270 695 482.

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.

LE van As FASSA FIA
Consulting Actuary
Independent Actuaries & Consultants (Pty) Ltd
28 June 2021

www.iac.co.za

Head Office | 6th Floor, Wale Str Chambers, 38 Wale Str, Cape Town
Gauteng Office | Bridle Close, Woodmead Office Park, Woodmead
Harare Office | 2nd Floor, Malvern Corner, 65 Sam Nujoma St
TEL | +27 861 333 820
FAX | +27 21 422 4378 | +27 11 656 4171

Independent Actuaries & Consultants (Pty) Ltd | Keymix Investments Group Company
Authorised Financial Services Provider | **REG No.** 2002/000342/07 | **FSP No.** 6832
Directors: W.M. Tshaka (Non-Executive Director) | A. Gani (MD)
Prof C.J.B. Greeff | V. Faria | K.S. Lewis

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CERTIFICATE OF THE CONSULTING ACTUARY

To the Directors,

ZB LIFE ASSURANCE LIMITED

Actuarial liabilities at 31 December 2020

I certify that the actuarial liabilities of ZB Life Assurance Limited at 31 December 2020 were as follows:

Type of Business	ZWL
Life Assurance Business	711 086 575
Retirement Annuity Pensions, Group Pensions, Immediate and Deferred Annuities	962 669 575
Total	1 673 756 150

LE van As FASSA FIA
Consulting Actuary
Independent Actuaries & Consultants (Pty) Ltd
28 June 2021

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KPMG
Mutual Gardens
100 The Chase (West)
Emerald Hill
P O Box 6 Harare
Zimbabwe
Tel: +263 (4) 303700, 302600
Fax: +263 (4) 303699

Independent Auditors' Report

To the shareholders of ZB Financial Holdings Limited

Adverse Opinion on Inflation Adjusted Consolidated Financial Statements and Qualified 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 62 to 242, which comprise:

- the inflation adjusted consolidated and separate statements of financial position as at 31 December 2020;
- 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, because of the significance of the matters described in the Basis for Adverse Opinion section of our report, the inflation adjusted consolidated financial statements do not present fairly the inflation adjusted consolidated financial position of ZB Financial Holdings Limited as at 31 December 2020, and its inflation adjusted consolidated financial performance and its 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) and the Insurance Act (Chapter 24:07).

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the inflation adjusted separate financial statements present fairly, in all material respects, the inflation adjusted separate financial position of ZB Financial Holdings Limited as at 31 December 2020, 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 requirements of the Companies and Other Business Entities Act (Chapter 24:31).

Basis for Adverse Opinion on Inflation Adjusted Consolidated Financial Statements and Qualified Opinion on the 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 current year

ZB Financial Holdings Limited, through its life assurance subsidiary, has an associate investment in a property development and investment company. Both the group and the associate engaged the same external property valuer to perform property valuations for their respective year end valuations, with ZB Financial Holdings and its subsidiaries' property portfolio being valued in United States dollars and being converted into Zimbabwe dollars using the official exchange rate as at 31 December 2020, which is consistent with the basis adopted in the prior year. The associate engaged the same valuer to conduct two full valuations at year end, one in United States dollars and the other in Zimbabwe dollars, with the Zimbabwe dollar valuation being adopted for year end reporting purposes, which is inconsistent with the valuation basis adopted in the prior year as well as with the valuation approach applied in respect of ZB Financial Holdings Limited's owner occupied and investment properties.

There is a lack of consistency between property valuation basis and translation methods applied by ZB Financial Holdings Limited and its subsidiaries and the associate. IFRS 13 *Fair Value Measurement* paragraph 65 requires valuation techniques used to measure fair value to be applied consistently. The change from including the valuation of investment properties of the associate on the basis of direct ZWL$ valuations in the current year compared to USD valuation in the prior year does not comply with the conditions in the standard that allow for a change in valuation techniques due to limited ZWL$ market evidence.

In accordance with IAS 28, *Investments in Associates and Joint Ventures* paragraph 35, the investee's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances except as described in paragraph 36A. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraph 5 defines accounting policies as the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. If an associate or a joint venture uses methods and techniques other than those of the entity for like transactions and events in similar circumstances, adjustments shall be made to make the associate's or joint venture's results to conform to those of the entity when the associate's or joint venture's financial statements are used by the entity in applying the equity method.

The Directors have not adjusted the financial records and its financial statements to align the valuation approaches between ZB Financial Holdings Group and its associate. The directors have estimated that the effects on the inflation adjusted consolidated financial statements, had the directors adjusted the financial records to align the valuation approaches between ZB Financial Holdings Limited and the associate, would have resulted in equity accounted investments decreasing by ZWL$872 434 839, deferred tax liability decreasing by ZWL$49 011 524, life assurance funds liability decreasing by ZW$203 972 150, with the effect on the inflation adjusted consolidated statement of profit or loss and other comprehensive income impact being a decrease in the share of profit from equity accounted investments by ZWL$872 434 839, as well as decrease in the changes to policyholder liabilities by ZWL$203 972 150 and the related income tax expense by ZWL$49 011 524.

The effect of this non-compliance with IAS 28 and IFRS 13 on the inflation adjusted consolidated financial statements is material and pervasive.

Non-compliance with International Financial Reporting Standards IAS 21 - The Effects of Changes in Foreign Exchange Rates (IAS 21) and International Financial Reporting Standards IAS 29 - Financial Reporting in Hyperinflation Economies (IAS 29) in the prior financial year

As described in note 3.1.1 to the inflation adjusted consolidated and separate financial statements, during the prior financial year, a new currency called the RTGS dollar, also referred to as Zimbabwe dollar, was legislated through Statutory Instrument 33 of 2019 on 22 February 2019. SI33/19 fixed the exchange rate between the RTGS dollar and the USD at a rate of 1:1 for the period up to its effective date. The Group and Company however, decided to account for the change in functional currency from United States dollars to Zimbabwe dollars effective 1 January 2019 by adopting the opening interbank foreign exchange rate of 1:2.5 for the period between 1 January and 22 February 2019. This was not in compliance with IAS 21 where the functional currency was assessed to have been the ZWL with effect from 1 October 2018 and the market exchange rate was not 1:1 as stipulated by SI33/19.

In addition, as described in note 3.1.3 to the inflation adjusted consolidated and separate financial statements, Zimbabwe became a hyperinflationary economy with effect from 1 July 2019. IAS 29 refers to a 'currency' in an economy being the underlying indicator of the hyperinflationary environment, based on that understanding the Group is required to identify the currency which is that of a hyperinflationary environment. As noted in the section above, the currency identified in a hyperinflationary economy, RTGS dollars, was determined to be a functional currency from an accounting perspective from October 2018, only became legally recognised as currency on 22 February 2019, and was determined to have become hyperinflationary from 1 July 2019. The Directors opted to apply the principles of hyperinflation from 1 January 2009. During this period however, Zimbabwe was in a USD currency and economy predominantly and therefore was not operating in a hyperinflationary economy. It is therefore incorrect to apply hyperinflation accounting from 1 January 2009 up to 30 September 2018.

Had the Group and Company applied the full requirements of IAS 21 and IAS 29 in the prior year, various elements of the prior year inflation adjusted consolidated and separate financial statements, namely equity and non-monetary assets that are not carried at fair value or in terms of current purchasing parity, which are presented as comparative financial information, may have been materially impacted as disclosed in Note 3.1.3. The financial effects of this departure on the prior year inflation adjusted consolidated and separate financial statements have not been determined.

Our opinion on the current year's inflation adjusted consolidated financial statements has been further modified and the inflation adjusted separate financial statements have been modified because of the possible effects of these matters on the comparability of the current year's inflation adjusted consolidated and separate financial statements with those of the prior year.

Prior period error relating to incorrect adoption of the revaluation model for intangible assets for the inflation adjusted consolidated financial statements
In addition, we also draw attention to note 15 to the inflation adjusted consolidated financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2019 has been restated.

Comparative Information audited by another auditor
The inflation adjusted consolidated and separate financial statements, were audited by another auditor who expressed an adverse opinion on those inflation adjusted consolidated and separate financial statements on 29 May 2020 due to the non-compliance with IAS 21 and IAS 29 as described above.

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 both 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 adverse opinion on the inflation adjusted consolidated financial statements and our qualified 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 matters described in the *Basis for Adverse Opinion on Inflation Adjusted Consolidated Financial Statements and Qualified Opinion on the 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 insurance contract liabilities

This matter relates to the inflation adjusted consolidated financial statements.

Refer to the insurance liabilities accounting policy note 3.17.2 and trade payables consolidated note 17 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 22 to the inflation adjusted consolidated financial statements.

Key Audit Matter	How the matter was addressed in our audit
The Group holds significant insurance liabilities which comprise of IBNR of ZWL$ 90 163 636 (note 17), net outstanding claims of ZWL$28 571 568 (note 17), and UPR of ZWL$111 326 041 (note 17) and through its life assurance subsidiary has a life assurance fund with the value of ZWL$1 673 756 150 (note 22) as at 31 December 2020. The directors engaged an actuarial expert to assess the valuation of the IBNR, net outstanding claims and UPR as well as the life fund.	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.

Key Audit Matter	How the matter was addressed in our audit
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 period. Significant estimation and judgement is applied over key valuation assumptions used to determine the insurance contract liabilities such as valuation interest rates, expense inflation and mortality basis. Because of the inherent susceptibility of the technical reserves to estimation uncertainty as well as the significance of their quantitative impact, we considered the valuation of these insurance liabilities to be a key audit matter.	• 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, the 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. • Assessing the disclosures in the consolidated inflation adjusted financial statements, paying particular attention to the disclosure of the assumptions used and judgements made.

2. Valuation of property, equipment and investment property

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 estimates and judgements note 2.2.2.4, the property and equipment consolidated note 14, the investment property consolidated and separate note 12, and property and equipment company note 14 to the inflation adjusted consolidated and separate financial statements.

Key Audit Matter	How the matter was addressed in our audit
The Group and Company hold owner occupied properties, equipment and investment properties that are valued at fair value in accordance with IAS 16 Property, Plant and Equipment and IAS 40, Investment Property, respectively. As at reporting date, the Group and Company had property, equipment and investment properties amounting to ZWL$2 951 346 535 for Group and ZWL$32 261 413 for Company and ZWL$2 177 997 851 for Group and ZWL and ZWL$ 29 525 000 for the Company, respectively.	Our audit procedures included the following: • Assessing the professional competence, capability and objectivity of the qualified valuers. Specifically, in respect of the valuers, we enquired about interests and relationships that may have created a threat to the valuers' objectivity. We also validated the valuers' professional memberships.

Key Audit Matter	How the matter was addressed in our audit
Fair valuation of properties is difficult to ascertain as market comparable sales are not as readily available as a result of depressed economic activity which has resulted in a limited number of open market sales. Furthermore, the hyperinflationary environment has made it increasingly difficult to determine the fair value in local currency. Therefore, the qualified valuers determined property values in USD and converted to local currency at ruling interbank exchange rate at 31 December 2020. Due to the degree of complexity involved in determining the fair value of the owner-occupied properties and investment properties and the significance of the judgments and estimates made by the directors, as well as the significance of their quantitative impact, this was considered to be a key audit matter.	• Holding discussions with the Group's and Company's independent valuers to understand the assumptions and methodologies used in valuing these properties and the market evidence supporting the valuation assumptions. • Evaluating the appropriateness of the inputs to the valuations by reviewing supporting market transactions used for the valuations. • Evaluating the appropriateness of the methodology applied for conversion of the USD valuations to ZWL in line with the requirements of the applicable financial reporting standards. • Assessing the adequacy of the disclosures in the inflation adjusted consolidated and separate financial statements in respect of owner occupied properties and investment property.

3. **Expected credit loss allowance on loans and advances**

This matter relates to the inflation adjusted consolidated financial statements.

Refer to the impairment of financial assets accounting policy note 3.4.1.5, mortgages and other advances consolidated note 7, and credit risk consolidated note 38.2.4 in the inflation adjusted consolidated financial statements.

Key Audit Matter	How the matter was addressed in our audit
The Group, through its banking and building society subsidiaries, provides retail, retail corporate, mortgage and corporate loans and advances. As at reporting date, the Group had mortgages and other advances amounting to ZWL$3 147 343 462. The Group uses an expected credit loss (ECL) model to determine the loss allowance in respect of loans and advances and total ECL at Group level amounts to ZWL$260 157 829. The ECL methodology incorporates the expected future credit losses due to forward looking macro-economic variables.	Our audit procedures included the following: • Assessing and testing the design and operating effectiveness of the controls over credit origination and monitoring. • Assessing whether the Group's credit policies are aligned with IFRS 9, Financial Instruments. • Engaging our Financial Risk Management (FRM) specialists to evaluate the appropriateness of the IFRS 9 expected credit loss models by independent (challenger) models to evaluate the appropriateness of the ECL.

Key Audit Matter	How the matter was addressed in our audit
The Group's ECL model uses certain judgements and assumptions such as: • the credit risk grades allocated to the counterparties loans and advances and mortgages; • the probability of a loan becoming past due and subsequently defaulting (probability of default 'PD'); • 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 used in determining the expected credit losses on the loans and advances. Due to the significance of the loans and advances balance to the inflation adjusted financial position of the Group and the level of judgement including the estimation of key impairment parameters applied in determining the ECL, the expected credit loss on loans and advances was considered a key audit matter.	• Assessing 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 grades. • Using available external and independent information to challenge management's assumptions and judgements in determining expected credit losses. • Assessed the adequacy of the disclosures in the inflation adjusted consolidated financial statements respect of ECL,

Other information

The directors are responsible for the other information. The other information comprises the Report of the directors, the Statement of directors' 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 Annual Report, which is expected to be made available to us after that date.

Our opinion on the inflation adjusted consolidated and separate financial statements does 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 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 adverse opinion section above, given the non-compliance with IFRS 13 and IAS 28 in the current year in addition to IAS 21 and IAS 29 in the prior year, the Group's and Company's current year's inflation adjusted 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 Report of the directors, the Statement of directors' 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 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) 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's 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 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 Group and/ or the Company 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.

- 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

KPMG Zimbabwe
Registered Accountants and Auditors
Chartered Accountants (Zimbabwe)

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

30 June 2021

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 2020

		Inflation adjusted		Unaudited Historical cost	
	Notes	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
ASSETS					
Cash and cash equivalents	5	5 086 686 008	4 453 093 877	5 086 686 008	992 705 450
Treasury bills	6	518 114 164	973 641 269	518 114 164	217 048 870
Mortgages and other advances	7	3 147 343 462	2 021 222 577	3 147 343 462	450 580 815
Financial assets at fair value through profit on loss	8.1	952 005 400	576 397 672	952 005 400	128 493 386
Financial assets held at amortised cost	8.2	46 164 336	51 670 920	46 164 336	11 518 736
Investments in associates	9.1	3 158 264 043	1 991 904 613	2 902 113 354	445 466 831
Inventories	10	50 889 170	106 050 428	36 230 398	7 790 244
Trade and other receivables	11	606 162 537	182 443 744	606 162 537	38 627 667
Investment properties	12	2 177 997 851	2 366 813 359	2 177 997 851	527 621 601
Right of use assets	13	66 234 057	29 811 485	66 234 057	6 645 722
Property and equipment	14	2 951 346 535	2 582 487 732	2 951 346 535	575 700 787
Intangible assets	15	216 199 560	300 182 868	28 389 024	47 551 609
Total assets		18 977 407 123	15 635 720 544	18 518 787 126	3 449 751 718
LIABILITIES					
Deposits and other accounts	16	7 107 782 993	6 155 055 357	7 107 782 993	1 372 115 021
Trade and other payables	17	1 180 683 296	911 111 324	1 180 683 296	203 445 862
Current tax liabilities	18	92 783 651	23 113 938	92 783 651	5 152 672
Deferred tax liabilities	19	555 868 237	461 737 751	498 499 777	84 675 096
Lease liabilities	20	69 577 553	29 811 485	69 577 553	6 645 722
Long term borrowings	21	16 140 639	68 956 128	16 140 639	15 372 037
Life assurance funds	22	1 673 756 150	1 074 898 824	1 673 756 150	238 655 969
Offshore borrowings	23	243 206 638	335 619 414	243 206 638	74 817 920
Total liabilities		10 939 799 157	9 060 304 221	10 882 430 697	2 000 880 299
EQUITY					
Share capital	24.1	72 710 908	72 710 908	1 751 906	1 751 906
Share premium	24.2	1 123 995 356	1 123 995 356	27 081 696	27 081 696
Other components of equity	24.3	1 996 907 870	1 593 933 726	2 410 826 591	435 217 631
Retained income	24.4	3 598 071 959	2 557 365 655	3 844 673 945	596 855 711
Functional currency translation reserve		-	-	101 292 105	105 410 850
Attributable to equity holders of parent		6 791 686 093	5 348 005 645	6 385 626 243	1 166 317 794
Non-controlling interests	24.5	1 245 921 873	1 227 410 678	1 250 730 186	282 553 625
Total equity		8 037 607 966	6 575 416 323	7 636 356 429	1 448 871 419
Total equity and liabilities		18 977 407 123	15 635 720 544	18 518 787 126	3 449 751 718

Approved by the Board and signed on its behalf by:

P Chiromo (Mrs) (Chairman)	F Kapanje (Acting Group Chief Executive)	T F A Masiiwa (Group Secretary)

30 June 2021

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

Separate Statements of Financial Position

As at 31 December 2020

	Notes	Inflation adjusted 31 Dec 2020 ZW$	Inflation adjusted Restated 31 Dec 2019 ZW$	Unaudited Historical cost 31 Dec 2020 ZW$	Unaudited Historical cost Restated 31 Dec 2019 ZW$
ASSETS					
Cash and cash equivalents	5	2 137 270	8 436 586	2 137 270	1 880 725
Financial assets at fair value through profit or loss	8.1	66 633 801	21 965 555	66 633 801	4 896 669
Financial assets at amortised cost	8.2	-	8 971 632	-	2 000 000
Investments in associates	9.1	53 319 940	82 779 463	45 447 161	19 825 903
Investments in subsidiaries	9.2	6 095 394 420	5 043 441 033	5 918 973 978	1 095 861 752
Trade and other receivables	11	33 001 149	41 517 834	33 001 149	9 255 358
Investment properties	12	29 525 000	33 640 030	29 525 000	7 499 200
Right of use assets	13	108 645 585	18 160 189	108 645 585	4 048 358
Property and equipment	14	32 261 413	21 773 226	32 261 413	4 853 794
Intangible assets	15	-	154 604	-	34 465
Deferred tax asset	19	537 040	-	537 040	-
Total assets		6 421 455 618	5 280 840 152	6 237 162 397	1 150 156 224
LIABILITIES					
Trade and other payables	17	53 366 519	67 599 208	53 366 519	15 069 551
Lease liabilities	20	115 257 960	18 160 189	115 257 960	4 048 358
Long term borrowings	21	16 140 639	68 956 128	16 140 639	15 372 037
Deferred tax liabilities	19	-	5 640 224	-	1 632 301
Total liabilities		184 765 118	160 355 749	184 765 118	36 122 247
EQUITY					
Share capital	24.1	72 710 908	72 710 908	1 751 906	1 751 906
Share premium	24.2	1 123 995 356	1 123 995 356	27 081 696	27 081 696
Revaluation reserve	24.3	23 675 049	13 291 450	21 989 500	3 201 105
Retained income		5 016 309 187	3 910 486 689	5 900 282 072	976 588 420
Functional currency translation reserve		-	-	101 292 105	105 410 850
Total equity		6 236 690 500	5 120 484 403	6 052 397 279	1 114 033 977
Total equity and liabilities		6 421 455 618	5 280 840 152	6 237 162 397	1 150 156 224

Approved by the Board and signed on its behalf by:

P Chiromo (Mrs)
(Chairman)

F Kapanje
(Acting Group Chief Executive)

T F A Masiiwa
(Group Secretary)

30 June 2021

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

		Inflation adjusted		Unaudited Historical cost	
	Notes	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
Interest income	26.1	859 323 618	844 792 739	576 746 607	81 485 012
Interest expenses	26.2	(199 653 141)	(187 368 533)	(131 366 383)	(15 165 760)
Net interest income		659 670 477	657 424 206	445 380 224	66 319 252
Loan impairment charges, net recoveries	26.3	(281 831 858)	(339 348 244)	(205 384 931)	(49 666 837)
Net income from lending activities		377 838 619	318 075 962	239 995 293	16 652 415
Gross insurance premium income	27.1	1 147 757 892	1 128 398 808	844 470 475	124 728 943
Total insurance expenses	27.2	(1 149 340 498)	(728 429 302)	(873 235 644)	(78 969 380)
Net insurance (loss) / income		(1 582 606)	399 969 506	(28 765 169)	45 759 563
Commissions and fees	28	1 142 092 072	1 242 158 601	795 293 987	128 151 706
Operating income	29	1 668 827 218	662 912 593	1 416 178 489	137 341 934
Fair value adjustments	30	135 720 750	1 032 413 348	2 377 458 643	502 697 392
Total income		3 322 896 053	3 655 530 010	4 800 161 243	830 603 010
Operating expenses	31	(2 788 791 101)	(2 222 385 985)	(1 557 669 838)	(204 866 956)
Profit from ordinary activities		534 104 952	1 433 144 025	3 242 491 405	625 736 054
Movement in life assurance funds	22	(598 857 326)	(92 276 637)	(1 435 100 181)	(179 186 905)
Share of associate companies' profit net of tax	9.1	1 405 255 116	1 091 160 274	2 673 601 949	370 148 646
Net monetary loss		(157 026 690)	(128 762 162)	-	-
Profit before taxation		1 183 476 052	2 303 265 500	4 480 993 173	816 697 795
Income tax expense	32	(118 531 820)	(363 987 277)	(295 066 140)	(41 310 502)
Net profit after taxation		1 064 944 232	1 939 278 223	4 185 927 033	775 387 293
Profit attributable to:					
Owners of parent		1 051 585 421	1 344 922 287	3 255 331 492	554 224 420
Non-controlling interests		13 358 811	594 355 936	930 595 541	221 162 873
Net profit after taxation		1 064 944 232	1 939 278 223	4 185 927 033	775 387 293

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

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

For the year ended 31 December 2020

		Inflation adjusted		Unaudited Historical cost	
			Restated		Restated
	Notes	31 Dec 2020 ZW$	31 Dec 2019 ZW$	31 Dec 2020 ZW$	31 Dec 2019 ZW$
Net profit after taxation		1 064 944 232	1 939 278 223	4 185 927 033	775 387 293
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Gains on property and equipment revaluation	24.3.2	672 273 181	1 585 695 888	2 279 135 715	478 099 954
Fair value gains / (losses) on financial assets at FVTOCI	24.3.3	1 585 843	(35 020 433)	1 585 843	(7 806 926)
Income tax relating to components of other comprehensive income	24.7	(160 899 384)	(186 337 392)	(264 447 293)	(46 893 374)
Other comprehensive income for the year net of tax		512 959 640	1 364 338 063	2 016 274 266	423 399 654
Total comprehensive income for the year		1 577 903 872	3 303 616 286	6 202 201 298	1 198 786 947
Total comprehensive income attributable to:					
Owners of parent		1 558 745 624	2 668 272 302	5 233 699 125	966 840 972
Non-controlling interests		19 158 248	635 343 984	968 502 173	231 945 975
Total comprehensive income for the year		1 577 903 872	3 303 616 286	6 202 201 298	1 198 786 947
Earnings per share					
Basic and fully diluted earnings per share (ZW cents)		668	854	2 067	352

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

Separate Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

		Inflation adjusted		Unaudited Historical cost	
	Notes	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
Other Operating income	29	285 869 813	492 901 361	192 798 309	28 262 781
Fair value adjustments	30	1 067 563 594	1 994 770 827	4 895 516 112	902 943 643
Total income		1 353 433 407	2 487 672 188	5 088 314 421	931 206 424
Operating expenses	31	(318 267 109)	(409 082 970)	(188 361 352)	(27 436 625)
Profit from ordinary activities		1 035 166 298	2 078 589 218	4 899 953 069	903 769 799
Share of associate companies' (loss)/ profit net of tax	9.1	(29 459 523)	19 332 622	25 621 258	12 712 145
Net monetary gain		113 567 642	438 783 636	-	-
Profit before taxation		1 119 274 417	2 536 705 476	4 925 574 327	916 481 944
Income tax credit/ (expense)	32	9 586 955	(5 920 514)	8 338 963	(527 846)
Net profit after taxation		1 128 861 372	2 530 784 962	4 933 913 290	915 954 098
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Gains on property and equipment revaluation	24.3.2	13 793 290	16 685 055	24 958 017	4 233 292
Income tax relating to components of other comprehensive income	24.7	(3 409 691)	(4 124 555)	(6 169 622)	(1 046 469)
Other comprehensive income for the year net of tax		10 383 599	12 560 500	18 788 395	3 186 823
Total comprehensive income for the year		1 139 244 971	2 543 345 462	4 952 701 685	919 140 921

*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

For the year ended 31 December 2020

	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 31 December 2018	72 710 908	1 123 995 356	13 137 115	157 339 647	115 225 210	1 306 617 901	2 789 026 137	599 959 586	3 388 985 723
Prior year error	-	-	-	(18 083 742)	-	(25 288 229)	(43 371 971)	-	(43 371 971)
Restated balance at 1 January 2019	72 710 908	1 123 995 356	13 137 115	139 255 905	115 225 210	1 281 329 672	2 745 654 166	599 959 586	3 345 613 752
Changes in equity for 2019									
Profit or loss									
Profit for the year	-	-	-	-	-	1 344 922 287	1 344 922 287	594 355 936	1 939 278 223
Profit for the year as previously reported	-	-	-	-	-	1 338 583 999	1 338 583 999	606 635 575	1 945 219 574
Prior year error	-	-	-	-	-	6 338 288	6 338 288	(12 279 639)	(5 941 351)
Other comprehensive income, net of tax									
Revaluation of property	-	-	-	1 352 501 500	-	-	1 352 501 500	38 022 567	1 390 524 067
Profit for the year as previously reported	-	-	-	1 522 102 311	-	-	1 522 102 311	74 284 317	1 596 386 628
Prior year error	-	-	-	(169 600 811)	-	-	(169 600 811)	(36 261 750)	(205 862 561)
Fair value gain on financial assets at FVTOCI	-	-	-	-	(26 186 004)	-	(26 186 004)	-	(26 186 004)
Transaction with owners of the parent									
Dividends paid	-	-	-	-	-	(68 886 304)	(68 886 304)	(4 927 411)	(73 813 715)
Other movements									
Balance at 31 December 2019	72 710 908	1 123 995 356	13 137 115	1 491 757 405	89 039 206	2 557 365 655	5 348 005 645	1 227 410 678	6 575 416 323
Changes in equity for 2020									
Profit or loss									
Profit for the year	-	-	-	-	-	1 051 585 421	1 051 585 421	13 358 811	1 064 944 232
Other comprehensive income, net of tax									
Revaluation of property	-	-	-	505 966 381	-	-	505 966 381	5 799 437	511 765 818
Fair value gain on financial assets at FVTOCI	-	-	-	-	1 193 822	-	1 193 822	-	1 193 822
Transaction with owners of the parent									
Dividends paid	-	-	-	-	-	(23 038 917)	(23 038 917)	(647 053)	(23 685 970)
Transfer to retained income	-	-	-	(12 159 800)	-	12 159 800	-	-	-
Effects of monetary adjustments	-	-	-	-	(92 026 259)	-	(92 026 259)	-	(92 026 259)
Balance at 31 December 2020	72 710 908	1 123 995 356	13 137 115	1 985 563 986	1 793 231	3 598 071 959	6 791 686 093	1 245 921 873	8 037 607 966

*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 2020

	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 2019	1 751 906	27 081 696	-	5 870 251	15 454 177	2 850 459	45 103 526	98 112 015	22 261 931	120 373 946
Prior year error	-	-	-	-	(2 234 887)	-	-	(2 234 887)	-	(2 234 887)
Restated balance 1 January 2019	1 751 906	27 081 696	-	5 870 251	13 219 290	2 850 459	45 103 526	95 877 128	22 261 931	118 113 059
Changes in functional currency	-	-	105 410 850	-	-	-	-	105 410 850	29 183 643	134 594 493
Changes in functional currency as previously reported	-	-	113 962 188	-	-	-	-	113 962 188	29 650 652	143 612 840
Prior adjustment	-	-	(8 551 338)	-	-	-	-	(8 551 338)	(467 009)	(9 018 347)
Changes in equity for 2019										
Profit or loss										
Profit for the year	-	-	-	-	-	-	554 224 420	554 224 420	221 162 873	775 387 293
Profit for the year as previously reported	-	-	-	-	-	-	543 967 157	543 967 157	221 106 697	765 073 854
Prior year error	-	-	-	-	-	-	10 257 263	10 257 263	(56 176)	10 313 439
Other comprehensive income, net of tax										
Revaluation of property	-	-	-	-	419 115 143	-	-	419 115 143	10 122 023	429 237 166
Revaluation of property as previously reported	-	-	-	-	463 619 558	-	-	463 619 558	22 947 950	486 567 508
Prior year error	-	-	-	-	(44 504 415)	-	-	(44 504 415)	(12 825 927)	(57 330 342)
Fair value gain on financial assets at FVTOCI	-	-	-	-	-	(5 837 512)	-	(5 837 512)	-	(5 837 512)
Transaction with owners of the parent										
Dividends paid	-	-	-	-	-	-	(2 472 235)	(2 472 235)	(176 845)	(2 649 080)
Other movements										
Balance at 31 December 2019	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 FVTOCI	-	-	-	-	-	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 functional currency translation reserve	-	-	(4 118 745)	-	-	-	-	(4 118 745)	-	(4 118 745)
Adjustment for regulatory reserve in respect of doubtful advances	-	-	-	(52 293)	-	-	-	(52 293)	52 293	-
Transfer to retained income	-	-	-	-	(2 706 380)	-	2 706 380	-	-	-
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

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

Separate Statements of Changes in Equity

For the year ended 31 December 2020

	Restated Inflation adjusted				
	Share capital ZW$	Share premium ZW$	Property & equipment revaluation reserve ZW$	Retained income ZW$	Total ZW$
Balance at 31 December 2018	72 710 908	1 123 995 356	730 950	1 491 959 592	2 689 396 806
Prior year error	-	-	-	(43 371 748)	(43 371 748)
Restated balance 1 January 2019	72 710 908	1 123 995 356	730 950	1 448 587 844	2 646 025 058
Changes in equity for 2019:					
Profit or loss					
Profit for the year	-	-	-	2 530 784 962	2 530 784 962
Profit for the year as previously reported	-	-	-	2 865 055 208	2 865 055 208
Prior year error	-	-	-	(334 270 246)	(334 270 246)
Other comprehensive income, net of tax					
Revaluation of property	-	-	12 560 500	-	12 560 500
Transaction with owners of the parent					
Dividends paid	-	-	-	(68 886 117)	(68 886 117)
Balance at 31 December 2019	72 710 908	1 123 995 356	13 291 450	3 910 486 689	5 120 484 403
Changes in equity for 2020:					
Profit or loss					
Profit for the year	-	-	-	1 128 861 372	1 128 861 372
Other comprehensive income, net of tax					
Revaluation of property	-	-	10 383 599	-	10 383 599
Transaction with owners of the parent					
Dividends paid	-	-	-	(23 038 874)	(23 038 874)
Balance at 31 December 2020	72 710 908	1 123 995 356	23 675 049	5 016 309 187	6 236 690 500

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

Separate Statements of Changes in Equity (continued)

For the year ended 31 December 2020

	Restated Unaudited Historical cost					
	Share capital ZW$	Share premium ZW$	Functional currency translation reserve ZW$	Property & equipment revaluation reserve ZW$	Retained income ZW$	Total ZW$
Balance at 31 December 2018	1 751 906	27 081 696	-	14 282	67 314 332	96 162 216
Prior year error	-	-	-	-	(4 207 774)	(4 207 774)
Restated balance 1 January 2019	1 751 906	27 081 696	-	14 282	63 106 558	91 954 442
Changes in functional currency	-	-	105 410 850	-	-	105 410 850
Changes in functional currency as previously reported	-	-	113 962 188	-	-	113 962 188
Prior year error	-	-	(8 551 338)	-	-	(8 551 338)
Changes in equity for 2019:						
Profit or loss						
Profit for the year	-	-	-	-	915 954 098	915 954 098
Profit for the year as previously reported	-	-	-	-	998 472 656	998 472 656
Prior year error	-	-	-	-	(82 518 558)	(82 518 558)
Other comprehensive income, net of tax						
Revaluation of property	-	-	-	3 186 823	-	3 186 823
Transaction with owners of the parent						
Dividends paid	-	-	-	-	(2 472 236)	(2 472 236)
Balance at 31 December 2019	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 functional 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

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

Consolidated Statements of Cash Flows

For the year ended 31 December 2020

	Notes	Inflation adjusted 31 Dec 2020 ZW$	Inflation adjusted Restated 31 Dec 2019 ZW$	Unaudited Historical cost 31 Dec 2020 ZW$	Unaudited Historical cost Restated 31 Dec 2019 ZW$
Cash generated from operating activities	34	1 739 787 406	545 770 600	5 069 806 282	933 931 593
Interest income received	26.1	859 323 618	844 792 739	576 746 607	81 485 012
Dividends received	29	59 579 454	21 725 686	33 603 851	3 441 814
Dividend received from associated companies	9.1	232 800 082	35 164 342	210 859 822	4 997 137
Interest expense paid	26.2	(199 653 141)	(187 368 533)	(131 366 383)	(15 165 760)
Income tax paid	18	(115 628 880)	(210 111 719)	(56 705 288)	(12 535 637)
Net cash generated from operating activities		2 576 208 539	1 049 973 115	5 702 944 891	996 154 159
Cash flows from investing activities					
Purchase of intangible assets	15	(15 418 909)	(67 551 126)	(4 081 548)	(13 730 219)
Purchase of property and equipment	14	(251 173 383)	(149 093 045)	(212 819 182)	(18 607 281)
Proceeds on disposal of property and equipment		343 725	1 084 686	343 725	107 289
Purchase of investment securities	8.3	(122 184 802)	(127 689 476)	(100 386 715)	(10 324 935)
Proceeds on disposal of investment securities	8.3	55 341 042	111 872 628	72 336 516	17 052 861
Net cash used in investing activities		(333 092 327)	(231 376 333)	(244 607 204)	(25 502 285)
Cash flows from financing activities					
Dividends paid		(23 685 970)	(73 813 715)	(10 597 543)	(2 649 080)
Payment for lease liabilities	20	(47 510 286)	(29 019 591)	(23 235 191)	(2 817 760)
Net cash used in financing activities		(71 196 256)	(102 833 306)	(33 832 734)	(5 466 840)
Net increase in cash and cash equivalents		2 171 919 956	715 763 476	5 424 504 953	965 185 034
Cash and cash equivalents at beginning of year		4 453 093 877	4 307 314 855	992 705 450	154 584 136
Effects of exchange rates fluctuating on cash and cash equivalents		(1 538 327 825)	(569 984 454)	(1 330 524 395)	(127 063 720)
Cash and cash equivalents at end of year	5	5 086 686 008	4 453 093 877	5 086 686 008	992 705 450
Cash and cash equivalents comprise:					
Cash		2 497 725 208	701 726 057	2 497 725 208	156 432 202
Local bank accounts		1 182 798 092	2 872 475 003	1 182 798 092	640 346 166
Foreign bank accounts		1 406 162 708	878 892 817	1 406 162 708	195 927 082
	5	5 086 686 008	4 453 093 877	5 086 686 008	992 705 450

Separate Statements of Cash Flows

For the year ended 31 December 2020

		Inflation adjusted		Unaudited Historical cost	
	Notes	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
Cash generated from/ (used in) operating activities	34	89 873 330	(102 486 000)	48 237 099	(6 170 919)
Dividends received	29	62 053 697	185 248 478	36 586 364	7 363 069
Interest expense on lease liability	20	(48 418 554)	(5 867 654)	(23 679 385)	(210 583)
Net cash generated from operating activities		103 508 473	76 894 824	61 144 078	981 567
Cash flows from investing activities					
Purchase of property and equipment	14	(6 411 422)	(7 217 413)	(4 871 193)	(259 024)
Proceeds on disposal of property and equipment		-	127 329	-	4 569
Purchase of investment securities	8.3	(24 943 009)	-	(15 477 791)	-
Proceeds on disposal of investment securities	8.3	8 971 632	17 943 264	2 000 000	4 000 000
Investment in subsidiary		(8 525 622)	-	(5 000 000)	-
Net cash (used in)/ generated from investing activities		(30 908 421)	10 853 180	(23 348 984)	3 745 545
Cash flows from financing activities					
Dividends paid		(23 038 874)	(68 886 117)	(10 219 638)	(2 472 236)
Payment for lease liabilities		(55 860 494)	(20 852 777)	(27 318 911)	(748 380)
Net cash used in financing activities		(78 899 368)	(89 738 894)	(37 538 549)	(3 220 616)
Net (decrease) / increase in cash and cash equivalents		(6 299 316)	(1 990 890)	256 545	1 506 496
Cash and cash equivalents at beginning of year		8 436 586	10 427 476	1 880 725	374 229
Cash and cash equivalents at end of year	5	2 137 270	8 436 586	2 137 270	1 880 725
Cash and cash equivalents comprise:					
Cash		2 137 270	8 436 586	2 137 270	1 880 725
		2 137 270	8 436 586	2 137 270	1 880 725

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 (IFRSs)

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

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

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

New standard	Effective date	Major requirements
Definition of Material – Amendments to IAS 1 and IAS 8	1 January 2020	The IASB has made amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which use a consistent definition of materiality throughout International Financial Reporting Standards and the *Conceptual Framework for Financial Reporting,* clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: • that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and • the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The directors of the Company anticipate that the application of the amendments may have an impact on the Group's consolidated financial statements.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

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

New standard	Effective date	Major requirements
Definition of a Business – Amendments to IFRS 3	1 January 2020	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.
Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39	1 January 2020	The amendments made to IFRS 7 *Financial Instruments: Disclosures,* IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.
Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39	1 January 2020	The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: • increasing the prominence of stewardship in the objective of financial reporting • reinstating prudence as a component of neutrality • defining a reporting entity, which may be a legal entity, or a portion of an entity • revising the definitions of an asset and a liability • removing the probability threshold for recognition and adding guidance on derecognition • adding guidance on different measurement basis, and • stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. The Group considers that its accounting policies are still appropriate under the revised Framework.

2.1.3 New and revised IFRSs 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 an entity's 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.
COVID-19 related Rent Concessions – Amendments to IFRS 16	1 June 2020	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions. The directors of the Company do not anticipate that the application of the Standard in the future will have an impact on the Group's consolidated financial statements.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

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

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 may not have an impact on the Group's consolidated financial statements in future periods should such transactions arise.
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 of the Group anticipate that the application of these amendments may not have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

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 2020 [possibly deferred to 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 of the Group anticipate that the application of these amendments may not have an impact on the Group's consolidated financial statements in future periods should such transactions arise.
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 of the Group anticipate that the application of these amendments may not have an impact on the Group's consolidated financial statements in future periods should such transactions arise.
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 of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

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

New standard	Effective date	Major requirements
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 of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

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):

- That the Group 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.

- 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$9 735 375 162 (unaudited historical cost ZW$9 679 696 796) whilst inflation adjusted non-cash monetary assets amounted to ZW$8 775 483 933 (unaudited historical cost 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 model and earnings valuation techniques. Valuation on the earnings and dividend model basis is calculated as the sustainable earnings from comparable quoted company with similar operations in a similar environment.

Market distortions affect the projection of the future earnings capacity of the businesses. In all material instances, the valuation basis has been consistently applied over the last two years.

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.

2.2.2.2 Fair value adjustments for financial liabilities

The fair value of financial liabilities carried at amortised cost has been approximated as the transaction cost due to lack of an active market for comparable instruments.

2.2.2.3 Valuation of treasury bills used for the recapitalisation of the Bank

The treasury bills were issued for the capitalisation of the Bank against a long term loan (refer to note 21) at the Holding Company. The bills carry a coupon of 1% and mature in 2025. The bills have been accounted for at amortised cost with a fair value having been estimated at transaction date as described more fully in note 6. The corresponding credit way was included in the capital and reserves.

2.2.2.4 Valuation of property and equipment and investment properties and intangible assets (IAS 16 & IAS 40)

In the current year assets were revalued as at 31 December 2020 on the basis of valuations done by EPG Global (2019 – Southbay 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:

	2020 Average rentals per square meter	2020 Average investment yield	2019 Average rentals per square meter	2019 Average investment yield
Office	ZW$972-ZW$1 386	8.5%-10%	ZW$84 – ZW$134	8% - 11%
Retail	ZW$948-ZW$1 578	7.8%-13%	ZW$117 – ZW$419	7.5% - 10%
Industrial	ZW$696-ZW$1 074	8.5%-13%	ZW$25 – ZW$67	11% - 14%

- 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 a mixed use basis.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

2.2.2.4 Valuation of property and equipment and investment properties and intangible assets (IAS 16 & IAS 40) (continued)

Other general assumptions made were as follows:-

	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
Land selling price per square meter after development	ZW$3 280	ZW$55
Cost of servicing land per square meter	ZW$2 460	ZW$30
Imputed finance cost during development term	12%	12%
Imputed developers profit	20%	20%

The property market has generally been unstable and characterised by low volumes of recorded transactions thus affecting the development of valuation assumptions.

The financial effect of the revaluation exercise is indicated below:

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
Fair value adjustment on investment properties (note 12)	(188 815 508)	1 438 298 510	1 650 376 250	444 253 518
Revaluation adjustment on property and equipment (note 14)	672 273 181	1 585 695 887	2 279 135 716	478 099 954
Total increase/ (decrease) in property values	483 457 673	3 023 994 397	3 929 511 966	922 353 472

2.2.2.5 Useful lives and residual values of property and equipment

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.

The residual values of the assets were assessed for both new and aged assets at the value that the entity will be able to obtain today 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.

2.2.2.5 Useful lives and residual values of property and equipment (continued)

The maximum useful lives were determined as follows:

	31 Dec 2020	31 Dec 2019
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.

2.2.2.6 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$118 755 204 (unaudited historical cost ZW$118 735 204) (2019: ZWS$54 340 227 unaudited historical cost ZW$12 113 789).

2.2.2.7 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.

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:

		Factor
Key assumption area	31 Dec 2020	31 Dec 2019
Valuation discount rates (taxed)	6%	6%
Valuation discount rates (untaxed)	0%	6%
Expense inflation rate	3%	3.6%
Expected real yield rate	2.6%	2.6%

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

Actuarial liabilities are shown in the Group's statement of financial position as "life assurance funds" and the balance as at 31 December 2020 is made up as follows:

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
Value of total liability	7 71 086 575	550 823 564	771 086 575	189 113 796
Distribution of surplus in the fund	962 669 575	224 075 260	962 669 575	49 542 173
	1 733 756 150	774 898 824	1 733 756 150	238 655 969

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

2.2.2.8 The computation of expected credit losses (IFRS 9)

The measurement of impairment losses under IFRS 9 across all categories of financial assets 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 of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas 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. They 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 2020.
- Selection of forward looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.
- There were no significant changes in the quality of the collateral or credit enhancement as a result of determination or changes in the collateral policies during the year ended 31 December 2020.

2.2.2.9 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.

2.2.2.10 Estimation of effective lease terms and lease discount rates

a) Lease terms:

Over and above the contracted lease terms, the Group has reassessed the effective lease periods in relation to the underlying business rationale for continued occupation, the ability of the Group to continue in occupation and whether such occupation cannot be unilaterally terminated at the sole discretion of the landlord and the state of current and perceived relations with landlords and, where lease extension beyond the formal lease agreement was assessed to be highly probable, a longer term was deemed for the purposes of determining the right of use asset and the related liability.

In applying the above, a minimum of 5 years continued occupation was assumed as providing sufficient planning flexibility for the consideration of future rental needs. The Group generally leases properties over a much longer period.

b) Estimation of applicable lease discount rates

A discount rate of 45%, estimating the incremental borrowing rate, was used in the computation of the right of use asset and as the cost on the lease liability where the Group is acting as a lease as fully described more in note 3.11.2. It was not practical to apply the implicit interest rate on each lease agreement due to technical challenges in the establishment of market values for the underlying lease assets largely due to the unstable currency dynamics in the country. Borrowing rates will differ depending on the term, risk profile of the obligor, as well as the amount involved.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group, 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" in the accounting policies, it should be interpreted as referring to the Company where the context requires, unless otherwise noted.

3.1 Basis of preparation

3.1.1 Reporting currency

The financial statements of the Group and the Company are presented in Zimbabwean (ZW$), which was the Group's functional currency as at the reporting date. All information presented has been rounded off to the nearest dollar.

Following the adoption of the multi-currency system in January 2009, all local notes in issue and balances transacted through local payment platforms were rated at par with the US$. The exchange of these balances against external obligations was done through an allocation system which was controlled by the Reserve Bank of Zimbabwe and delays were often experienced due to competing demands whilst substantially higher rates obtained in the alternative markets and became the basis for a multi-tier pricing regime that became pervasive in the Zimbabwean economy.

Following the Monetary Policy Statement of 20 February, 2019, the Government of Zimbabwe issued Statutory Instrument (SI) 32 and 33 of 2019 on 22 February, 2019 together with Exchange Control Directive RU28 of 2019, the effects of which were to:

a) Formally recognise local unit monetary balances in the form of bank balances, balances on electronic payment platform and local bond notes as a currency distinct from the US$. These were subsequently named RTGS Dollars (otherwise identified as ZWL or ZW$).
b) Create a base upon which the RTGS Dollars were to be allowed to trade against the US$ or any other foreign currencies on the interbank market at a floating rate.

Consequently, the new RTGS Dollars started to trade officially with the USD on 22 February, 2019 and the maiden rate of USD1:ZWL2.5 was established. The maiden floating rate was presumed to have subsisted from the beginning of the year as practical expedience (deemed rate), the Group did not have material transactions in foreign currency between 1 January 2019 and 22 February 2019 to warrant an extensive process of separate identification and translation of these transactions at any other rate outside the "deemed" rate.

The Group's functional currency changed from US$ to ZW$ in line with the reporting provisions of SI 33 of 2019. The change in the functional currency and subsequent revaluation of foreign denominated balances resulted in the creation of foreign currency translation reserve (see note 24.6) which the Group has designated as non-distributable. However, in inflation adjusted financial statements which follow value movements on a year on year basis using the Consumer Price Index this reserve is subsumed in the restatement of equity and does not appear as a separate line in the inflation adjusted financial statements.

3.1.2 Statement of compliance

The consolidated and separate annual financial statements as at, and for the year ended 31 December 2019, have been prepared under the supervision of F Kapanje CA(Z), Group Finance Director of ZB Financial Holdings Limited. The financial statements are based on accounting records maintained under the historical cost convention as modified by the revaluation of property and equipment and certain financials instruments.

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

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) promulgated by the International Accounting Standards Board (IASB) which includes standards and interpretations approved by IASB, the International Financial Reporting interpretations Committee (IFRIC) interpretations 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) Securities and Exchange Act (Chapter 24:25) and relevant regulations made thereunder.

The Group's financial statements as at 31 December 2019 did not fully comply with International Financial Reporting Standards (IFRSs), particularly IAS 21. "The Effect of Changes in Foreign Exchange Rates" and IAS 29 "Financial Reporting in Hyper-Inflationary Economies'. If the required adjustments had occurred in the correct periods, the values that were recognised in the 2018 and 2019 years would have been materially different. These misstatements are considered to be material and pervasive in the 2018 and the 2019 financial years which resulted in an adverse opinion being issued.

The consolidated and separate financial statements were authorised for issue by the board of directors on 30 June 2021.

3.1.3 Inflation adjustment

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 are now required to apply the requirements of IAS 29 with effect from 1 July 2019.

The Group has applied the requirement of IAS 29 for the year ended 31 December 2020. Paragraphs 2 and 3 of IAS 29 requires that in the period in which an entity identifies the existence of hyperinflation in the economy, not having been hyperinflationary in the prior period, the entity shall apply the requirements of IAS 29 for such earlier period as if the economy had always been hyperinflationary.

Consequently, prior year financial statements have been restated and technical concepts for the restatement of non-monetary balances have been applied with effect from the later date of acquisition or date of revaluation. For non-monetary assets and liabilities which were acquired prior to 2009, not having been revalued in the interim period, restatement was done from 2009, being the point at which carrying values were last established by means of Revaluation exercise.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

3.1.3 Inflation adjustment (continued)

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 financial statements at 31 December 2019 are as follows:

	Index	Conversion factors
31 December 2020	2 474.51	1.00
31 December 2019	551.63	4.49
31 December 2018	88.81	27.86

The main guidelines for the restatement are as follows:

- All amounts not already expressed in terms of the measuring unit current at the balance sheet data 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 in the historical cost.
- Non-monetary assets and liabilities and the components of shareholding's equity are restated by applying (to the initial acquisition cost and any accumulated depreciation for property and equipment), the relevant conversion factors reflecting the increase in the CPI from the date of acquisition or initial recording to the Statement of financial position date.
- All items in the income statement are restated by applying the relevant 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 income statement and replaced by indexed cost.
- The effect of general inflation on the Group's net monetary position is included in the income statement as a monetary gain or loss.
- Share capital and share premium were restated from the date of contribution and of this pre-dates 2009.

The application of IAS 29 requires certain assumptions and estimates to be made which could have a material impact on the financial statements.

3.2 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

Subsidiary companies are included in the separate financial statements of the Holding company at their net assets value which is considered to be an estimate of fair value.

3.2 Basis of consolidation (continued)

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally 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.

Foreign entities which are subsidiaries of the Group are consolidated in the financial statements using exchange rates applicable at the reporting date.

Where necessary, adjustments are made to the financial statements of subsidiaries 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 Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

3.2.4 Associates

An associate is an entity over which the Group 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.

Interests in associates are accounted for 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 financial statements include the Group'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.

3.2.5 Notes to the consolidated financial statements

The notes to the financial statements are in relation to the Group unless otherwise specifically indicated in the note.

3.3 Revenue recognition

The Group recognises revenue from contracts with customers as follow:

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's performance as the Group performs.
b) At point in time- when the transaction takes place, that is when the Group has satisfactorily discharged the performance obligation.
c) Revenue contracts outside the scope of IFRS 15 such as financial instruments, insurance contracts and leases are recognised according the applicable standards.

3.3.1 Net interest income

3.3.1.1 Interest income

Interest income arises from the Group'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 impairment 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.

3.3.1.2 Interest expense

Interest expenses arise from the Group's funding and money market activities.

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

3.3.1.3 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income 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) through the expected life of the financial asset, or, where appropriate, a shorter period.

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

3.3.2 Trading income

The Group 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

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group 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 arises when the transaction takes place and is 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 Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

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 recognises dividends on the "last day to trade" for listed shares, and on the "date of declaration" for unlisted shares.

3.4 Financial instruments

The Group recognises financial assets and financial liabilities on its 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, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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 from managing the financial assets and the contractual cash flow characteristics at the time of intitial 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 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 recognized in profit or loss

3.4.1.2 Financial assets at FVTOCI

The Group 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 recognized directly in other comprehensive income in the financial assets at FVTOCI reserve with the exception of impairment losses, interest calculated using the effective interest rate 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 profit or loss.

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 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 only measures financial assets at amortized 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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

3.4.1.3 Financial assets at amortised cost (continued)

The details of these conditions are outlined below:

a) Business model assessment: -

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

The Group'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's original expectations, the Group does 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.

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 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 in the management of short-term commitments.

3.4.1.5 Impairment of financial assets

The Group is 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 recognized 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.

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.

The Group 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 places loans 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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

3.4.1.5 Impairment of financial assets (continued)

- **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)	(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 calculates ECLs based on a four probability -weighted scenarios 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.

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.

3.4.1.5 Impairment of financial assets (continued)

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 the impairment is recognized through other comprehensive income. Previously recognized impairment is reversed through OCI.

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

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 Compound instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

3.4.2.4 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.

3.4.2.5 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 less 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 9.

3.4.2.6 Financial liabilities

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

3.4.2.7 Financial liabilities at FVTPL

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

Financial liabilities at FVTPL are measured at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 3.4.4.

3.4.2.8 Borrowings, including preference shares

Borrowings are recognised initially at '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 statement of financial position and the difference between the carrying amount of a liability and the consideration paid is included in net operating income.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

3.4.2.9 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3.4.2.10 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 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.

3.4.2.11 Claims and policyholder benefits

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

3.4.2.12 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 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.

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 and the net asset value to some of its investments.

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: -
    - it is not probable that an outflow of resources will be required to settle an obligation; or
    - the 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 (note 10).

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

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 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.

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.

Any diminution in the value of an asset arising from this appraisal is charged to the 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.

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 Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

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'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.

3.11.1 The Group acting as lessor (continued)

Rental income from leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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 Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

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.

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.

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 intagitable 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 reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those 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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

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.

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.

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.

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 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 income statement.

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; and, 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 Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

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 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.

4. SEGMENT INFORMATION (continued)

4.1 31 December 2020

	Inflation adjusted			
	Banking operations ZW$	Insurance operations ZW$	Other strategic investments[1] ZW$	Total ZW$
External revenue				
Net earnings from lending activities	439 538 275	(11 858 820)	(49 840 836)	377 838 619
Net fees and commission income	1 124 933 945	(1 075 719)	16 651 240	1 140 509 466
Other revenue	1 315 427 162	425 482 035	(72 082 979)	1 668 827 218
Fair value adjustments	131 469 792	7 277 018	(3 026 060)	135 720 750
Total segment revenue	3 011 369 174	419 825 514	(108 298 635)	3 322 896 053
Total segment operating expenses	(2 506 115 202)	(296 074 145)	13 398 246	(2 788 791 101)
Material non-cash items:				
Depreciation	(352 332 314)	(13 447 512)	(11 609 957)	(377 389 783)
Amortisation of intangible assets	(76 769 498)	(6 391 601)	-	(83 161 099)
Reportable segment profit before taxation	475 747 206	328 520 759	379 208 087	1 183 476 052
Reportable segment assets as at 31 December 2020	14 307 658 307	4 109 514 094	(560 234 722)	18 977 407 123
Reportable segment liabilities as at 31 December 2020	8 783 501 475	2 245 104 978	(88 807 296)	10 939 799 157

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

4. SEGMENT INFORMATION (continued)

4.1 Restated 31 December 2019

	Inflation adjusted			
	Banking operations ZW$	Insurance operations ZW$	Other strategic investments[1] ZW$	Total ZW$
External revenue				
Net earnings from lending activities	398 200 754	(80 124 792)	-	318 075 962
Net fees and commission income	1 228 257 617	400 587 273	13 283 217	1 642 128 107
Other revenue	581 025 498	148 884 841	(66 997 746)	662 912 593
Fair value adjustments	1 133 789 377	43 556 557	(144 932 586)	1 032 413 348
Total segment revenue	3 341 273 246	512 903 879	(198 647 115)	3 655 530 010
Total segment operating expenses	(1 806 885 680)	(334 976 664)	(80 523 641)	(2 222 385 985)
Material non-cash items:				
Depreciation	(124 773 893)	(16 417 579)	(13 548 421)	(154 739 893)
Amortisation of intangible assets	(90 906 687)	(1 505 316)	-	(92 412 003)
Reportable segment profit before taxation	1 534 387 566	993 687 366	(96 047 270)	2 432 027 662
Reportable segment assets as at 31 December 2020	12 371 845 870	3 110 770 781	153 103 893	15 635 720 544
Reportable segment liabilities as at 31 December 2020	7 628 195 948	1 468 958 825	(36 850 552)	9 060 304 221

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

4. SEGMENT INFORMATION (continued)

4.1 31 December 2020

	Unaudited Historical cost			
	Banking operations ZW$	Insurance operations ZW$	Other strategic investments[1] ZW$	Total ZW$
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)	11 434 844	766 528 819
Fair value adjustments	1 644 991 903	790 804 292	(58 337 552)	2 377 458 643
Other revenue	1 252 104 593	195 929 060	(31 855 164)	1 416 178 489
Total segment revenue	3 954 897 255	948 818 554	(103 554 566)	4 800 161 243
Total segment operating expenses	(1 393 609 781)	(188 521 208)	24 461 151	(1 557 669 838)
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)
Reportable segment profit before taxation	2 561 287 475	1 613 856 770	305 848 928	4 480 993 173
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 Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

4. SEGMENT INFORMATION (continued)

4.1 Restated 31 December 2019

	Unaudited Historical cost			
	Banking operations ZW$	Insurance operations ZW$	Other strategic investments[1] ZW$	Total ZW$
External revenue				
Net earnings from lending activities	26 847 056	(10 194 641)	-	16 652 415
Net fees and commission income	126 839 382	45 808 526	1 263 361	173 911 269
Fair value adjustments	365 653 129	165 704 449	(28 660 186)	502 697 392
Other revenue	117 318 471	27 903 219	(7 879 756)	137 341 934
Total segment revenue	636 658 038	229 221 553	(35 276 581)	830 603 010
Total segment operating expenses	(172 962 667)	(28 866 485)	(3 037 804)	(204 866 956)
Material non-cash items:				
Depreciation	(11 714 502)	(945 548)	(382 504)	(13 042 554)
Amortisation of intangible assets	(2 548 217)	(68 814)	-	(2 617 031)
Reportable segment profit before taxation	463 695 371	315 976 066	37 026 358	816 697 795
Reportable segment assets as at 31 December 2019	2 725 775 706	685 209 337	38 766 675	3 449 751 718
Reportable segment liabilities as at 31 December 2019	1 694 632 304	315 133 041	(8 885 046)	2 000 880 299

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

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
5.	**CASH AND CASH EQUIVALENTS**				
	GROUP				
5.1	Balances with the Reserve Bank of Zimbabwe	1 406 162 708	2 548 981 158	1 406 162 708	568 231 337
	Balance with other banks, nostro accounts and cash	3 680 523 300	1 904 112 719	3 680 523 300	424 474 113
	Total cash and cash equivalents	5 086 686 008	4 453 093 877	5 086 686 008	992 705 450
	COMPANY				
5.2	Balance with other banks nostro accounts and cash	2 137 270	8 436 586	2 137 270	1 880 725
	Total cash and cash equivalents	2 137 270	8 436 586	2 137 270	1 880 725

Cash and cash equivalents balances at year end are current assets

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
6.	**TREASURY BILLS**				
	GROUP				
	Treasury bills include:				
6.1	**Assets classified as at fair value through profit or loss' (FVTPL):**				
	Short term treasury bills[1]	309 051 167	282 143 011	309 051 167	62 896 699
6.2	**Assets classified as 'at fair value through other comprehensive income (FVTOCI):**				
	Medium term treasury bills acquired from the market[2]	165 972 103	501 993 023	165 972 103	111 906 738
6.3	**Assets classified as 'amortised cost' (AMCO):**				
	Treasury bills issued as substitution for debt instruments[3]	25 336 191	113 653 488	25 336 191	25 336 191
	Capitalisation treasury bills[4]	17 754 703	75 851 747	17 754 703	16 909 242
		518 114 164	973 641 269	518 114 164	217 048 870
	Maturity within 1 year	475 023 270	784 136 034	475 023 270	174 803 437
	Maturity after 1 year	430 090 894	189 505 235	43 090 894	42 245 433
		518 114 164	973 641 269	518 114 164	217 048 870

1. The Group invested in treasury bills issued by the RBZ over a period ranging from 3 months to 24 months (2019: 3 months to 24 months) and were at rates ranging from 5% to 22% (2019: 7% to 10%).
2. The Group purchased treasury bills from the secondary market. These treasury bills have coupon rates ranging from 5% to 15% (2019: 2% to 5%) with maturity periods ranging from 1 month to 3 years (2019: 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 2019: 5%) and maturity periods ranging from 1 month to 13 years (2019: 1 month to 14 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). 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.

6. TREASURY BILLS (continued)

Determination of fair value of treasury bills

The fair value of treasury bills was determined using level 3 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.

Valuation of treasury bills designated as at amortised cost

The CTBs are carried at amortised cost, 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 AMCO treasury bills

Treasury bills classified and measured at amortised cost are assessed for impairment annually using requirements the IFRS9. No impairment adjustment arose from the assessment.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
7.	**MORTGAGES AND OTHER ADVANCES**				
	GROUP				
7.1	**Gross loan book**				
	Mortgage advances	104 016 406	127 067 024	104 016 406	28 326 402
	Other advances:				
	Loans, overdraft and other accounts	2 943 993 663	1 899 522 083	2 943 993 663	423 450 746
	Finance leases	271 791 899	47 318 064	271 791 899	10 548 374
	Bills discounted	1 149 070	59 608 287	1 149 070	13 288 171
	Insurance advances	101 617 893	188 090 054	101 617 893	41 929 954
	Total other advances	3 318 552 525	2 194 538 488	3 318 552 525	489 217 245
	Gross advances	3 422 568 931	2 321 605 512	3 422 568 931	517 543 647
	Off balance sheet exposures				
	In respect of guarantees	688 652 647	636 121 888	688 652 647	141 807 400
	In respect of Letter of credit	-	291 493 300	-	64 981 111
	In respect of Loan commitment	219 933 545	450 168 271	219 933 545	100 353 711
	Gross credit exposure	4 331 155 123	3 699 388 971	4 331 155 123	824 685 869
	Gross advances	3 422 568 931	2 321 605 512	3 422 568 931	517 543 647
	Less: Allowance for loan impairments	(275 225 469)	(300 382 935)	(275 225 469)	(66 962 832)
	Net advances	3 147 343 462	2 021 222 577	3 147 343 462	450 580 815
7.2	**Maturity analysis**				
	On demand	372 809 530	739 328 991	372 809 530	164 814 832
	Within 1 month	148 324 919	69 955 639	148 324 919	15 594 853
	Between 1 and 6 months	342 655 904	353 012 434	342 655 904	78 695 257
	Between 6 and 12 months	1 505 968 640	357 920 020	1 505 968 640	79 789 280
	After 12 months	1 961 396 130	2 179 171 887	1 961 396 130	485 791 647
		4 331 155 123	3 699 388 971	4 331 155 123	824 685 869
7.3	**Non-performing loans**				
	Included in the above are the following;				
	Non-performing loans	5 848 251	27 773 620	5 848 251	6 191 431
	Less: Allowance for loan impairments	(1 485 660)	(11 513 519)	(1 485 660)	(2 566 650)
	Value to be received from security held	4 362 591	16 260 101	4 362 591	3 624 781

7.3 Non-performing loans (continued)

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$18 389 830 as at 31 December 2020 (2019: ZW$10 024 217).

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

		Inflation adjusted				Unaudited Historical cost			
		31 Dec 2020 ZW$	As a % of Total	Restated 31 Dec 2019 ZW$	As a % of Total	31 Dec 2020 ZW$	As a % of Total	Restated 31 Dec 2019 ZW$	As a % of Total
7.4	**Sectorial analysis**								
	Gross advances:								
	Private	1 087 073 508	25%	568 708 252	15%	1 087 073 508	25%	126 779 222	15%
	Agriculture	620 639 675	14%	435 112 922	12%	620 639 675	14%	96 997 499	12%
	Mining	333 026 862	8%	391 570 453	11%	333 026 862	8%	87 290 799	11%
	Manufacturing	102 519 481	2%	65 950 721	2%	102 519 481	2%	14 702 057	2%
	Distribution	278 155 710	6%	200 731 065	5%	278 155 710	6%	44 747 950	5%
	Construction	8 590 466	0%	36 629 616	1%	8 590 466	0%	8 165 653	1%
	Transport	262 937 202	6%	32 187 129	1%	262 937 202	6%	7 175 312	1%
	Services	535 996 695	12%	423 744 857	11%	535 996 695	12%	94 463 275	11%
	Financial	190 870 235	4%	163 737 726	4%	190 870 235	4%	36 501 215	4%
	Communication	2 759 097	0%	3 232 771	0%	2 759 097	0%	720 665	0%
	Total gross advances	3 422 568 931	79%	2 321 605 512	63%	3 422 568 931	79%	517 543 647	63%
	Guarantees:								
	Manufacturing	682 463 199	16%	631 942 004	17%	682 463 199	16%	140 875 600	17%
	Distribution	-	0%	-	0%	-	0%	-	0%
	Construction	1 225 000	0%	-	0%	1 225 000	0%	-	0%
	Services	4 549 448	0%	2 318 270	0%	4 549 448	0%	516 800	0%
	Communication	-	0%	-	0%	-	0%	-	0%
	Financial Services	415 000	0%	1 861 614	0%	415 000	0%	415 000	0%
	Total guarantees	688 652 647	16%	636 121 888	17%	688 652 647	16%	141 807 400	17%
	Loan commitments:								
	Private	-	0%	17 226 480	0%	-	0%	3 840 211	0%
	Agriculture	-	0%	70 645 307	2%	-	0%	15 748 597	2%
	Mining	-	0%	160 247	0%	-	0%	35 723	0%
	Manufacturing	127 337 597	3%	171 760 504	5%	127 337 597	3%	38 289 691	5%
	Distribution	701 250	0%	59 424 980	2%	701 250	0%	13 247 307	2%
	Construction	17 663 428	0%	582 317	0%	17 663 428	0%	129 813	0%
	Transport	57 744 966	1%	12 089 915	0%	57 744 966	1%	2 695 143	0%
	Communication	2 847 277	0%	1 406 586	0%	2 847 277	0%	313 563	0%
	Services	13 209 630	0%	94 784 220	3%	13 209 630	0%	21 129 761	3%
	Financial Services	429 397	0%	22 087 715	1%	429 397	0%	4 923 902	2%
	Total loan commitments	219 933 545	5%	450 168 271	12%	219 933 545	5%	100 353 711	12%
	Letters of credit:								
	Manufacturing	-	0%	291 493 300	8%	-	0%	64 981 111	8%
	Total letters of credit	-	0%	291 493 300	8%	-	0%	64 981 111	8%
	Total credit exposure	4 331 155 123	100%	3 699 388 971	100%	4 331 155 123	100%	824 685 869	100%

7.5 Mortgage advances

Mortgage advances were spread as follows:

	Inflation adjusted				Unaudited Historical cost			
	31 Dec 2020 ZW$	As a % of Total	Restated 31 Dec 2019 ZW$	As a % of Total	31 Dec 2020 ZW$	As a % of Total	Restated 31 Dec 2019 ZW$	As a % of Total
Type of property:-								
High density	2 857 428	3%	10 559 364	8%	2 857 428	3%	2 353 945	8%
Medium density	3 414 690	3%	12 947 240	10%	3 414 690	3%	2 886 262	10%
Low density	91 968 919	88%	66 668 272	52%	91 968 919	88%	14 862 017	52%
Commercial	5 775 368	6%	36 892 148	29%	5 775 368	6%	8 224 178	29%
	104 016 405	100%	127 067 024	100%	104 016 405	100%	28 326 402	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 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
GROUP				
Gross investment in finance leases:				
Less than 1 year	224 595 640	9 343 380	224 595 640	2 082 872
Between 1 and 5 years	458 687 511	55 651 682	458 687 510	12 406 145
Gross investment in finance leases	683 283 151	64 995 062	683 283 151	14 489 017
Unearned finance charges	(411 491 252)	(17 676 998)	(411 491 252)	(3 940 643)
Net investment in finance leases	271 791 899	47 318 064	271 791 899	10 548 374
Less than 1 year	98 328 499	8 474 227	98 328 499	1 889 116
Between 1 and 5 years	173 463 400	38 843 837	173 463 400	8 659 258
	271 791 899	47 318 064	271 791 899	10 548 374

7.7 Determination of carrying value

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
8.	**INVESTMENT SECURITIES**				
	GROUP				
8.1	**Assets classified as "fair value-through profit or loss":**				
	Unit Trusts	10 026 002	32 468 169	10 026 002	7 237 963
	Government and public utilities stock	25 336 191	64 956 969	25 336 191	14 480 525
	Listed equity investments	293 279 397	304 599 091	293 279 397	67 902 718
	Unlisted equity investments	623 363 810	174 373 443	623 363 810	38 872 180
		952 005 400	576 397 672	952 005 400	128 493 386
8.2	**Held at amortised cost**				
	Embargoed funds	46 164 336	51 670 920	46 164 336	11 518 736
		998 169 736	628 068 592	998 169 736	140 012 122
8.3	**Movement of investment securities**				
	Balance at beginning of year	628 068 592	1 574 678 303	140 012 122	56 513 232
	Additions during the year:	122 184 802	127 689 476	100 386 715	10 324 935
	- on listed equity investments	54 688 511	105 189 072	29 071 886	5 309 035
	- on Government stock	47 548 345	15 386	51 366 878	3 430
	- on short term investments	19 947 946	22 485 018	19 947 951	5 012 470
	Receipts on disposals	(55 341 042)	(111 872 628)	(72 336 516)	(17 052 861)
	- on listed equities	(32 935 700)	(36 852 763)	(59 514 437)	(4 578 876)
	- on unlisted investments	(11 319 963)	(560 727)	(4 205 885)	(125 000)
	- on Government stock	(11 085 379)	(51 737 274)	(8 616 194)	(11 533 526)
	Receipt of part of embargoed funds	-	(22 721 864)	-	(815 459)
	Fair value adjustments (note 30)	326 032 906	(405 885 162)	728 579 041	58 443 874
	- on listed equities	157 258 449	(549 909 090)	414 809 997	28 402 097
	- on unlisted equities	(156 610 756)	126 689 884	276 375 135	23 927 060
	- on unit trust investments	12 163 701	17 334 044	37 393 909	6 114 717
	Reclassification from investments in associates	6 095 604	-	6 095 604	-
	Gains arising from disposal of investment securities	122 671 355	16 114 576	59 993 164	2 417 274
	Exchange gains (net):	(44 192 864)	131 843 041	36 724 733	29 391 095
	-on bank balances	(8 727 888)	39 833 417	36 721 803	8 879 860
	-on unlisted equity investments	(35 464 976)	92 009 624	2 930	20 511 235
	Impairments on debentures	(5 926 411)	(174 600)	(1 285 127)	(25 427)
	Effects of inflation adjustment	(101 423 206)	(704 324 414)	-	-
	Balance at end of year	998 169 736	628 068 592	998 169 736	140 012 122

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
	COMPANY				
8.1	**Assets classified as "fair value-through profit or loss":**				
	Listed equity investments	63 996 078	19 142 120	63 996 078	4 267 255
	Unlisted equity investments	2 637 723	2 823 435	2 637 723	629 414
		66 633 801	21 965 555	66 633 801	4 896 669
8.2	**Held at amortised cost**				
	Short term investments	-	8 971 632	-	2 000 000
		66 633 801	30 937 187	66 633 801	6 896 669

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

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
8.3	**Movement of investment securities**				
	Balance at beginning of year	30 937 187	222 490 129	6 896 669	7 984 891
	Additions during the year:	24 943 009	-	15 477 791	-
	- on short term investments	24 943 009	-	15 477 791	-
	Disposals on short term investments	(8 971 632)	(17 943 264)	(2 000 000)	(4 000 000)
	Fair value adjustments (note 30)	19 725 237	(33 341 252)	46 259 341	2 911 778
	- on listed equities	19 910 953	(22 406 763)	44 251 032	2 776 118
	- on unlisted equities	(185 716)	(10 934 489)	2 008 309	135 660
	Effects of changes in monetary adjustments	-	(140 268 426)	-	-
	Balance at end of year	66 633 801	30 937 187	66 633 801	6 896 669

Investment securities balances at year end are current assets

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
9. GROUP INVESTMENTS				
GROUP				
9.1 Investments in associates				
Balance at beginning of year	1 991 904 613	935 908 681	445 466 831	36 145 227
Effects changes in functional currency	-	-	-	44 170 095
*Reclassified to investment securities	(6 095 604)	-	(6 095 604)	-
Dividend received	(232 800 082)	(35 164 342)	(210 859 822)	(4 997 137)
Share of current year profits after tax	1 405 255 116	1 091 160 274	2 673 601 949	370 148 646
Balance at end of year	3 158 264 043	1 991 904 613	2 902 113 354	445 466 831

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

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

Name of company	2020 % Holding	Restated 2019 % Holding	2020 % Holding	Restated 2019 %Holding
Cell Insurance (Private) Limited[1]	33.32%	33.32%	33.32%	33.32%
Zimswitch Technologies (Private) Limited[2]	18.00%	27.68%	18.00%	27.68%
Original Investments (Private) Limited[3]	42.00%	42.00%	42.00%	42.00%
Twirlton Investments (Private) Limited[3]	26.00%	26.00%	26.00%	26.00%
Mashonaland Holdings Limited[3]	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] Payments switch

[3] Property

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
GROUP				
9.1 **Investments in associates (continued)**				
Aggregated amounts relating to associate companies:				
Non-current assets	9 555 522 436	5 917 856 299	9 512 221 864	1 341 602 797
Current assets	644 441 945	1 157 556 955	578 883 709	235 682 904
Non-current liabilities	500 904 405	19 934 833	474 425 533	7 056 611
Current liabilities	697 529 651	864 871 480	697 529 651	190 188 736
Revenue	4 542 806 700	3 822 182 320	8 391 875 708	1 296 579 104
Profit	8 444 522 485	3 552 747 584	7 668 523 232	1 205 180 155
Share of profits after tax	1 405 255 116	1 091 160 274	2 673 601 949	370 148 646
Dividend received	(232 800 082)	(35 164 342)	(210 859 822)	(4 997 137)

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
COMPANY				
9.1 **Investments in associates**				
Balance at beginning of year	82 779 463	63 446 841	19 825 903	2 121 828
Effects of changes in functional currency translation reserve	-	-	-	4 991 930
Share of current year (losses) / profits after tax	(29 459 523)	19 332 622	25 621 258	12 712 145
Balance at end of year	53 319 940	82 779 463	45 447 161	19 825 903

Name of company	2020 % Holding	Restated 2019 % Holding	2020 % Holding	Restated 2019 %Holding
Cell Insurance (Private) Limited[1]	33.32%	33.32%	33.32%	33.32%

<u>Nature of Business</u>

[1]Short-term insurance

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
Aggregated amounts relating to associate companies:				
Non-current assets	405 215 423	147 267 150	380 532 473	32 321 548
Current assets	411 343 402	973 397 355	411 343 402	216 994 495
Non-current liabilities	-	16 022 935	-	3 864 255
Current liabilities	656 534 993	836 237 619	656 534 993	186 418 177
Revenue	702 384 148	506 933 760	350 700 429	13 073 706
Profit	155 775 192	149 494 349	80 610 754	27 248 716
Share of (losses) / profits after tax	(29 459 523)	19 332 622	25 621 258	12 712 145

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

9.1 Investments in associates (continued)

As disclosed in Note 3.2.4, the Group 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"), an associate of the Company has similar accounting policies with the Company and the rest of the ZB Financial Holdings Limited Group.

For its 30 September 2020 financial year end, Mash performed a valuation of properties using Zimbabwean Dollar specific parameters such as local currency-based capitalisation rates derived from rentals recovered in the local currency as well as market values from observable local currency denominated purchase and sale transactions. This approach is consistent with Mash's business model, wherein the entity is a property holding entity, which provides commercial and residential space in return for rentals. Consequently, the valuation performed by Mash faithfully represents the market and other risks aligned with the entity's business model.

In applying measurement techniques to determine the fair value, Mash broadly uses the same methodology as applied by the Group, which is primarily an income-based approach. Direct market comparison is also applied as a secondary basis, particularly to estimate the capitalisation rates. The Group materially applies the same principles except that for the valuation at 31 December 2020, a part of the inputs was assessed from a United States Dollar perspective, with the final valuation being expressed in the functional currency of the Group by application of an exchange rate obtaining at the end of the year. The valuation of record at Mash was driven by Zimbabwe Dollar based inputs. Given the extent of the uncertainty around valuations the Board believes that the techniques applied in both instances yield valuation outcomes that fall within the range of practical values.

International Financial Reporting Standard on the measurement of value (IFRS 13) allows the use of different techniques in determining the value of an asset giving priority to methodologies that apply observable inputs. Inputs can change from year to year if doing so presents a fairer representation of fair value given exigent circumstances at a particular point.

Despite similar accounting policies, the Board has performed a scenario analysis to demonstrate the downside impact on key elements of the financial statements assuming a departure from the valuation performed at Mash in which solely the official exchange rate is applied in replacement of a notional rate that is deemed between the valuation of record in the local currency and a convenience valuation performed in United States Dollars. The numbers are only illustrative as the relationship between the convenience valuation and the valuation of record is not only limited to the application of an exchange rate. The analysis is presented below:

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
Impact on statement of Profit or loss				
Share of profit in associate	1 435 998 159	483 719 913	2 647 049 282	1 709 610 826
Profit after tax	523 300 370	(175 994 201)	1 330 021 206	645 566 426
Impact on the statement of Financial position				
Investments in associates	2 905 199 505	1 952 921 260	3 109 355 264	1 650 096 025
Life assurance funds	1 673 756 150	1 469 784 000	1 673 756 150	1 469 784 000
Deferred tax liability	155 719 524	106 708 000	155 719 524	106 708 000
Shareholders 'equity	1 716 471 811	1 017 177 240	1 630 016 569	723 026 560

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
	COMPANY				
9.2	**Investments in subsidiaries**				
	Balance at beginning of year	5 043 441 033	3 035 594 318	1 095 861 752	106 189 549
	Effects of changes in functional currency	-	-	(4 118 745)	95 939 538
	Fair value adjustments (note 30)	1 051 953 387	2 007 846 715	4 827 230 971	893 732 665
	Balance at end of year	6 095 394 420	5 043 441 033	5 918 973 978	1 095 861 752

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

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
Owned by ZB Financial Holdings 882 Limited (Company):-				
ZB Bank Limited - 100%	3 933 659 723	2 978 503 432	3 821 370 238	638 303 107
ZB Holdings Limited - 100%	24 256 883	25 452 985	24 256 882	5 707 353
Intermarket Holdings Limited - 84.26%	2 094 629 947	2 019 318 588	2 030 498 991	447 355 783
QUPA Microfinance Limited - 100%	-	-	-	-
ZB Transfer Secretaries – 100%	21 511 974	11 489 939	21 511 975	1 934 116
ZB Associated Services - 100%	21 335 893	8 676 089	21 335 892	2 561 393
Total investments in subsidiary	6 095 394 420	5 043 441 033	5 918 973 978	1 095 861 752

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 registered credit only microfinance company.

The net asset value (NAV) for QUPA Microfinance (Private) Limited as at 31 December 2020 was negative of ZW$1 793 230 (unaudited historical cost: ZW$1 748 633). The investment in QUPA was therefore recorded at nil value.

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

9.2 Investments in subsidiaries (continued)

Other subsidiary companies in the Group are as follows:

	2020 % Holding	Restated 2019 % 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:				
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	69%	69%	Life assurance	Active
ZB Building Society	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.

Management has used its judgment in adopting the net asset value model in determining the fair value of unlisted investment securities in the absence of a standard or interpretation.

The investment in Zimswitch Technologies (Private) Limited was valued using dividend model technic for the year ended 31 December 2020.

9.4 Non-controlling interests (NCI) 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	5 921 429 839	1 158 198 083	2 762 800 028	593 013 395	-	-
Current assets	687 858 401	239 400 473	507 475 548	-	-	-
Non current liabilities	(1 945 885 877)	(51 502 300)	(1 835 387 132)	(29 537 006)	-	-
Current liabilities	(691 069 597)	(318 227 275)	(94 296 586)	(848 272)	-	-
NCI recorded in subsidiaries	(856 369 607)	(250 766 128)	(7 201 759)	-	-	-
Net assets	2 485 963 152	777 102 853	1 327 919 522	562 628 117	-	-
Carrying amount of NCI	391 333 189	571 243 344	425 363 617	23 394 175	(165 412 452)	1 245 921 873
Net revenue	444 011 582	103 028 690	(64 406 383)	(103 624 437)	-	-
Profit	79 280 363	(82 415 845)	135 603 763	(96 377 234)	-	-
Other Comprehensive Income	15 189 251	4 143 686	9 409 266	-	-	-
Total comprehensive income	94 469 614	(78 272 158)	145 013 029	(96 377 234)	-	-
Profit / (loss) allocated to NCI	(418 138)	(26 546 762)	855 681	(4 007 382)	42 639 136	13 358 811
OCI allocated to NCI	4 669 923	668 372	-	-	461 142	5 799 437

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

9.4 Non-controlling interests (NCI) (continued)

Restated as at 31 December 2019

	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	4 613 448 274	1 198 280 203	1 946 731 473	696 637 832	-	-
Current assets	402 109 895	154 480 087	485 834 890	-	-	-
Non-current liabilities	(1 352 022 324)	(55 093 741)	(1 190 957 355)	(34 783 290)	-	-
Current liabilities	(415 025 640)	(191 525 417)	(44 697 746)	(2 849 193)	-	-
NCI recorded in subsidiaries	(851 928 600)	(276 644 518)	(6 346 079)	-	-	-
Net assets	2 396 581 606	829 496 623	1 185 816 830	659 005 353	-	-
Carrying amount of NCI	377 263 001	618 728 926	379 759 797	27 401 557	(175 742 603)	1 227 410 678
Net revenue	1 640 959 808	763 595 443	177 722 476	438 866 621	-	-
Profit	1 602 374 771	435 085 971	649 679 311	430 755 297	-	-
Other Comprehensive Income	87 257 202	50 578 866	32 501 616	-	-	-
Total comprehensive income	1 689 631 973	485 664 837	682 180 926	430 755 297	-	-
Profit / (loss) allocated to NCI	406 030 951	150 089 882	(47 680)	17 910 880	20 371 902	594 355 936
OCI allocated to NCI	28 824 216	-	4 947 213	-	(7 216 619)	40 988 048

9.4 Non-controlling interests (NCI)

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 Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

9.4 Non-controlling interests (NCI) (continued)

Restated 31 December 2019

	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	1 020 193 551	267 126 479	425 716 006	155 297 910	-	-
Current assets	89 664 468	33 788 680	108 304 688	-	-	-
Non-current liabilities	(287 047 612)	(12 287 778)	(251 937 206)	(7 754 061)	-	-
Current liabilities	(92 856 015)	(42 695 782)	(9 964 239)	(635 156)		
NCI recorded in subsidiaries	(199 020 521)	(61 712 980)	(1 553 630)	-	-	-
Net assets	530 933 871	184 218 619	269 507 094	146 908 693	-	-
Carrying amount of NCI	83 578 087	137 684 739	86 421 414	6 108 489	(31 239 104)	282 553 625
Net revenue	542 903 131	210 761 948	130 946 876	132 453 469	-	-
Profit	573 527 452	185 788 928	216 391 922	125 729 978	-	-
Other Comprehensive Income	23 820 568	13 644 757	7 918 822	-	-	-
Total comprehensive income	597 348 020	199 433 685	224 310 744	125 729 978	-	-
Profit / (loss) allocated to NCI	155 331 695	51 460 197	(25 200)	(453)	14 396 634	221 162 873
OCI allocated to NCI	7 562 768	-	1 413 758	-	1 806 576	10 783 102

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
10.	**INVENTORIES**				
	GROUP				
	Housing stands	37 897 661	53 849 576	24 146 341	4 148 964
	Other consumables	12 991 509	52 200 852	12 084 057	3 641 280
		50 889 170	106 050 428	36 230 398	7 790 244
	Current	12 991 509	52 200 852	12 084 057	3 641 280
	Non current	37 897 661	53 849 576	24 246 341	4 148 964
		50 889 170	106 050 428	36 230 398	7 790 244
11	**TRADE AND OTHER RECEIVABLES**				
	GROUP				
	Balances in transit from other banks	53 804 929	2 505 907	53 804 929	558 629
	Prepayments	313 241 274	150 395 581	313 241 274	33 817 174
	Deferred staff loan expense	115 647 642	-	115 647 642	-
	Trade receivables	123 468 692	29 542 256	123 468 692	4 251 864
	Total	606 162 537	182 443 744	606 162 537	38 627 667
	COMPANY				
	Sundry receivables	33 001 149	41 517 834	33 001 149	9 255 358
	Total	33 001 149	41 517 834	33 001 149	9 255 358

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

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
12.	**INVESTMENT PROPERTIES**				
	GROUP				
12.1	**Made up as follows:**				
	Land stock held for capital appreciation and completed properties available for lease:				
	-Residential	175 536 043	190 753 655	175 536 043	42 523 737
	-Commercial	1 947 935 313	2 116 806 185	1 947 935 313	471 888 780
	-Industrial	54 526 495	59 253 519	54 526 495	13 209 084
	Balance at end of year	2 177 997 851	2 366 813 359	2 177 997 851	527 621 601

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

		Inflation adjusted		Unaudited Historical cost	
			Restated		Restated
		31 Dec 2020 ZW$	31 Dec 2019 ZW$	31 Dec 2020 ZW$	31 Dec 2019 ZW$
	COMPANY				
12.1	**Made up as follows:**				
	Land stock held for capital appreciation and completed properties available for lease:				
	-Residential	29 525 000	33 640 030	29 525 000	7 499 200
	Balance at end of year	29 525 000	33 640 030	29 525 000	7 499 200

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

		Inflation adjusted		Unaudited Historical cost	
			Restated		Restated
		31 Dec 2020 ZW$	31 Dec 2019 ZW$	31 Dec 2020 ZW$	31 Dec 2019 ZW$
	GROUP				
12.2	**Reconciliation of carrying amount**				
	Balance at beginning of year	2 366 813 359	928 514 849	527 621 601	33 323 232
	Effects of changes in functional currency	-	-	-	50 044 851
	Fair value adjustment (note 30)	(188 815 508)	1 438 298 510	1 650 376 250	444 253 518
	Balance at end of year	2 177 997 851	2 366 813 359	2 177 997 851	527 621 601
	COMPANY				
12.2	**Reconciliation of carrying amount**				
	Carrying amount at beginning of year	33 640 030	13 374 666	7 499 200	480 000
	Fair value adjustment (note 30)	(4 115 030)	20 265 364	22 025 800	6 299 200
	Effect of changes in functional currency	-	-	-	720 000
	Balance at end of year	29 525 000	33 640 030	29 525 000	7 499 200

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$6 902 288 (unaudited historical cost ZW$2 471 487) (2019: inflation adjusted ZW$7 178 620, unaudited historical cost ZW$2 471 487). Inflation adjusted repairs and maintenance costs on investment properties that generated investment income amount to ZW$1 491 121 (unaudited historical cost ZW$688 328) (2019: inflation adjusted ZW$1 472 292; unaudited historical cost ZW$688 328).

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

12.3 Measurement of fair value

The fair value of the Group's investment properties as at 31 December 2020 was arrived at on the basis of valuations carried out by independent professional valuers, Edinview Property Group - Global (2019: South bay Real Estate). The valuation, which conforms to International Valuation Standards, was in terms of accounting policy 3.18 and was derived with reference to market information close to the date of the valuation. The qualified valuers determined property values in USD and converted to local currency at the ruling inter-bank exchange rate as at 31 December 2020.

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.

12.4 Valuation techniques and significant unobservable inputs

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$1 074 to ZW$1 578 (2019: ZW$18 to ZW$50) Average investment yield – 8% to 20% (2019: 8% to 15%).	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 Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

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 reassessments 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 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
GROUP				
Balance at the beginning of year	29 811 485	178 473 626	6 645 722	6 405 194
Depreciation	(22 870 990)	(14 226 868)	(11 185 195)	(1 381 408)
Lease reassessments	144 714 568	7 275 706	70 773 530	1 621 936
Effects of monetary adjustments	(85 421 006)	(141 710 979)	-	-
Balance at end of year	66 234 057	29 811 485	66 234 057	6 645 722
COMPANY				
Balance at the beginning of year	18 160 189	77 151 453	4 048 358	2 768 869
Depreciation	(21 969 044)	(8 969 595)	(10 744 093)	(509 353)
Lease reassessments	115 341 320	8 024 416	115 341 320	1 788 842
Effects of monetary adjustments	(2 886 880)	(58 046 085)	-	-
Balance at end of year	108 645 585	18 160 189	108 645 585	4 048 358

The corresponding lease liabilities matching the above assets are discussed in note 20.

14. PROPERTY AND EQUIPMENT
31 December 2020

All properties and equipment were revalued as at 31 December 2020 on the basis of valuations carried out by independent and professional valuers EPG Global in terms of accounting policy 3.8. In the prior year, movable assets were valued by Bard Real Estate and immovable assets were valued by South Bay Real Estate.

No encumbrances existed on any of the property and equipment in portfolio as at 31 December 2020.

Impairment for the year under review was as a result of revaluation of assets and effects of inflation on the opening balances.

Property and equipment balances at year end are non-current assets.

	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$
GROUP							
Cost or valuation							
Balance at 1 January 2020	1 840 192 529	397 660 833	389 376 132	765 205 219	524 559 855	45 391 106	3 962 385 674
Additions	64 938 230	2 464 607	14 005 353	52 893 857	-	116 871 336	251 173 383
Disposals	-	-	(159 273)	(85 566)	(2 645 374)	-	(2 890 213)
Transfer between categories	-	47 036 319	20 610 991	4 687 764	-	(72 335 074)	-
Surplus on revaluation	16 533 752	-	178 878 330	471 434 323	5 426 776	-	672 273 181
Balance at 31 December 2020	1 921 664 511	447 161 759	602 711 533	1 294 135 597	527 341 257	89 927 368	4 882 942 025
Accumulated depreciation and impairment							
Balance at 1 January 2020	283 062 639	215 430 672	208 000 357	433 013 788	223 497 882	16 892 604	1 379 897 942
Recognised in statement of profit or loss	60 693 339	47 468 328	40 619 961	146 720 326	81 887 829	-	377 389 783
Disposals	-	-	(58 015)	(20 046)	(646 741)	-	(724 802)
Impairment	-	112 190 265	13 592 261	595 297	31 891 065	16 763 679	175 032 567
Balance at 31 December 2020	343 755 978	375 089 265	262 154 564	580 309 365	336 630 035	33 656 283	1 931 595 490
Carrying value at 31 December 2020	1 577 908 533	72 072 494	340 556 969	713 826 232	190 711 222	56 271 085	2 951 346 535
Carrying value at 31 December 2019	1 557 129 890	182 230 161	181 375 775	332 191 431	301 061 973	28 498 502	2 582 487 732

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

14. PROPERTY AND EQUIPMENT (continued)
Restated 31 December 2019

	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$
GROUP							
Cost or valuation							
Balance at 1 January 2019	882 524 242	277 517 907	249 550 720	521 933 331	294 010 614	18 345 086	2 243 881 900
Additions	16 771 260	5 521 816	30 035 166	17 399 167	52 319 616	27 046 020	149 093 045
Disposals	-	-	(496 169)	(951 872)	(14 837 118)	-	(16 285 159)
Surplus on revaluation	940 897 027	114 621 110	110 286 415	226 824 593	193 066 743	-	1 585 695 888
Balance at 31 December 2019	1 840 192 529	397 660 833	389 376 132	765 205 219	524 559 855	45 391 106	3 962 385 674
Accumulated depreciation and impairment							
Balance at 1 January 2019	281 360 889	198 130 763	179 872 586	360 874 768	190 832 978	-	1 211 071 982
Recognised in statement of profit or loss	1 701 752	17 299 909	27 785 450	72 722 856	35 229 926	-	154 739 893
Disposals	-	-	(158 348)	(702 218)	(2 726 506)	-	(3 587 072)
Impairment	-	-	500 669	118 382	161 484	16 892 604	17 673 139
Balance at 31 December 2019	283 062 639	215 430 672	208 000 357	433 013 788	223 497 882	16 892 604	1 379 897 942
Carrying value at 31 December 2019	1 557 129 890	182 230 161	181 375 772	332 191 431	301 061 973	28 498 502	2 582 487 732
Restated carrying value at 31 December 2018	601 163 355	79 387 143	69 678 133	161 058 563	103 177 637	15 967 863	1 030 432 694

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$
GROUP							
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	1 616 342 288	49 233 601	339 555 297	759 481 003	217 720 202	115 424 734	3 097 757 125
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
Restated carrying value at 31 December 2019	347 123 002	40 749 362	40 536 025	74 042 942	67 114 156	6 137 300	575 700 787

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

14. PROPERTY AND EQUIPMENT (continued)
Restated 31 December 2019

	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$
GROUP							
Cost or valuation							
Balance at 1 January 2019	22 078 625	7 309 752	6 348 458	13 501 475	8 176 521	357 320	57 772 151
Additions	2 243 818	971 719	2 580 107	1 337 354	6 767 200	4 707 083	18 607 281
Disposals	-	-	(21 629)	(35 342)	(745 114)	-	(802 085)
Effects of changes in functional currency	32 362 498	4 267 983	3 763 410	8 651 470	5 669 956	1 072 897	55 788 214
Surplus on revaluation	291 002 758	34 182 349	33 627 201	64 854 831	54 432 815	-	478 099 954
Transfers between categories	-	-	2 051	(2 051)	-	-	-
Balance at 31 December 2019	347 687 699	46 731 803	46 299 598	88 307 737	74 301 378	6 137 300	609 465 515
Accumulated depreciation							
Balance at 1 January 2019	503 623	4 315 198	3 777 393	7 721 341	4 473 656	-	20 791 211
Recognised in statement of profit or loss	61 074	1 667 243	1 917 424	6 568 348	2 828 465	-	13 042 554
Disposals	-	-	(6 195)	(25 512)	(135 183)	-	(166 890)
Impairment	-	-	74 951	2 618	20 284	-	97 853
Balance at 31 December 2019	564 697	5 982 441	5 763 573	14 266 795	7 187 222	-	33 764 728
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
Restated carrying value at 31 December 2018	21 575 002	2 994 554	2 571 065	5 780 134	3 702 865	357 320	36 980 940

14. PROPERTY AND EQUIPMENT (continued)

	Inflation adjusted				
	Leasehold improvements ZW$	Equipment furniture & fittings ZW$	Computer equipment ZW$	Motor vehicles ZW$	Total ZW$
COMPANY					
2020					
Cost or valuation					
Balance at 1 January 2020	1 546 499	33 059 261	28 048 474	9 259 850	71 914 084
Additions	-	916 311	5 495 111	-	6 411 422
Disposals	-	(19 463)	(45 026)	-	(64 491)
Revaluation of property	-	10 481 489	2 378 631	933 171	13 793 291
Balance at 31 December 2020	1 546 499	44 437 598	35 877 190	10 193 021	92 054 306
Accumulated depreciation					
Balance at 1 January 2020	793 868	22 706 263	18 057 921	8 582 806	50 140 858
Recognised in statement of profit or loss	314 594	2 625 740	6 395 601	-	9 335 935
Disposals	-	(5 799)	(20 048)	-	(25 846)
Impairment	341 946	-	-	-	341 946
Balance at 31 December 2020	1 450 408	25 326 204	24 433 474	8 582 806	59 792 893
Carrying value at 31 December 2020	96 091	19 111 394	11 443 716	1 610 215	32 261 413
Restated 2019					
Cost or valuation					
Balance at 1 January 2019	831 953	21 908 195	17 962 126	7 493 816	48 196 090
Additions	-	1 971 897	5 245 516	-	7 217 413
Disposals	-	(66 735)	(19 845)	(40 749)	(127 329)
Revaluation of property	714 546	9 245 904	4 917 822	1 806 783	16 685 055
Intergroup transfers	-	-	(57 145)	-	(57 145)
Balance at 31 December 2019	1 546 499	33 059 261	28 048 474	9 259 850	71 914 084
Accumulated depreciation					
Balance at 1 January 2019	692 372	18 420 384	14 354 710	6 594 369	40 061 835
Recognised in statement of profit or loss	101 496	4 285 879	3 703 211	1 988 437	10 079 023
Balance at 31 December 2019	793 868	22 706 263	18 057 921	8 582 806	50 140 858
Carrying value at 31 December 2019	752 631	10 352 998	9 990 553	677 044	21 773 226

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

14. PROPERTY AND EQUIPMENT (continued)

	Unaudited Historical cost				
	Leasehold improvements ZW$	Equipment furniture & fittings ZW$	Computer equipment ZW$	Motor vehicles ZW$	Total ZW$
COMPANY					
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
Intergroup transfers	-	-	-	-	-
Balance at 31 December 2019	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
Recognised 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 2019	90 676	1 226 571	2 066 584	210 455	3 594 286
Carrying value at 31 December 2019	96 089	19 111 398	11 443 709	1 610 217	32 261 413
Restated 2019					
Cost or valuation					
Balance at 1 January 2019	20 351	532 522	443 143	171 374	1 167 390
Effects of changes in functional currency	7 514	187 761	194 199	48 420	437 894
Additions	-	70 769	188 255	-	259 024
Disposals	-	(2 395)	(712)	(1 462)	(4 569)
Revaluation of property	158 900	2 080 448	1 850 889	143 055	4 233 292
Intergroup transfers	-	-	(2 051)	-	(2 051)
Balance at 31 December 2019	186 765	2 869 105	2 673 723	361 387	6 090 980
Accumulated depreciation					
Balance at 1 January 2019	15 342	407 350	313 677	139 093	875 462
Recognised in statement of profit or loss	3 643	153 815	132 904	71 362	361 724
Balance at 31 December 2019	18 985	561 165	446 581	210 455	1 237 186
Carrying value at 31 December 2019	167 780	2 307 940	2 227 142	150 932	4 853 794

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
15. INTANGIBLE ASSETS				
GROUP				
Computer software				
Carrying amount at beginning of year	300 182 868	325 562 341	47 551 609	7 843 505
Effects of changes in functional currency	-	-	(4 739 780)	4 714 468
Additions at cost	15 418 909	67 551 126	4 081 548	13 730 219
Reversal of cancelled projects	(16 054 420)	-	(16 054 420)	-
Amortisation	(83 161 099)	(92 412 003)	(2 449 933)	(2 617 031)
Exchange rate movements	-	-	-	23 880 448
Impairment	(186 698)	(518 596)	-	-
Balance at end of year	216 199 560	300 182 868	28 389 024	47 551 609
COMPANY				
Computer software				
Carrying amount at beginning of year	154 604	640 202	34 465	22 976
Effects of changes in functional currency	-	-	-	11 489
Amortisation	(154 604)	(485 598)	(34 465)	-
Balance at end of year	-	154 604	-	34 465

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

Prior period error

The Group changed its accounting policy on intangible assets to revaluation model in 2018. The intangible assets comprised of computer software and work in progress in the development of internally generated computer software. The Group has significant computer software assets that were acquired during the multicurrency period as well as in the mono currency period. The computer software acquired in the multi-currency period was, through implementation of SI 33 of 2019, converted to local currency at the rate of 1:1 for USD to ZWL currency. The implementation of SI 33 of 2019, coupled with the significant depreciation of the local currency and the resultant hyperinflation that occurred in the period following currency reforms, which were implemented on 22 February 2019, resulted in significant erosion of carrying value of assets including the computer software.

In the course of preparation of financial statements, management made judgement for certain items that are especially critical for the Group's results and financial situation due to materiality, and a judgement was made to adopt the revaluation model for computer software with a view to provide financial information that is meaningful and reasonable to the users of financial statements. The revaluation exercise was undertaken by an independent external valuer and the necessary adjustments were done to the financial statements for the year ended 31 December 2019.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

15. INTANGIBLE ASSETS (continued)

Further reassessment made on the application of revaluation model on computer software in the current year pointed to a technical difficulty in satisfying the requirement of the existence of an active market "as is required by IAS 38 [Intangible Assets]" for adoption of the revaluation model for intangible assets. This was due to the following reasons

- The pricing information of the computer software is not publicly available as contracts are negotiated between individual buyers and sellers. Computer software was considered a packaged deal designed to meet the specific selection of the buyer.
- The computer software is customized to satisfy the requirements of the Group and this has made it a unique product.

The Group has accordingly reverted to the historical cost model from the 2020 financial year.

The inflation adjusted financial statements for the year ended 31 December 2019 have been restated to reverse the revaluation gain adjustment on computer software. The financial statements have also been restated to apply the exchange rate of USD1:ZWL1 on the date of change of functional currency (22 February 2019), which was the earliest observable exchange rate per IAS21.

The effect of the prior year error is indicated below:

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
Effects of prior year adjustments of intangible assets	-	(271 925 504)	-	(80 618 661)
Decrease deferred tax liabilities	-	21 349 377	-	12 236 783
Decrease in revaluation reserve	-	267 507 918	-	69 708 036
Decrease FCTR	-	-	-	9 018 347
Increase in profit for the year due to decrease in amortization	-	(16 931 791)	-	(10 344 503)

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
16.	**DEPOSITS AND OTHER ACCOUNTS**				
	GROUP				
16.1	**Summary of deposits by type**				
	Balances of banks	30 529 298	69 244 530	30 529 298	15 436 329
	Current accounts	1 857 839 882	1 875 623 661	1 857 839 882	418 123 193
	Savings and call accounts	4 681 066 603	3 594 320 581	4 681 066 603	801 263 510
	Fixed deposits	538 347 210	615 866 585	538 347 210	137 291 989
		7 107 782 993	6 155 055 357	7 107 782 993	1 372 115 021
	GROUP				
16.2	**Maturity analysis**				
	On demand	4 688 111 315	4 487 911 672	4 688 111 315	1 000 467 203
	Within 1 month	2 362 638 511	1 519 827 684	2 362 638 511	338 807 415
	Between 1 and 6 months	26 030 161	94 988 973	26 030 161	21 175 406
	Between 6 and 12 months	26 922 779	33 448 957	26 922 779	7 456 605
	After 12 months	4 080 227	18 878 071	4 080 227	4 208 392
		7 107 782 993	6 155 055 357	7 107 782 993	1 372 115 021

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

		Inflation adjusted				Unaudited Historical cost			
		31 Dec 2020 ZW$	% Contribution	Restated 31 Dec 2019 ZW$	% Contribution	31 Dec 2020 ZW$	% Contribution	Restated 31 Dec 2019 ZW$	% Contribution
	Group								
16.3	**Deposit concentration**								
	Private individuals	1 275 156 726	18%	924 998 921	15%	1 275 156 726	18%	206 205 280	15%
	Agriculture	523 997 303	7%	332 194 669	5%	523 997 303	7%	74 054 459	5%
	Mining	51 402 570	1%	339 051 727	6%	51 402 570	1%	75 583 068	6%
	Manufacturing	293 573 852	4%	498 186 153	8%	293 573 852	4%	111 058 092	8%
	Distribution	472 772 864	7%	176 418 257	3%	472 772 864	7%	39 328 020	3%
	Construction	120 134 405	2%	70 635 326	1%	120 134 405	2%	15 746 372	1%
	Transport	81 461 850	1%	55 202 253	1%	81 461 850	1%	12 305 956	1%
	Services	2 993 000 416	42%	2 294 187 704	37%	2 993 000 416	42%	511 431 535	37%
	Financial	653 303 426	9%	654 493 177	11%	653 303 426	9%	145 902 818	11%
	Communication	642 979 581	9%	809 687 170	13%	642 979 581	9%	180 499 421	13%
		7 107 782 993	100%	6 155 055 357	100%	7 107 782 993	100%	1 372 115 021	100%

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
GROUP				
16.4 Secured and unsecured deposits analysis				
Secured deposits	-	257 761 517	-	57 461 457
Unsecured deposits	7 107 782 993	5 897 293 840	7 107 782 993	1 314 653 564
	7 107 782 993	6 155 055 357	7 107 782 993	1 372 115 021

For secured deposits security was provided in the form of treasury bills which are included in the note 7.

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
17. TRADE AND OTHER PAYABLES				
GROUP				
Amounts due to other banks	30 529 298	12 385 562	30 529 298	2 761 050
Unearned premium reserve (see note 17.1)	111 326 041	69 800 161	111 326 041	15 560 193
Incurred but not yet reported claims reserve (see note 17.2)	90 163 636	54 340 227	90 163 636	12 113 789
Outstanding claims (refer to note 17.3)	28 571 568	-	28 571 568	-
Income received in advance	16 652 557	51 736 857	16 652 557	11 533 433
Interest accrued on deposits	37 237 219	43 861 554	37 237 219	9 777 832
Balances in transit to other banks	193 515 923	183 820 611	193 515 923	40 978 189
Accrued expenses and provisions	50 243 635	12 707 774	50 243 635	2 832 879
Intermediated money transfer tax	147 292 092	108 161 001	147 292 092	24 111 779
Policyholders claims intimated but not paid	20 619 382	2 170 049	20 619 382	483 758
Trade payables	130 575 676	284 892 476	130 575 676	63 509 623
*Staff loan benefit liability	120 290 388	-	120 290 388	-
Sundry creditors	203 665 881	87 235 052	203 665 881	19 783 337
	1 180 683 296	911 111 324	1 180 683 296	203 445 862

*In the prior year the interest rates for staff loans were materially different from the minimum market rates, hence there was no staff loan benefit that accrued in the prior year.

COMPANY				
Trade payables	53 366 519	67 599 208	53 366 519	15 069 551
17.1. UNEARNED PREMIUM RESERVE (UPR)				
Balance at beginning of year	69 800 161	36 180 786	15 560 193	1 298 459
Charge/ (credit) to profit or loss	145 201 284	142 147 356	95 765 848	14 261 734
Effects of monetary movements	(103 675 404)	(108 527 981)	-	-
Balance at end of year	111 326 041	69 800 161	111 326 041	15 560 193

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

17.1. 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 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.

17.2. INCURRED BUT NOT REPORTED CLAIMS RESERVE (IBNR)

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
Balance at beginning of year	54 340 227	65 566 874	12 113 789	2 353 113
Charge/ (Credit) to profit or loss	92 080 960	49 716 051	78 049 847	9 760 676
Effects of monetary movements	(56 257 551)	(60 942 698)	-	-
Balance at end of year	90 163 636	54 340 227	90 163 636	12 113 789

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 ZWL policies the actuary applied CPI rates to already existing USD data before SI 142 of 2019 to bring them at par with ZWL values. To calculate the IBNR reserves an inflation adjusted Chain Ladder for ZWL reserves and Basic chain ladder for USD reserves was used.

17.3 OUTSTANDING CLAIMS

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
Balance at beginning of year	-	-	-	-
Charge/Credit to profit or loss	48 209 266	-	28 571 568	-
Effects of monetary movements	(19 637 698)	-	-	-
Balance at end of year	28 571 568	-	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.

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
18.	**CURRENT TAX LIABILITIES**				
	GROUP				
	Balance at beginning of year	23 113 938	3 750 793	5 152 672	134 611
	Recognised in statement of profit or loss (note 32)	185 298 593	229 474 864	144 336 267	17 553 698
	Tax payments	(115 628 880)	(210 111 719)	(56 705 288)	(12 535 637)
		92 783 651	23 113 938	92 783 651	5 152 672
19.	**DEFERRED TAX (ASSETS)/LIABILITIES**				
	GROUP				
19.1	**Deferred tax**				
	Deferred tax asset	(4 544 933)	(4 043 843)	(638 270)	(109 240)
	Deferred tax liability	560 413 170	465 781 594	499 138 047	84 784 336
	Net deferred tax liabilities	555 868 237	461 737 751	498 499 777	84 675 096
	COMPANY				
19.1	**Deferred tax**				
	Defered tax asset	(537 040)	-	(537 040)	-
	Deferred tax liability	-	5 640 224	-	1 632 301
	Net deferred tax (assets) liabilities	(537 040)	5 640 224	(537 040)	1 632 301

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

19.1 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$
GROUP					
2020					
Property and equipment	401 960 746	(244 054 050)	160 507 409	-	318 414 059
Fair value adjustments to financial assets	28 870 245	752 957	-	-	29 623 202
Assessed losses	(13 012 644)	4 751 470	-	-	(8 261 174)
Fair value gains on treasury bills at FVTOCI	18 710 226	-	-	-	19 102 247
Other	64 717 446	171 782 802	392 021	(2 125)	236 498 171
Changes on initial application of IFRS9	(39 508 268)	-	-	-	(39 508 268)
	461 737 751	(66 766 773)	160 899 384	(2 125)	55 868 237
GROUP					
Restated 2019					
Property and equipment	51 951 602	115 404 203	234 604 941	-	401 960 746
Fair value adjustments to financial assets	9 986 418	18 883 827	-	-	28 870 245
Assessed losses	(12 439 652)	(572 992)	-	-	(13 012 644)
Fair value gains on treasury bills at FVTOCI	27 544 655	-	(8 834 429)	-	18 710 226
Other	104 947 918	-	(39 433 120)	(797 352)	64 717 446
Changes on initial application of IFRS9	(40 305 643)	798 375	-	-	(39 508 268)
	141 685 298	134 512 413	186 337 392	(797 352)	461 737 751

19.1 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$
GROUP					
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	28 147 495	53 141 640	-	(1 352 485)	79 936 650
Changes on initial application of IFRS9	(1 446 519)	-	-	-	(1 446 519)
	84 675 096	150 729 873	264 447 293	(1 352 485)	498 499 777
Restated 2019					
Property and equipment	2 061 485	(27 516 324)	48 862 788	13 787 486	37 195 435
Fair value adjustments to financial assets	1 262 913	20 488 111	-	-	21 751 024
Assessed losses	(340 715)	320 151	-	-	(20 564)
Fair value gains on treasury bills at FVTOCI	1 017 639	-	(1 969 414)	-	(951 775)
Other	281 263	30 464 866	-	(2 598 634)	28 147 495
Changes on initial application of IFRS9	(1 446 519)	-	-	-	(1 446 519)
	2 836 068	23 756 804	46 893 374	11 188 852	84 675 096

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

19.1 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$
COMPANY					
2020					
Property and equipment	5 420 581	(282 106)	3 409 791	-	8 548 166
Fair value adjustments to financial assets	219 643	552 191	-	-	771 834
Other	-	(1 783 059)	-	-	(1 783 059)
Assessed loss	-	(8 073 981)	-	-	(8 073 981)
	5 640 224	(9 586 955)	3 409 791	-	(537 040)
Restated 2019					
Property and equipment	3 096 632	(1 800 606)	4 124 555	-	5 420 581
Fair value adjustments to financial assets	4 500 018	(4 280 375)	-	-	219 643
Assessed loss	(12 001 495)	12 001 495	-	-	-
	(4 404 845)	5 920 514	4 124 555	-	5 640 224

	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$
COMPANY					
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	-	(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)
Restated 2019					
Property and equipment	78 217	341 332	1 046 469	117 319	1 583 337
Fair value adjustments to financial assets	113 661	(64 697)	-	-	48 964
Assessed loss	(251 211)	251 211	-	-	-
	(59 333)	527 846	1 046 469	117 319	1 632 301

20. LEASE LIABILITIES

The Group leases various office buildings under non-cancellable operating lease agreements. The lease terms are 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 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
GROUP				
Balance at the beginning of year	29 811 485	182 831 318	6 645 722	6 561 587
Add finance cost posted to profit or loss	34 165 142	4 615 487	16 708 668	448 157
Less lease commitments paid during the year	(47 510 286)	(29 019 591)	(23 235 191)	(2 817 760)
Lease modifications	64 007 929	7 275 706	68 889 265	1 621 936
Profit on leas liability	4 881 336	3 731 311	569 089	831 802
Effects of inflation adjustments	(15 778 053)	(139 622 746)	-	-
Balance at end of year	69 577 553	29 811 485	69 577 553	6 645 722
Maturing within 1 year	13 915 511	5 962 297	13 915 511	1 329 144
Maturing after 1 year	55 662 042	23 849 188	55 662 042	5 316 578
	69 577 553	29 811 485	69 577 553	6 645 722
COMPANY				
Balance at beginning of year	18 160 189	79 529 326	4 048 358	2 854 208
Add finance cost posted to profit or loss	48 418 554	5 867 654	23 679 385	210 583
Less lease commitments paid during the year	(55 860 494)	(20 852 777)	(27 318 911)	(748 380)
Arising from lease modification	114 849 128	7 769 195	114 849 128	1 731 947
Effects of inflation adjustments	(10 309 417)	(54 153 209)	-	-
Balance at end of year	115 257 960	18 160 189	115 257 960	4 048 358
Maturing within 1 year	23 051 592	3 632 038	23 051 592	809 672
Maturing after 1 year	92 206 368	14 528 151	92 206 368	3 238 686
	115 257 960	18 160 189	115 257 960	4 048 358

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	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
21. LONG TERM BORROWINGS				
GROUP				
Comprising of:				
Face value of loan	20 000 000	89 716 318	20 000 000	20 000 000
Valuation discount	(3 859 361)	(20 760 190)	(3 859 361)	(4 627 963)
Balance at end of year	16 140 639	68 956 128	16 140 639	15 372 037
Valuation discount:				
Balance at beginning of the year	20 760 190	149 349 444	4 627 963	5 359 965
Amortisation during the year (note 31)	(1 571 603)	(7 538 755)	(768 602)	(732 002)
Effects of monetary adjustments	(15 329 226)	(121 050 499)	-	-
Balance at end of year	3 859 361	20 760 190	3 859 361	4 627 963
COMPANY				
Comprising of:				
Face value of loan	20 000 000	89 716 318	20 000 000	20 000 000
Valuation discount	(3 859 361)	(20 760 190)	(3 859 361)	(4 627 963)
Balance at end of year	16 140 639	68 956 128	16 140 639	15 372 037
Valuation discount:				
Balance at beginning of the year	20 760 190	149 349 444	4 627 963	5 359 965
Amortisation during the year (note 31)	(1 571 603)	(7 538 755)	(768 602)	(732 002)
Effect of monetary adjustments	(15 329 226)	(121 050 499)	-	-
Balance at end of year	3 859 361	20 760 190	3 859 361	4 627 963

Long term borrowings balances at year end are non-current liabilities.

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 zero percent interest rate. The loan was used to recapitalise ZB Bank Limited, a subsidiary of the holding company.

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.

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
22. LIFE ASSURANCE FUNDS				
GROUP				
Balance at beginning of year	1 074 898 824	982 622 187	238 655 969	37 439 715
Changes in policyholders' liabilities	598 857 326	92 276 637	1 435 100 181	179 186 905
-Gross premium income	214 037 108	225 295 976	104 676 135	20 926 700
-Investment and other income	24 329 497	521 831 988	11 898 487	48 470 557
-Capital gains	1 311 183 592	827 574 715	1 311 183 592	184 487 000
-Benefits paid and surrenders	(579 280 513)	(95 914 998)	(283 300 619)	(8 909 101)
-Marketing and administration expenses	(168 019 688)	(810 224 378)	(82 171 039)	(34 289 000)
-Surplus distribution	(203 392 670)	(576 286 666)	372 813 625	(53 528 600)
Effects of changes in functional currency	-	-	-	22 029 349
Balance at end of year	1 673 756 150	1 074 898 824	1 673 756 150	238 655 969

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

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	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
23 OFFSHORE BORROWINGS				
GROUP				
Balance at beginning of year	335 619 414	165 716 199	74 817 920	5 947 347
Exchange rates movements	(92 412 776)	169 903 215	168 388 718	68 870 573
Balance at end of year	243 206 638	335 619 414	243 206 638	74 817 920
Maturing within 1 year	133 714 950	152 787 804	133 714 950	34 060 204
Maturing after 1 year	109 491 688	182 831 610	109 491 688	40 757 716
	243 206 638	335 619 414	243 206 638	74 817 920

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.

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
24.	**EQUITY AND RESERVES**				
	GROUP				
24.1	**Share capital**				
	Company:				
	Authorised:				
	1 000 000 000 ordinary shares of ZW$0.01 each	405 038 866	405 038 866	10 000 000	10 000 000
	Issued and fully paid:				
	175 190 642 ordinary shares of ZW$0.01 each	72 710 908	72 710 908	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
	COMPANY				
	Company:				
	Authorised:				
	1 000 000 000 ordinary shares of ZW$0.01 each	405 038 866	405 038 866	10 000 000	10 000 000
	Issued and fully paid:				
	175 190 642 ordinary shares of ZW$0.01 each	72 710 908	72 710 908	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 Bussiness 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.

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For the year ended 31 December 2020

24.2 Fully paid ordinary shares and share premium

	Inflation adjsuted			
	GROUP Share capital ZW$	Share premium ZW$	COMPANY Share capital ZW$	Share premium ZW$
GROUP				
Balance at beginning of year	72 710 908	1 123 995 356	72 710 908	1 123 995 356
Balance at end of year	72 710 908	1 123 995 356	72 710 908	1 123 995 356

	Unaudited Historical cost			
	GROUP Share capital ZW$	Share premium ZW$	COMPANY Share capital ZW$	Share premium ZW$
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 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
	GROUP				
24.3	**Other components of equity**				
	General reserve (see note 24.3.1 below)	13 137 115	13 137 115	5 817 958	5 870 251
	Properties and equipment revaluation reserve (see note 24.3.2 below)	1 985 563 986	1 491 757 405	2 406 801 864	432 334 433
	Fair value gains on financial assets at FVTOCI (see note 24.3.3 below)	(1 793 231)	89 039 206	(1 793 231)	(2 987 053)
		1 996 907 870	1 593 933 726	2 410 826 591	435 217 631
	COMPANY				
24.3	**Other components of equity**				
	Properties and equipment revaluation reserve (see note 24.3.2 below)	23 675 049	13 291 450	21 989 500	3 201 105
		23 675 049	13 291 450	21 989 500	3 201 105

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
	GROUP				
24.3.1	**General reserves**				
	Balance at beginning of year	13 137 115	13 137 115	5 870 251	5 870 251
	Adjustment for regulatory reserve in respect of doubtful advances	-	-	(52 293)	-
	Balance at the end of year	13 137 115	13 137 115	(5 817 958)	5 870 251

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 $nil (2019: ZW$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.

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For the year ended 31 December 2020

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
GROUP				
24.3.2 Property and equipment revaluation reserve				
Balance at beginning of year	1 491 757 405	139 255 905	432 334 433	13 219 290
Surplus on property and equipment revaluation	672 273 181	1 585 695 888	2 279 135 715	478 099 954
Revaluation movement against non-controlling interests	(5 799 437)	(38 022 567)	(37 906 632)	(10 122 023)
Deferred tax effect of property revaluation	(160 507 364)	(195 171 821)	(264 055 272)	(48 862 788)
Transfer to retained income	(12 159 799)	-	(2 706 380)	-
Balance at end of year	1 985 563 986	1 491 757 405	2 406 801 864	432 334 433
COMPANY				
24.3.2 Property and equipment revaluation reserve				
Balance at beginning of year	13 291 450	730 950	3 201 105	14 282
Surplus on property and equipment revaluation	13 793 290	16 685 055	24 958 017	4 233 292
Deferred tax effect of property revaluation	(3 409 691)	(4 124 555)	(6 169 622)	(1 046 469)
Balance at end of year	23 675 049	13 291 450	21 989 500	3 201 105

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 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.

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
GROUP				
24.3.3 Fair value gains on financial assets held at FVTOCI				
Balance at the beginning of year	89 039 206	115 225 210	(2 987 053)	2 850 459
Fair value gains / (losses) on the medium term treasury bills	1 585 843	(35 020 433)	1 585 843	(7 806 926)
Deferred tax effect of fair - valuation on financial assets at FVTOCI	(392 021)	8 834 429	(392 021)	1 969 414
Effects of monetary adjustments	(92 026 259)	-	-	-
Balance at end of year	1 793 231	89 039 206	(1 793 231)	(2 987 053)

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 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
GROUP				
24.4 Retained income				
Balance at beginning of year	2 557 365 655	1 281 329 672	596 855 711	45 103 506
Profit attributable to equity holders of parent	1 051 585 421	1 344 922 287	3 255 331 492	554 224 441
Transfer from property revaluation reserve (note 24.3.2)	12 159 800	-	2 706 380	-
Dividends paid	(23 038 917)	(68 886 304)	(10 219 638)	(2 472 236)
Balance at end of year	3 598 071 959	2 557 365 655	3 844 673 945	596 855 711

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
	COMPANY				
24.4	**Retained income**				
	Balance at beginning of year	3 910 486 689	1 448 587 844	976 588 420	63 106 557
	Profit attributable to equity holders of parent	1 128 861 372	2 530 070 962	4 933 913 290	915 954 100
	Dividends paid	(23 038 874)	(68 886 117)	(10 219 638)	(2 472 237)
	Balance at end of year	5 016 309 187	3 910 486 689	5 900 282 072	976 588 420
	GROUP				
24.5	**Non-controlling interest**				
	Balance at beginning of year	1 227 41 678	599 959 586	282 553 625	22 261 931
	Profit attributable to non controlling interest	13 358 811	594 355 936	930 595 541	221 162 873
	Increase on revaluation of property	5 799 437	38 022 567	37 906 632	10 122 023
	Movement in regulatory reserve in respect of doubtful debts	-	-	52 293	-
	Dividends paid	(647 053)	(4 927 411)	(377 905)	(176 845)
	Effects of changes in functional currency	-	-	-	29 183 643
	Balance at end of year	1 245 921 873	1 227 410 678	1 250 730 186	282 553 625
	GROUP				
24.6	**Foreign Currency Translation Reserve**				
	Balance at the beginning of year	-	-	105 410 850	-
	Arising from investment properties	-	-	-	50 044 851
	Arising from property and equipment movements	-	-	-	54 616 206
	Arising from intangible assets	-	-	-	16 214 327
	Share of associate companies	-	-	-	35 618 757
	Transfer to non controlling interests	-	-	-	(29 650 652)
	Other movements	-	-	(4 118 745)	(21 432 639)
	Balance at end of year	-	-	101 292 105	105 410 850

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
	COMPANY				
24.6	**Foreign Currency Translation Reserve (continued)**				
	Balance at beginning of year	-	-	105 410 850	-
	Arising from investment properties	-	-	(4 118 745)	95 939 539
	Arising from property and equipment movements	-	-	-	720 000
	Arising from intangible assets	-	-	-	437 894
	Share of associate companies	-	-	-	11 489
	Transfer to non controlling interests	-	-	-	4 991 930
	Other movements	-	-	-	3 309 998
	Balance at the end of year	-	-	101 292 105	105 410 850

24.7 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$
GROUP			
2020			
Gain on property and equipment revaluation	672 273 181	(160 507 363)	511 765 818
Gain on intangible asset revaluation	-	-	-
Fair value loss on financial assets at FVTOCI	1 585 843	(392 021)	1 193 822
	673 859 024	(160 899 384)	512 959 640
Restated 2019			
Gain on property and equipment revaluation	1 585 695 888	(195 171 821)	1 390 524 067
Gain on intangible asset revaluation	-	-	-
Fair value gain on financial assets at FVTOCI	(35 020 433)	8 834 429	(26 186 004)
	1 550 675 455	(186 337 392)	1 364 338 063

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

24.7 Tax effect relating to each component of other comprehensive income (continued)

	Unaudited Historical cost		
	Before tax amount ZW$	Tax (expense) benefit ZW$	Net of tax amount ZW$
GROUP			
2020			
Gain on property and equipment revaluation	2 279 135 716	(264 055 272)	2 015 080 443
Fair value gain on financial assets at FVTOCI	1 585 843	(392 021)	1 193 822
	2 280 721 558	(264 447 293)	2 016 274 265
Restated 2019			
Gain on property and equipment revaluation	478 099 954	(48 862 788)	429 237 166
Fair value loss n on financial assets at FVTOCI	(7 806 926)	1 969 414	(5 837 512)
	470 293 028	(46 893 374)	423 399 654

	Inflation adjusted		
	Before tax amount ZW$	Tax (expense) benefit ZW$	Net of tax amount ZW$
COMPANY			
2020			
Gain on property and equipment revaluation	13 793 290	(3 409 691)	10 383 599
Restated 2019			
Gain on property and equipment revaluation	16 685 055	(4 124 555)	12 560 500

	Unaudited Historical cost		
	Before tax amount ZW$	Tax (expense) benefit ZW$	Net of tax amount ZW$
COMPANY			
2020			
Gain on property and equipment revaluation	24 958 017	(6 169 622)	18 788 395
Restated 2019			
Gain on property and equipment revaluation	4 233 292	(1 046 469)	3 186 823

25. SHARE BASED PAYMENTS

A dividend distribution vehicle for staff, the ZB Financial Holdings Staff Trust, is in place and holds 5 273 438 shares of the issued share capital of the Company.

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
26. NET INTEREST AND RELATED INCOME				
GROUP				
26.1 Interest income				
Interest income comprises interest on:				
Advances	642 451 560	412 942 759	439 962 484	43 799 916
Mortgages	21 248 146	40 779 094	14 002 698	3 254 181
Overdraft accounts	79 160 760	28 823 233	57 435 928	3 262 047
Trading income	85 595 490	298 766 961	52 090 606	26 348 060
Cash and short-term funds	2 929 823	3 822 552	2 125 270	441 915
Loans to other banks	2 179 272	1 326 317	733 643	67 571
Other	25 758 567	58 331 823	10 395 978	4 311 322
Total interest income	859 323 618	844 792 739	576 746 607	81 485 012
26.2 Interest expenses				
Interest expenses comprise interest on:				
Retail deposits	18 918 337	93 515 373	12 665 155	1 998 192
Fixed deposits	84 119 116	33 634 311	48 657 150	7 231 664
Other interest payable categories	96 615 688	60 218 849	70 044 078	5 935 904
Total interest expenses	199 653 141	187 368 533	131 366 383	15 165 760
Net interest income	659 670 477	657 424 206	445 380 224	66 319 252
26.3 Loan (impairments) / credits				
Loans and advances	(260 157 829)	(266 029 283)	(198 842 876)	(40 196 625)
Insurance debtors	(9 231 212)	(84 933 698)	(9 231 212)	(11 170 139)
Loans and other advances	(269 389 041)	(350 962 981)	(208 074 088)	(51 366 764)
Other financial assets	(1 394 281)	174 601	(1 445 655)	25 427
Guarantees	(692 716)	625 516	(692 716)	91 550
Loan commitements	(16 570 969)	(1 568 398)	114 357	(229 550)
Net recoveries against loans previously written off	6 215 149	12 383 018	4 713 171	1 812 500
	(281 831 858)	(339 348 244)	(205 384 931)	(49 666 837)

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
27. NET INSURANCE PREMIUM INCOME				
GROUP				
27.1 Gross insurance premium income				
Reinsurance business				
Fire	277 877 258	393 599 002	229 748 740	42 223 652
Motor	437 845 561	350 237 401	310 961 757	44 270 054
Hail	30 716 156	10 727 465	21 814 883	1 355 953
Miscellaneous Accident	38 813 073	34 835 447	27 565 385	4 403 205
Marine	91 355 441	9 590 338	64 881 436	1 212 220
Engineering	47 190 784	28 797 722	33 515 309	3 640 036
Liability	40 180 634	33 038 493	28 536 639	4 176 070
Personal Accident	16 809 350	10 277 148	11 938 148	1 299 033
Healthcare	690 610	161 184	490 477	20 374
Other	-	1 497 312	-	189 260
Total	981 478 867	872 761 512	729 452 774	102 789 857
Life assurance business				
Premium – single	17 567 625	35 687 758	13 363 936	3 062 764
Premium – recurrent	148 711 400	219 949 538	101 653 765	18 876 322
	166 279 025	255 637 296	115 017 701	21 939 086
Gross insurance premium income	1 147 757 892	1 128 398 808	844 470 475	124 728 943
27.2 Total insurance expenses				
Reinsurance business				
Movement in IBNR	92 080 960	49 716 052	78 049 847	9 760 676
Movement in unearned premium reserve	145 201 284	142 147 355	95 765 848	14 261 735
Movement in provision for outstanding claims	48 209 266	7 253 605	28 571 568	-
Net claims paid	292 798 396	182 744 092	182 662 855	15 842 508
Commissions and fees	256 137 159	238 218 710	194 543 341	29 183 009
	834 427 065	620 079 814	579 593 459	69 047 928
Life assurance business				
Death and disability benefits	25 880 542	40 553 171	17 950 720	2 984 614
Maturities	4 726 030	19 531 018	3 543 733	3 152 484
Annuities	4 159 318	2 454 894	2 794 657	187 441
Reassurance premium cost	12 523 046	13 137 250	10 341 566	2 584 523
Surrenders and Group pension withdrawals	267 624 497	32 673 155	259 011 509	1 012 390
	314 913 433	108 349 488	293 642 185	9 921 452
Total insurance expenses	1 149 340 498	728 429 302	873 235 644	78 969 380
Net insurance premium Income	1 582 606	399 969 506	(28 765 169)	45 759 563

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
28. COMMISSION AND FEE INCOME COMPRISED INCOME FROM:				
Digital channels	413 645 382	474 881 967	263 963 871	49 343 743
Management and service fees	656 772 972	605 236 526	419 642 298	65 899 811
Other commissions	71 673 718	161 040 108	111 687 818	12 908 152
	1 142 092 072	1 242 158 601	795 293 987	128 151 706

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 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
29. OTHER OPERATING INCOME				
GROUP				
Exchange income	1 538 327 825	569 984 454	1 330 524 395	127 063 720
Dividends from investment securities	59 579 454	21 725 686	33 603 851	3 441 814
Profit on lease liability reassessment	4 881 336	3 731 311	569 089	831 802
Loss on disposal of property and equipment	(1 821 686)	(11 613 401)	(1 821 687)	(527 906)
Rent received	28 914 272	30 962 393	28 279 350	2 471 487
Other	38 946 017	48 122 150	25 023 491	4 061 017
	1 668 827 218	662 912 593	1 416 178 489	137 341 934
COMPANY				
Dividends from investment securities	62 053 697	185 248 478	36 586 364	7 363 069
Cost recovery for shared services	220 222 665	222 713 973	152 657 284	19 431 570
Management fees	2 758 498	84 938 910	2 758 498	1 468 142
Other	824 705	-	785 915	-
Profit on disposal of property and equipment	10 248	-	10 248	-
	285 869 813	492 901 361	192 798 309	28 262 781

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
30.	**FAIR VALUE ADJUSTMENTS**				
	GROUP				
	On financial instruments (note 8.3)	326 032 906	(405 885 162)	728 579 041	58 443 874
	On treasury bills	(1 496 648)	-	(1 496 648)	-
	On investment properties (note 12.2)	(188 815 508)	1 438 298 510	1 650 376 250	444 253 518
		135 720 750	1 032 413 348	2 377 458 643	502 697 392
	COMPANY				
	On financial instruments (note 9.3)	19 725 237	(33 341 252)	46 259 341	2 911 778
	On investment properties (note 12.2)	(4 115 030)	20 265 364	22 025 800	6 299 200
	On investment in subsidiaries (note 9.2)	1 051 953 387	2 007 846 715	4 827 230 971	893 732 665
		1 067 563 594	1 994 770 827	4 895 516 112	902 943 643
31.	**OPERATING EXPENSES**				
	GROUP				
	Commission and fees	48 826 813	40 578 511	23 879 047	3 537 671
	Staff expenses	913 113 458	818 804 313	604 572 995	66 998 173
	Communication expenses	79 563 225	85 062 190	56 246 997	11 495 609
	National Social Security Authority expenses	4 271 056	8 226 479	2 877 373	526 598
	Pension fund expenses	18 203 068	26 188 911	9 567 281	1 884 332
	Computers and information technology expenses	418 881 979	246 367 800	301 272 037	21 810 453
	Occupation expenses	95 480 479	128 904 755	56 925 800	6 626 189
	Transport expenses	33 445 405	63 356 183	20 468 687	5 823 703
	Travelling expenses	24 108 093	44 926 527	15 611 293	4 192 682
	Depreciation of property and equipment	377 389 783	154 739 893	113 300 841	13 042 554
	Amortisation of intangible assets	83 161 099	92 412 003	2 449 933	2 617 031
	Depreciation of right of use asset	21 969 044	8 969 595	10 744 093	509 353
	Finance cost on lease liabilities	34 165 142	4 615 487	16 708 668	448 157
	Impairment of property and equipment	175 032 567	17 673 139	69 821	97 853
	Impairment of intangible assets	186 698	518 596	-	-
	Administration expenses	434 372 802	477 484 796	304 067 229	65 053 662
	Amortisation of valuation discount on the long term borrowings	(1 571 603)	(7 538 755)	(768 602)	(732 002)
	Directors fees	28 191 993	11 095 562	19 676 345	934 938
		2 788 791 101	2 222 385 985	1 557 669 838	204 866 956
	Included in administration expenses are the following:				
	Auditors' remuneration	29 237 636	27 670 032	14 058 430	2 838 477
	- for current year audit	-	3 069 376	-	314 866
	- for half year review	11 046 889	3 762 209	6 451 817	385 939
	- for prior year final	18 190 747	20 838 447	7 606 613	2 137 672

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
31. OPERATING EXPENSES (continued)				
COMPANY				
Staff expenses	162 375 100	202 357 685	110 767 489	13 747 961
Communication expenses	3 823 160	3 894 662	2 807 138	264 599
National Social Security Authority Expenses	4 142 169	1 391 747	2 128 293	94 554
Pension fund expenses	4 142 169	5 052 330	2 128 293	343 250
Computers and information technology expenses	8 589 507	8 792 132	1 024 245	597 328
Occupation expenses	7 961 849	18 458 684	3 138 128	1 254 063
Transport expenses	5 289 601	29 002 316	1 795 851	1 970 386
Travelling expenses	10 182 438	25 101 047	6 406 801	1 705 338
Depreciation of property and equipment	9 335 935	10 079 023	2 382 946	361 724
Depreciation of right of use asset	21 969 044	8 969 595	10 744 093	509 353
Finance cost on lease liabilities	48 418 554	5 867 654	23 679 385	210 583
Impairment of property and equipment	341 946	-	-	-
Impairment of intangible assets	154 604	485 598	34 465	-
Impairment of a subsidiary	8 525 622	-	5 000 000	-
Administration expenses	17 603 176	95 319 737	14 584 863	6 983 834
Amortisation of valuation discount on the long term borrowings	(1 571 603)	(7 538 755)	(768 602)	(732 002)
Directors fees	6 983 838	1 849 515	2 507 964	125 654
	318 267 109	409 082 970	188 361 352	27 436 625
Included in administration expenses are the following:				
Auditors' remuneration	5 196 584	3 969 800	2 077 976	269 704
- for current year audit	-	168 362	-	11 438
- for half year review	1 659 691	111 585	969 325	7 581
- for prior year final	3 536 893	3 689 853	1 108 651	250 685
32. INCOME TAX EXPENSE				
GROUP				
Current income tax	185 298 593	229 474 864	144 336 267	17 553 698
Deferred tax expense	(66 766 773)	134 512 413	150 729 873	23 756 804
Current year	(66 766 773)	133 091 688	150 729 873	23 719 609
Tax rate change adjustment	-	1 420 725	-	37 195
	118 531 820	363 987 277	295 066 140	41 310 502

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32. INCOME TAX EXPENSE (continued)

Zimbabwean corporation tax is calculated at an effective rate of 24.72 per cent (2019: 25.75 per cent) of the estimated taxable profit for the year.

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
GROUP				
Reconciliation of current income tax				
Profit before taxation	1 183 473 927	2 303 265 500	4 480 993 173	816 697 795
Expected tax on profits at basic rates	292 554 755	590 288 167	1 107 701 512	207 653 692
Increase / (reduction) arising from:				
-Exempt income	(6 271 907)	25 060 091	(322 497 201)	(24 017 170)
-Expenditure not allowed	42 862 499	12 052 840	(340 811)	(1 705 603)
-General provisions and deferred income	16 054 973	30 600 584	387 737 288	13 624 185
-Capital allowances in excess of depreciation	20 872 240	80 565 482	312 400 025	35 827 794
-Prepaid expenses	-	(4 218 681)	-	(840 579)
-Fair value adjustments	(247 540 865)	(371 781 931)	(1 189 934 673)	(189 269 012)
Change in tax rate	-	1 420 725	-	37 195
	118 529 695	363 987 277	295 066 140	41 310 502
COMPANY				
Deferred tax expense	(9 586 955)	5 920 514	(8 338 963)	527 846
Current year	(9 586 955)	5 875 144	8 338 963	527 235
Change in tax rate	-	45 370	-	611
	(9 586 955)	5 920 514	(8 338 963)	527 846
Reconciliation of current income tax				
Profit before taxation	1 035 166 298	2 078 589 218	4 899 953 069	903 769 800
Expected tax on profits at basic rates	255 893 109	621 311 267	1 211 268 399	253 969 252
Increase / (reduction) arising from:				
-Exempt income	(15 342 207)	(115 616 131)	(9 159 755)	(7 363 069)
-Expenditure not allowed	14 480 059	3 664 745 521	12 090 085	19 143 416
-Capital allowances in excess of depreciation	301 040	1 462 564	301 040	93 144
-Assessed losses utilized	-	1 015 728	-	64 687
- Fair value adjustments	(264 918 956)	(4 167 043 805)	(1 222 838 732)	(265 380 195)
Change in tax rate	-	45 370	-	611
	(9 586 955)	5 920 514	(8 338 963)	527 846

33. EARNINGS PER SHARE

GROUP

Basic earnings per share (ZW cents)

The inflation adjusted calculation of basic profit for share for the period ended 31 December 2020 of ZW638 cents (2019: ZW853 cents) is based on the attributable profit after tax of ZW$1 051 585 421 (2019: ZW$1 344 922 287) and weighted average number of shares of 157 522 902 (2019:157 522 902)

The historical cost calculation of basic profit for the period ended 31 December 2020 of ZW2 067 cents (2019:ZW352 cents) is based on the attributable profit after tax of ZW$3 255 331 492 (2019:ZW$554 224 420) and weighted average number of shares of 157 522 902 (2019:157 522 902).

There were no dilutive instruments for the year.

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
34. CASH FLOWS FROM OPERATING ACTIVITIES				
GROUP				
Cash flows from operating activities				
Profit before taxation	1 183 476 052	2 303 265 500	4 480 993 173	816 697 795
Non cash items:				
-Fair value adjustments on equity investments (note 8.3)	(326 032 906)	405 885 162	(728 579 041)	(58 443 874)
-Fair value adjustments on investment properties (note 12.1)	188 815 508	(1 438 298 510)	(1 650 376 250)	(444 253 518)
Exchange gain on intangible assets	-	-	-	(23 880 448)
-Net exchange gains on bank balances and unlisted equities (note 8.3)	44 192 864	(131 843 041)	(36 724 733)	(29 391 095)
-Depreciation of property and equipment (note 14)	377 389 783	13 042 554	113 300 841	13 042 554
-Depreciation of right of use asset (note 13)	22 870 990	14 226 868	11 185 195	1 381 408
-Interest earned (note 26.1)	(859 323 618)	(844 792 739)	(576 746 607)	(81 485 012)
-Interest expense (note 26.2)	199 653 141	187 368 533	131 366 383	15 165 760
-Interest expense on lease liability (note 20)	34 165 142	4 615 487	16 708 668	448 157
(Loss) / profit on lease liability reassessment (note 29)	4 881 336	3 731 311	569 089	831 802
-Dividend income (note 29)	(59 579 454)	(21 725 686)	(33 603 851)	(3 441 814)
-Amortisation of intangible assets (note 15)	83 161 099	92 412 003	2 449 933	2 617 031
-Impairment of property and equipment (note 14)	175 032 567	17 673 139	69 821	97 853
-Reversal of cancelled projects (note 15)	16 054 420	-	16 054 420	-
-Impairment of intangible assets (note 15)	186 698	518 596	-	-
Loss on disposal of equipment (note 29)	1 821 686	11 613 401	1 821 687	527 906

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For the year ended 31 December 2020

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
34. CASH FLOWS FROM OPERATING ACTIVITIES (continued)				
GROUP				
Gain on disposal of investment (note 8.3)	(122 671 355)	(16 114 576)	(59 993 164)	(2 417 274)
-Impairment of investments (note 8.3)	5 926 411	174 600	1 285 127	25 427
Share associate companies' profits losses (note 8.1)	(1 405 255 116)	(1 091 160 274)	(2 673 601 949)	(370 148 646)
Fair value gains /(losses) on Financial assets at FVTOCI	1 585 843	(35 020 433)	1 585 843	(7 806 926)
Effects of exchange gains (see note 29)	1 538 327 825	569 984 454	1 330 524 395	127 063 720
Effects of inflation adjustments	789 691 707	5 392 924 944	-	-
Operating cash flows before Changes In working capital Funds	1 894 370 623	5 438 481 293	(348 288 980)	(43 369 194)
Changes in working funds:				
Increase in treasury bills	(301 065 295)	(103 183 580)	(301 065 295)	(23 905 331)
(Increase) / decrease in other assets	(350 510 193)	66 577 286	(595 975 022)	(34 031 113)
Increase in advances and other accounts	(1 126 120 885)	1 375 590 244	(2 696 762 647)	(328 673 457)
Increase in deposits and other accounts	899 912 148	(6 249 160 871)	5 736 436 574	939 840 524
Increase to amounts clearing to other banks	25 299 060	55 851 054	90 971 862	18 840 007
(Decrease) / increase in other liabilities	191 457 398	(300 564 678)	884 422 931	144 064 353
Increase in life assurance funds	598 857 326	92 276 637	1 435 100 181	201 216 252
Increase / (decrease) in offshore borrowings	(92 412 776)	169 903 215	168 388 718	59 949 552
Net cash generated from operating activities	1 739 787 406	545 770 600	5 069 806 282	933 931 593

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
34. CASH FLOWS FROM OPERATING ACTIVITIES (continued)				
COMPANY				
Cash flows from operating activities				
Profit / (loss) before taxation	1 119 274 417	2 536 705 476	4 925 574 327	916 481 944
Non-cash items:				
Fair value on adjustments on Investment subsidiaries	(1 051 953 387)	(2 007 846 715)	(4 827 230 971)	(893 732 665)
-Fair value adjustments on equity investments (note 8.3)	(19 725 237)	33 341 252	(46 259 341)	(2 911 778)
-Fair value adjustments on investment properties (note 12.2)	4 115 030	(20 265 364)	(22 025 800)	(6 299 200)
-Depreciation of property and equipment (note 14)	9 335 935	10 079 023	2 382 946	361 724
-Depreciation of right of use asset (note 13)	21 969 044	8 969 595	10 744 093	509 353
-Interest expense on lease liability (note 20)	48 418 554	5 867 654	23 679 385	210 583
-Lease payments (note 20)	55 860 494	20 852 777	27 318 911	748 380
-Dividend income (note 29)	(62 053 697)	(185 248 478)	(36 586 364)	(7 363 069)
-Impairment of property and equipment (note 14)	341 946	-	-	-
-Impairment of intangible assets (note 15)	154 604	485 598	34 465	-
Loss (gain) on disposal of equipment (note 29)	(10 248)	-	(10 248)	-
Share associate companies (profits) / losses (note 9.1)	29 459 523	(19 332 622)	(25 621 258)	(12 712 144)
Effects of inflation adjustments	(66 875 431)	(235 476 110)	-	-
Operating cash flows before changes In working capital funds	88 311 547	148 132 086	32 000 145	(4 706 872)
Changes in working funds:				
Reduction in short term beginning	1 571 603	7 538 755	768 602	732 002
Increase in money markets Investments	-	17 943 264	2 000 000	4 000 000
(Increase) / decrease in other assets	8 516 685	109 931 324	(23 696 899)	(3 820 038)
(Decrease) / increase in other liabilities	(8 526 505)	(386 031 429)	37 165 251	(2 376 011)
Net cash (used in) / generated from operating activities	(89 873 330)	(102 486 000)	48 237 099	(6 170 919)

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

35. RELATED PARTY TRANSACTIONS

Transactions between the Group and other non-subsidiary related parties are carried out at arm's length and follow the normal vetting processes as established in the Group.

35.1 Intercompany balances

The following balances represent the extent of intercompany business as at the reporting date.

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
	COMPANY				
35.1.1	Balances owing to subsidiary companies	45 526 783	68 968 733	45 526 783	15 374 847
35.1.2	Balances due from subsidiary companies	47 089 988	44 569 914	47 189 988	9 935 743
35.1.3	Income received from subsidiary companies	222 981 163	305 060 598	155 415 782	20 799 772

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 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
	GROUP				
35.1.4	**Deposits from related parties**				
	Balances with ZBFH Pension Fund	6 203 515	1 690 560	6 203 515	376 868
		6 203 515	1 690 560	6 203 515	376 868

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.

35.1.5 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 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
Loans to employees	282 146 503	111 580 108	282 146 503	24 873 983

35.1.5 Lending to other related parties (continued)

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.

35.2 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 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
GROUP				
Directors' remuneration				
- fees by the Holding Company	4 365 542	1 849 515	2 507 964	125 654
- fees by subsidiaries	23 826 451	9 246 047	17 168 381	809 284
Short term employee benefits to key management	181 369 482	114 398 344	88 699 836	11 107 912
	209 561 475	125 493 906	108 376 181	12 042 850
COMPANY				
Directors' remuneration				
- fees by the Holding Company	4 365 542	1 849 515	2 507 964	125 654
Short term employee benefits to key management	76 366 098	30 865 091	37 347 299	2 962 110
	80 731 640	32 714 606	39 855 263	3 087 764

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 20 (2019: 24).

The Group has no material post-employment benefits or other long term benefits including share-based payments or terminal benefits of any other form.

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For the year ended 31 December 2020

		Inflation adjusted		Unaudited Historical cost	
		31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
36.	**CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**				
	GROUP				
36.1	**Contingent liabilities**				
	In respect of guarantees	688 652 647	636 121 888	688 652 647	141 807 400
	In respect of letters of credit	-	291 493 300	-	64 981 111
	In respect of undrawn commitments	219 933 545	450 168 271	219 933 545	100 353 711
		908 586 192	1 377 783 459	908 586 192	307 142 222
36.2	**Capital commitments**				
	In respect of expenditure authorised and contracted	1 092 349 598	-	1 092 349 598	-
	In respect of expenditure authorised but not contracted	801 121 400	1 384 702 372	801 121 400	308 684 620
		1 893 470 998	1 384 702 372	1 893 470 998	308 684 620

Capital commitments will be funded from operating cash flows.

37. 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:

37.1 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 2020 (2019: 601 members).

37.2 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 2020 (2019: 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.

37.3 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 (2019: 3.5%) per month per employee.

37.4 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 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
GROUP				
Payments to the ZB Financial Holdings Limited Pension Fund	13 932 012	26 188 911	6 055 564	1 884 332
Payments to the ZB Life Pension Fund	1 222 337	8 226 479	634 344	1 515 086
Payments to the National Social Security Authority	4 271 056	20 464 575	2 877 373	526 598
Total expense	19 425 405	54 879 965	9 567 281	3 926 016
COMPANY				
Payments to the ZB Financial Holdings Limited Pension Fund	3 314 938	5 052 330	1 576 195	343 250
Payments to the National Social Security Authority	827 232	1 391 747	552 098	94 554
Total expense	4 142 170	6 444 077	2 128 293	437 804

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

38.1 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 fall back 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 24 (all referred to as shareholders 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.

The gearing level, and the loan instrument used (see note 21) 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.

38.2 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.

38.2.1 Classification and measurement of financial assets and 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 2020	Note	Designated at FVPL ZW$	Designated 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	534 352 428	-	-	534 352 428	534 352 428	-	-	534 352 428
Government public utility stock		3 172 804	-	-	3 172 804	-	-	3 172 804	3 172 804
Unit trusts	8	44 631 872	-	-	44 631 872	-	44 631 872	-	44 631 872
Unlisted equity investments	8	576 347 064	-	-	576 347 064	-	-	576 347 064	576 347 064
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	-	606 162 536				
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	-	3 147 343 463	-	3 147 343 463				
Total		1 467 555 335	8 883 282 901	165 972 103	8 883 282 901				
Financial liabilities									
Deposit and other accounts	16	-	(7 107 782 993)	-	(7 107 782 993)				
Trade and other payables	17	-	(1 180 683 296)	-	(1 180 683 296)				
Offshore borrowings	23	-	(243 206 638)	-	(243 206 638)				
Total		-	(8 531 672 927)	-	(8 531 672 927)				

Notes to Consolidated and Separate Financial Statements (continued)

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38.2.1 Classification and measurement of financial assets and 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			
Restated 31 December 2019	Note	Designated at FVPL ZW$	Designated 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	304 599 091	-	-	304 599 091	304 599 091	-	-	304 599 091
Government public utility stock	8	116 627 898	-	-	116 627 898	-	-	116 627 898	116 627 898
Unit trusts	8	32 468 169	-	-	32 468 169	-	32 468 169	-	32 468 169
Unlisted equity investments	8	174 373 443	-	-	174 373 443	-	-	174 373 443	174 373 443
Treasury bills	6	282 143 011	-	501 993 023	784 136 034	-	282 143 011	501 993 023	784 136 034
Financial assets not measured at fair value									
Trade and other receivables	11	-	182 443 744	-	182 443 744				
Cash and cash equivalents	5	-	4 453 093 877	-	4 453 093 877				
Treasury bills	6	-	189 505 235	-	189 505 235				
Advances and other accounts	7	-	2 021 222 577	-	2 021 222 577				
Total		910 211 612	6 846 265 433	501 993 023	8 258 470 068				
Financial liabilities									
Deposit and other accounts	16	-	(6 155 055 357)	-	(6 155 055 357)				
Trade and other payables	17	-	(911 111 324)	-	(911 111 324)				
Offshore borrowings	23	-	(335 619 414)	-	(335 619 414)				
Total		-	(7 401 786 095)	-	(7 401 786 095)				

38.2.1 Classification and measurement of financial assets and 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$	Designated 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	534 352 428	-	-	534 352 428	534 352 428	-	-	534 352 428
Government public utility stock	8	3 172 804	-	-	3 172 804	-	-	3 172 804	3 172 804
Unit trusts	8	44 631 872	-	-	44 631 872	-	44 631 872	-	44 631 872
Unlisted equity investments	8	576 347 064	-	-	576 347 064	-	-	576 347 064	576 347 064
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		1 467 555 335	8 883 282 901	165 972 103	10 516 810 339				
Financial liabilities									
Deposit and other accounts	16	-	(7 107 782 993)	-	(7 107 782 993)				
Trade and other payables	17	-	(1 180 683 296)	-	(1 180 683 296)				
Offshore borrowings	23	-	(243 206 638)	-	(243 206 638)				
Total		-	(8 531 672 927)	-	(8 531 672 927)				

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38.2.1 Classification and measurement of financial assets and 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			
Restated 31 December 2019	Note	Designated at FVPL ZW$	Designated 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	67 902 718	-	-	67 902 718	67 902 718	-	-	67 902 718
Government public utility stock	8	25 999 261	-	-	25 999 261	-	-	25 999 261	25 999 261
Unit trusts	8	7 237 963	-	-	7 237 963	-	7 237 963	-	7 237 963
Unlisted equity investments	8	38 872 180	-	-	38 872 180	-	-	38 872 180	38 872 180
Treasury bills	6	62 896 699	-	111 906 738	174 803 437	-	62 896 699	111 906 738	174 803 437
Financial assets not measured at fair value									
Trade and other receivables	11	-	38 627 667	-	38 627 667				
Cash and cash equivalents	5	-	992 705 450	-	992 705 450				
Treasury bills	6	-	42 245 433	-	42 245 433				
Advances and other accounts	7	-	450 580 815	-	450 580 815				
Total		202 908 821	1 524 159 365	111 906 738	1 838 974 924				
Financial liabilities									
Deposit and other accounts	16	-	(1 372 115 021)	-	(1 372 115 021)				
Trade and other payables	17	-	(203 445 863)	-	(203 445 863)				
Offshore borrowings	23	-	(74 817 920)	-	(74 817 920)				
Total		-	(1 650 378 803)	-	(1 650 378 803)				

38.2.2 Valuation techniques for securities held at fair value

38.2.2.1 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 2020.

38.2.2.2 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.

38.2.2.3 Level 3 valuation

Unlisted investments were valued at net asset value. In applying this method judgement was used. The following factors are relevant in understanding the basis:

Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
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. The market approach as prescribed by IFRS 13 – Fair valuation requires the identification of a similar or identical quoted assets with similar risk profiles. A discounted approach cash flow technique or earnings may have been used to value such investments by identifying a risk-adjusted discount rate and maintainable earnings (earnings-multiple approach). The market and income approaches may not be appropriate for valuing non-listed entities in the Zimbabwean environment as a result of the lack of comparative quoted equity instruments as well as the absence of market data relating to historical correlation of unquoted equity instruments in similar industries and market related discounts.	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.

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38.2.2.3 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 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
GROUP				
Balance at beginning of year	792 994 364	1 039 961 030	176 778 179	163 969 318
Fair value adjustments	(47 502 393)	(246 966 666)	568 713 792	12 808 861
Balance at the end of year	745 491 971	792 994 364	745 491 971	176 778 179

38.2.3 Definition of financial risk

The Group defines financial risk collectively to include liquidity risk, market risk and credit risk.

38.2.3.1 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.

38.2.3.1 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 analysis 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 2020 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 Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.3.1 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 signaled 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.

38.2.3.1 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$	Gross nominal inflow/(outflow) ZW$	Carrying amount ZW$
GROUP						
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
Treasury bills	50 164 384	241 801 001	85 255 644	188 726 778	565 947 807	518 114 164
Mortgages and other advances	474 342 714	338 103 418	963 966 628	1 997 449 666	3 773 862 426	3 147 343 462
Investment securities	-	-	-	998 169 736	998 169 736	998 169 736
	4 852 220 585	702 247 343	1 685 851 869	3 184 346 180	10 424 665 977	9 750 313 370
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	(747 155 876)	(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)
Current tax liabilities	-	-	-	-	-	-
Lease liabilities	(1 559 626)	(5 798 129)	(6 957 755)	(55 662 043)	(69 577 553)	(69 577 553)
	(8 008 586 436)	(380 202 605)	(131 766 415)	(213 695 237)	(8 734 250 693)	(8 617 391 119)
Period gap	(3 156 365 851)	322 044 738	1 554 085 454	2 970 650 943	1 690 415 284	1 132 922 251
Cumulative gap	(3 156 365 851)	(2 834 321 113)	(1 280 235 659)	1 690 415 284	-	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.3.1 Liquidity risk (continued)

LIQUIDITY GAP ANALYSIS
Restated as at 31 December 2019

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$	Gross nominal inflow/(outflow) ZW$	Carrying amount ZW$
GROUP						
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	3 528 892 808	226 264 077	647 775 844	-	4 402 932 729	4 453 093 877
Treasury bills	51 276 540	120 904 047	387 182 055	519 706 191	1 079 068 833	973 641 269
Mortgages and other advances	203 262 792	469 392 235	389 287 119	1 239 242 345	2 301 184 491	2 021 222 577
Investment securities	-	-	-	801 703 557	801 703 557	628 068 592
	3 783 432 140	816 560 359	1 424 245 018	2 560 652 093	8 584 889 610	8 076 026 315
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(5 962 509 543)	(118 419 798)	(33 339 431)	(461 061 487)	(6 575 330 259)	(6 155 055 357)
Trade and other payables	(653 615 556)	(159 033 334)	(98 462 434)	-	(911 111 324)	(911 111 324)
Long term loan	-	-	-	(89 716 318)	(89 716 318)	(68 956 128)
Offshore borrowings	-	(76 393 902)	(76 393 902)	(217 408 902)	(370 196 706)	(335 619 414)
Current tax liabilities	-	-	-	-	-	(23 113 938)
Lease liabilities	(496 858)	(2 484 290)	(2 981 149)	(23 849 188)	(29 811 485)	(29 811 485)
	(6 616 621 957)	(356 331 324)	(211 176 916)	(792 035 895)	(7 976 166 092)	(7 500 553 708)
Period gap	(2 833 189 817)	460 229 035	1 213 068 103	1 768 616 198	608 723 518	575 472 607
Cumulative gap	(2 833 189 817)	(2 372 960 783)	(1 159 892 680)	608 723 518	-	-

38.2.3.1 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.

	Unaudited Historical cost					
	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Gross nominal inflow/(outflow) ZW$	Carrying amount ZW$
GROUP						
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
Treasury bills	50 164 384	241 801 001	85 255 644	188 726 778	565 947 807	518 114 164
Mortgages and other advances	474 342 714	338 103 418	963 966 628	1 997 449 666	3 773 862 426	3 147 343 462
Investment securities	-	-	-	998 169 736	998 169 736	998 169 736
	4 852 220 585	702 247 343	1 685 851 869	3 184 346 180	10 424 665 977	9 750 313 370
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)
Current tax liabilities	-	-	-	-	-	-
Lease liabilities	(1 159 626)	(5 798 129)	(6 957 755)	(55 662 073)	(69 577 553)	(69 577 553)
	(8 008 586 436)	(380 202 605)	(131 766 415)	(213 695 237)	8 734 250 693	(8 617 391 119)
Period gap	(3 156 365 851)	322 044 738	1 554 085 454	2 970 650 943	1 690 415 284	1 132 922 251
Cumulative gap	(3 156 365 851)	(2 834 321 113)	(1 280 235 659)	1 690 415 284	-	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.3.1 Liquidity risk (continued)

LIQUIDITY GAP ANALYSIS
Restated as at 31 December 2019

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$	Gross nominal inflow/(outflow) ZW$	Carrying amount ZW$
GROUP						
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	786 678 031	50 439 894	144 405 357	-	981 523 282	960 702 956
Treasury bills	11 430 817	26 952 521	86 312 516	115 855 444	240 551 298	217 048 870
Mortgages and other advances	45 312 335	104 639 211	86 781 787	276 257 960	512 991 293	450 580 815
Investment securities	-	-	-	178 719 675	178 719 675	140 012 122
	843 421 183	182 031 626	317 499 660	570 833 079	1 913 785 548	1 768 344 763
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(1 329 191 767)	(26 398 720)	(7 432 189)	(102 782 080)	(1 465 804 756)	(1 372 115 021)
Trade and other payables	(146 043 647)	(35 452 488)	(21 949 727)	-	(203 445 862)	(203 445 862)
Long term loan	-	-	-	(20 000 000)	(20 000 000)	(15 372 037)
Offshore borrowings	-	(17 030 102)	(17 030 102)	(48 465 855)	(82 526 059)	(74 817 920)
Current tax liabilities	-	-	-	-	-	-
Lease liabilities	(110 762)	(553 810)	(664 572)	(5 316 578)	(6 645 722)	(6 645 722)
	(1 475 346 176)	(79 435 120)	(47 076 590)	(176 564 513)	(1 778 422 399)	(1 672 396 563)
Period gap	(631 924 993)	102 596 506	270 423 070	394 268 566	135 363 149	(95 948 201)
Cumulative gap	(631 924 993)	(529 328 487)	(258 905 417)	135 363 149	-	-

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
GROUP				
Liquidity ratios				
Total liquid assets	5 604 800 172	5 426 735 146	5 604 800 172	348 931 486
Total liabilities to the public	7 107 782 993	6 155 055 357	7 107 782 993	433 006 499
Liquidity ratio	78.85%	88.17%	78.85%	88.17%
Average for the year	74%	87%	74%	87%
Maximum for the year	94%	89%	94%	89%
Minimum for the year	60%	71%	60%	71%
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 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
ZB Bank Limited	74%	78%	74%	78%
ZB Building Society	63%	89%	63%	89%

38.2.3.2 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.

38.2.3.3 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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.3.3 Interest rate risk (continued)

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 2020, 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.

As at 31 December 2020, 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 $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 pre-tax 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%.

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.

38.2.3.3 Interest rate risk (continued)

Strategies for management / mitigation

As at 31 December 2020, 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 Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.3.3 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$
GROUP					
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	-

38.2.3.3 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$
GROUP					
INTEREST RATE GAP ANALYSIS					
Restated as at 31 December 2019					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	4 453 093 877	-	-	-	4 453 093 877
Treasury bills	51 156 312	109 651 355	378 187 564	434 646 038	973 641 269
Mortgages and other advances	233 817 967	331 914 274	375 254 307	1 080 236 029	2 021 222 577
	4 738 068 156	441 565 629	753 441 871	1 514 882 067	7 447 957 723
FINANCIAL LIABILITIES BY TYPE					
Deposits and other accounts	(6 037 759 019)	(27 595 250)	(55 595 757)	(34 105 331)	(6 155 055 357)
Long term borrowings	-	-	-	(68 956 128)	(68 956 128)
Offshore borrowings	-	(76 393 902)	(41 816 610)	(217 408 902)	(335 619 414)
	(6 037 759 019)	(103 989 152)	(97 412 367)	(320 470 361)	(6 559 630 899)
Period gap	(1 299 690 863)	337 576 477	656 029 504	1 194 411 706	888 326 824
Cumulative gap	(1 299 690 863)	(962 114 386)	(306 084 882)	888 326 824	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.3.3 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$
GROUP					
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	-

38.2.3.3 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$
GROUP					
INTEREST RATE GAP ANALYSIS					
Restated as at 31 December 2019					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	992 705 450	-	-	-	992 705 450
Treasury bills	11 404 015	24 444 016	84 307 420	96 893 419	217 048 870
Advances and other accounts	52 123 844	73 991 952	83 653 524	240 811 495	450 580 815
	1 056 233 309	98 435 968	167 960 944	337 704 914	1 660 335 135
FINANCIAL LIABILITIES BY TYPE					
Deposits and other accounts	(1 345 966 748)	(6 151 668)	(12 393 678)	(7 602 927)	(1 372 115 021)
Long term borrowings	-	-	-	(15 372 037)	(15 372 037)
Offshore borrowings	-	(17 030 102)	(9 321 963)	(48 465 855)	(74 817 920)
	(1 345 966 748)	(23 181 770)	(21 715 641)	(71 440 819)	(1 462 304 978)
Period gap	(289 733 439)	75 254 198	146 245 303	266 264 095	198 030 157
Cumulative gap	(289 733 439)	(214 479 241)	(68 233 938)	198 030 157	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.3.3 Interest rate risk (continued)

Sensitivity analysis

GROUP

A 2% change in the rate for rate sensitive assets would result in the reported profits increasing or decreasing by ZW$131.4 million (2019: ZW$31.4 million).

A 2% change in the rate for rate sensitive liabilities would result in the reported profits increasing or decreasing by ZW$110.9 million (2019: ZW$28.7 million).

38.2.3.4 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 various types of foreign exchange risk 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 Bank'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 Bank 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.

38.2.3.4 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 2020.

As at 31 December 2020, the Group had an aggregate net open position of $14.9million which is very low at 0.003% 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 Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.3.4 Foreign exchange risk (continued)

Foreign currency position

The carrying amount of the Group's foreign denominated monetary assets and liabilities as at 31 December 2020 were as follows:

	COMPANY		GROUP	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
Botswana pula	323 142 463	321 607 376	323 142 463	71 694 288
British pound	1 529 232 311	2 484 597 660	1 529 232 311	553 878 653
Malawian kwacha	-	35 093	-	7 823
Euro	1 582 674 325	1 193 533 882	1 582 674 325	266 068 406
South African rand	7 526 665 268	5 573 611 546	7 526 665 268	1 242 496 725
Zambian kwacha	-	19 379 519	-	4 320 177
USD	17 040 893 746	112 233 579	17 040 893 746	25 019 658
Total assets	28 002 608 113	9 704 998 655	28 002 608 113	2 163 485 730
Botswana pula	(182 980 623)	(318 645 706)	(182 980 623)	(71 034 058)
British pound	(833 987 347)	(1 218 306 921)	(833 987 347)	(271 590 933)
Euro	(901 990 745)	(1 139 795 118)	(901 990 745)	(254 088 698)
South African rand	(3 690 183 563)	5 598 416 982	(3 690 183 563)	(1 248 026 474)
USD	(7 468 591 071)	-	(7 468 591 071)	-
Total liabilities	(13 077 733 349)	2 921 669 237	(13 077 733 349)	651 312 785
	14 924 874 764	12 626 667 892	14 924 874 764	2 814 798 515

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

GROUP

A 10% change in exchange rates would result in the reported profit being reduced or increased by ZW$1.1 billion (2019: ZW$430.6 million) and equity being reduced or increased by ZW$1.5 billion (2019: ZW$579.9 million).

38.2.3.5 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

GROUP
A 10% increase / decrease in the value of listed shares as at 31 December 2020 would result in an increase / decrease of ZW$32.6 million (2019: ZW$40.5 million) to the reported Group's profit and an increase / decrease of ZW$71.2 million (2019: ZW$57.6 million) in equity.

COMPANY
A 10% increase / decrease in the value of listed shares as at 31 December 2020 would result in an increase / decrease of ZW$32.6 million (2019: ZW$3.3 million) to the reported Group's profit and an increase / decrease of ZW$6.7 million (2019: ZW$2.2 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 Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.4 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.

Past due but not impaired loans

Past due but not impaired loans are those for which interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

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.

Loans with renegotiated terms and the Group's forbearance policy

The revised terms usually include extending maturity, changing timing of interest repayments and amendments to the terms of loan covenants.

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.

38.2.4 Credit risk (continued)

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.

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.4 Credit risk (continued)

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.

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.

38.2.4 Credit risk (continued)

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.

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 12mECL. 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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.4 Credit risk(continued)

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 IFRS9, 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.

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.

38.2.4 Credit risk (continued)

Grouping financial assets measured on a collective basis

Dependant 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.

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 groups 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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.4 Credit risk (continued)

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 Bank 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.

The table below shows the credit quality and the maximum exposure for credit risk based on the Bank's internal credit rating system and period-end stage classification.

38.2.4 Credit risk (continued)

	Inflation adjusted 2020				Inflation adjusted Restated 2019			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Total loans and advances	2 797 789 565	517 166 987	5 994 486	3 320 951 038	2 027 170 259	89 846 738	16 498 461	2 133 515 458
Guarantees	688 652 647	-	-	688 652 647	636 121 888	-	-	636 121 888
Loan commitments	219 933 545	-	-	219 933 545	450 168 271	-	-	450 168 271
Letters of credit	-	-	-	-	291 493 300	-	-	291 493 300
Treasury bills	518 114 164	-	-	518 114 164	973 641 269	-	-	973 641 269
Insurance debtors	79 955 826	-	21 662 067	101 617 893	132 327 527	-	55 762 527	188 090 054
Other financial assets	21 944 608	-	-	21 944 608	49 770 769	3 865 499	-	53 636 268
Total financial assets	4 326 390 355	517 166 987	27 656 553	4 871 213 895	4 560 693 283	93 712 237	72 260 988	4 726 666 508
Total loans and advances								
Performing								
Good (AAA to- BBB-)	2 797 789 565	751 842	145 435	2 798 686 842	2 027 170 259	908 333	355 684	2 028 434 276
Special Mention (BB+ to CCC-)	-	516 415 145	837	516 415 982	-	88 938 405	43 285	88 981 690
Non performing (CC TO D)	-	-	5 848 214	5 848 214	-	-	16 099 492	16 099 492
Total loans and advances	2 797 789 565	517 166 987	5 994 486	3 320 951 038	2 027 170 259	89 846 738	16 498 461	2 133 515 458
Corporate Lending								
Good (AAA to- BBB-)	1 643 822 049	-	-	1 643 822 049	1 401 467 844	-	-	1 401 467 844
Special Mention (BB+ to CCC-)	-	491 236 304	-	491 236 304	-	85 378 955	-	85 378 955
Non performing (CC TO D)	-	-	3 104 017	3 104 017	-	-	10 723 540	10 723 540
Total corporate lending	1 643 822 049	491 236 304	3 104 017	2 138 162 370	1 401 467 844	85 378 955	10 723 540	1 497 570 339

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.4 Credit risk (continued)

	Inflation adjusted 2020				Inflation adjusted Restated 2019			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Small business lending								
Good (AAA to- BBB-)	108 763 132	42	1 043	108 764 217	28 490 485	49	197	28 490 731
Special Mention (BB+ to CCC-)	-	9 751 747	-	9 751 747	7 980	1 094 355	-	1 102 335
Non performing (CC TO D) -	-	-	202 628	202 628	-	-	709 903	709 903
Total small business lending	108 763 132	9 751 789	203 671	118 718 592	28 498 465	1 094 404	710 100	30 302 969
Consumer Lending								
Good (AAA to- BBB-)	951 751 652	751 800	144 392	952 647 844	473 071 784	347 615	112 930	473 532 329
Special Mention (BB+ to CCC-)	479 066	5 193 729	837	5 673 632	983 282	2 255 652	29 225	3 268 159
Non performing (CC TO D) -	-	-	2 248 905	2 248 905	-	-	3 226 876	3 226 876
Total consumer lending	952 230 718	5 945 529	2 394 134	960 570 381	474 055 066	2 603 267	3 369 032	480 027 364
Mortgage Lending								
Good (AAA to- BBB-)	93 452 732	-	-	93 452 732	124 140 146	560 669	242 557	124 943 372
Special Mention (BB+ to CCC-)	37 645	10 233 365	-	10 271 010	460 976	209 443	14 060	684 479
Non performing (CC TO D)	-	-	292 664	292 664	-	-	1 439 173	1 439 173
Total mortgage lending	93 490 377	10 233 365	292 664	104 016 406	124 601 122	770 112	1 695 790	127 067 024

38.2.4 Credit risk (continued)

	Inflation adjusted 2020				Inflation adjusted Restated 2019			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Guarantees								
Good (AAA to- BBB-)	688 652 647	-	-	688 652 647	636 121 888	-	-	636 121 888
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Total guarantees	688 652 647	-	-	688 652 647	636 121 888	-	-	636 121 888
Loan commitments								
Good (AAA to- BBB-)	219 933 545	-	-	219 933 545	450 168 271	-	-	450 168 271
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Total loan commitments	219 933 545	-	-	219 933 545	450 168 271	-	-	450 168 271
Letter of credit								
Good (AAA to- BBB-)	-	-	-	-	291 493 300	-	-	291 493 300
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Total loan commitments	-	-	-	-	291 493 300	-	-	291 493 300
Other financial assets								
Debentures								
Non performing (CC to D)	-	-	-	-	-	3 865 499	-	3 865 499
Bonds								
Good (AAA to BBB-)	21 944 608	-	-	21 944 608	49 770 769	-	-	49 770 769
Total other financial assets	21 944 608	-	-	21 944 608	49 770 769	3 865 499	-	53 636 268

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.4 Credit risk (continued)

	Unaudited Historical cost 2020				Unaudited Historical cost Restated 2019			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Total loans and advances	2 797 789 565	517 166 987	5 994 486	3 320 951 038	451 906 701	20 029 074	3 677 918	475 613 693
Guarantees	688 652 647	-	-	688 652 647	141 807 400	-	-	141 807 400
Loan commitments	219 933 545	-	-	219 933 545	100 353 711	-	-	100 353 711
Letters of credit	-	-	-	-	64 981 111	-	-	64 981 111
Treasury bills	5118 114 164	-	-	518 114 164	217 048 870	-	-	217 048 870
Insurance debtors	79 955 826	-	21 662 067	101 617 893	29 499 099	-	12 430 855	41 929 954
Other financial assets	21 944 608	-	-	21 944 608	11 095 143	861 716	-	11 956 859
Total financial assets	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
Total loans and advances								
Performing								
Good (AAA to- BBB-)	2 797 789 565	751 842	145 435	2 798 686 842	451 906 701	202 490	79 291	452 188 482
Special Mention (BB+ to CCC-)	-	516 415 145	837	516 415 982	-	19 826 584	9 649	19 836 233
Non performing (CC TO D)	-	-	5 848 214	5 848 214	-	-	3 588 978	3 588 978
Total loans and advances	2 797 789 565	517 166 987	5 994 486	3 320 951 038	451 906 701	20 029 074	3 677 918	475 613 693
Corporate Lending								
Good (AAA to- BBB-)	1 643 822 049	-	-	1 643 822 049	312 422 061	-	-	312 422 061
Special Mention (BB+ to CCC-)	-	491 236 304	-	491 236 304	-	19 033 094	-	19 033 094
Non performing (CC TO D)	-	-	3 104 017	3 104 017	-	-	2 390 544	2 390 544
Total corporate lending	1 643 822 049	491 236 304	3 104 017	2 138 162 370	312 422 061	19 033 094	2 390 544	333 845 699

38.2.4 Credit risk (continued)

	Unaudited Historical cost 2020				Unaudited Historical cost Restated 2019			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Small business lending								
Good (AAA to- BBB-)	108 763 132	42	1 043	108 764 217	6 351 238	11	44	6 351 293
Special Mention (BB+ to CCC-)	-	9 751 747	-	9 751 747	1 779	243 959	-	245 738
Non performing (CC TO D)-	-	-	202 628	202 628	-	-	158 255	158 255
Total small business lending	108 763 132	9 751 789	203 671	118 718 592	6 353 017	243 970	158 299	6 755 286
Consumer Lending								
Good (AAA to- BBB-)	951 751 652	751 800	144 392	952 647 844	105 459 474	77 492	25 175	105 562 141
Special Mention (BB+ to CCC-)	479 066	5 193 729	837	5 673 632	219 198	502 841	6 515	728 554
Non performing (CC TO D)	-	-	2 248 905	2 248 905	-	-	719 351	719 351
Total consumer lending	952 230 718	5 945 529	2 394 134	960 570 381	105 678 672	580 333	751 041	107 010 046
Mortgage Lending								
Good (AAA to- BBB-)	93 452 732	-	-	93 452 732	27 673 928	124 987	54 072	27 852 987
Special Mention (BB+ to CCC-)	37 645	10 233 365	-	10 271 010	102 763	46 690	3 134	152 587
Non performing (CC TO D)	-	-	292 664	292 664	-	-	320 828	320 828
Total mortgage lending	93 490 377	10 233 365	292 664	104 016 406	27 776 691	171 677	378 034	28 326 402

Notes to Consolidated and Separate Financial Statements (continued)

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38.2.4 Credit risk (continued)

	Unaudited Historical cost 2020				Unaudited Historical cost Restated 2019			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Guarantees								
Good (AAA to- BBB-)	688 652 647	-	-	688 652 647	141 307 400	-	-	141 807 400
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Total guarantees	688 652 647	-	-	688 652 647	141 807 400	-	-	141 807 400
Loan commitments								
Good (AAA to- BBB-)	219 933 545	-	-	219 933 545	100 353 711	-	-	100 353 711
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Total loan commitments	219 933 545	-	-	219 933 545	100 353 711	-	-	100 353 711
Letters of credit								
Good (AAA to- BBB-)	-	-	-	-	64 981 111	-	-	64 981 111
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Total loan commitments	-	-	-	-	64 981 111	-	-	64 981 111
Other financial assets								
Debentures								
Non performing (CC to D)	-	-	-	-	-	861 716	-	861 716
Bonds								
Good (AAA to BBB-)	21 944 608	-	-	21 944 608	11 095 143	-	-	11 095 143
Total other financial assets	21 944 608	-	-	21 944 608	11 095 143	861 716	-	11 956 859

38.2.4 Credit risk (continued)

An analysis of changes in the ECLs in relation to loans and advances are as follows:

	Inflation adjusted 2020				Inflation adjusted Restated 2019			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Total loans and advances	121 515 027	130 148 598	1 899 777	253 563 402	222 264 826	9 873 182	12 482 399	244 620 407
Insurance debtors	-	-	21 662 067	21 662 067	-	-	55 762 528	55 762 528
Total impairment allowances	121 515 027	130 148 598	23 561 844	275 225 469	222 264 826	9 873 182	68 244 927	300 382 935
In respect of guarantees	832 533	-	-	832 533	627 193	-	-	627 193
In respect of loan commitments	630 160	-	-	630 160	3 339 766	-	-	3 339 766
In respect of other financial assets	1 536 953	-	-	1 536 953	3 405	406 141	-	409 546
Total impairment allowances	124 514 673	130 148 598	23 561 844	278 225 115	226 235 190	10 279 323	68 244 927	304 759 440

Treasury bills were assessed for impairment at 31 December 2020 and, having been considered to carry low credit risk, no IFRS 9 impairment charge was raised. There was no objective evidence to suggest that future cash flows on the treasury bills could end up being less than those anticipated at the point of initial recognition.

	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-)	121 496 630	182 868	84 274	121 763 772	222 016 514	300 620	142 784	222 459 918
Special Mention (BB+ to CCC-)	18 397	129 965 730	837	129 984 964	248 312	9 572 562	21 680	9 842 554
Non performing (CC to D)	-	-	1 814 666	1 814 666	-	-	12 317 935	12 317 935
	121 515 027	130 148 598	1 899 777	253 563 402	222 264 826	9 873 182	12 482 399	244 620 407
Impairment allowance for loans and advances by lending category:								
Corporate Lending								
Good (AAA to- BBB-)	92 334 033	-	-	92 334 033	151 551 820	-	-	151 551 820
Special Mention (BB+ to CCC-)	-	128 506 460	-	128 506 460	-	8 762 499	-	8 762 499
Non performing (CC to D)	-	-	513 917	513 917	-	-	10 337 316	10 337 316
Impairment allowance for corporate lending	92 334 033	128 506 460	513 917	221 354 410	151 551 820	8 762 499	10 337 316	170 651 635

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.4 Credit risk (continued)

	Inflation adjsuted 2020				Inflation adjusted Restated 2019			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Small business Lending								
Good (AAA to- BBB-)	4 084 218	13	571	4 084 802	2 823 166	52	45	2 823 263
Special Mention (BB+ to CCC-)	-	229 105	-	229 105	10 488	98 612	2 499	111 599
Non performing (CC TO D)	-	-	106 001	106 001	-	-	214 041	214 041
Impairment allowance for small business lending	4 084 218	229 118	106 572	4 419 908	2 833 654	98 664	216 585	3 148 903
Consumer lending								
Good (AAA to- BBB-)	23 733 784	182 855	83 703	24 000 342	52 105 156	100 182	38 659	52 243 997
Special Mention (BB+ to CCC-)	18 397	946 091	837	965 325	169 263	624 668	13 309	807 240
Non performing (CC TO D)	-	-	1 194 748	1 194 748	-	-	1 099 133	1 099 133
Impairment allowance for consumer lending	23 752 181	1 128 946	1 279 288	26 160 415	52 274 419	724 850	1 151 101	54 150 370
Mortgage Lending								
Good (AAA to- BBB-)	1 344 595	-	-	1 344 595	15 536 372	200 386	104 080	15 840 838
Special Mention (BB+ to CCC-)	-	284 074	-	284 074	68 561	86 783	5 872	161 216
Non performing (CC TO D)	-	-	-	-	-	-	667 445	667 445
Impairment allowance for mortgage lending	1 344 595	284 074	-	1 628 669	15 604 933	287 169	777 397	16 669 499

38.2.4 Credit risk (continued)

	Inflation adjusted 2020				Inflation adjusted Restated 2019			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Impairment allowances on guarantees and loan Commitments included in provisions under other liabilities								
Guarantees								
Good (AAA to- BBB-)	-	-	-	-	627 193	-	-	627 193
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	832 533	-	-	832 533	-	-	-	-
Impairment allowances for guarantees	832 533	-	-	832 533	627 193	-	-	627 193
Loan commitments								
Good (AAA to- BBB-)	630 160	-	-	630 160	3 339 766	-	-	3 339 766
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Impairment allowances for loan commitments	630 160	-	-	630 160	3 339 766	-	-	3 339 766
Other financial assets								
Debentures								
Non performing (CC TO D)	-	-	-	-	3 405	-	-	3 405
Bonds								
Good (AAA to BBB-)	1 536 953	-	-	1 536 953	-	406 141	-	406 141
Impairment allowances for other financial assets	1 536 953	-	-	1 536 953	3 405	406 141	-	409 546

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.4 Credit risk (continued)

An analysis of changes in the ECLs in relation to loans and advances are as follows:

	Unaudited Historical cost 2020				Unaudited Historical cost Restated 2019			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Total loans and advances	121 515 027	130 148 598	1 899 777	-	49 548 363	2 200 977	2 782 638	54 531 977
Insurance debtors	-	-	-	253 563 402	-	-	12 430 855	12 430 855
Other financial assets	-	-	21 662 067	21 662 067	-	-	-	-
Total impairment allowances	121 515 027	130 148 598	23 561 844	275 225 469	49 548 363	2 200 977	15 213 493	66 962 832
In respect of guarantees	832 533	-	-	832 533	139 817	-	-	139 817
In respect of loan commitments	630 160	-	-	630 160	744 517	-	-	744 517
In respect of other financial assets	1 536 953	-	-	1 536 953	759	90 539	-	91 298
Total impairment allowances	124 514 673	130 148 598	23 561 844	278 225 115	50 433 456	2 291 516	15 213 493	67 938 464

Treasury bills were assessed for impairment at 31 December 2019 and, having been considered to carry low credit risk, no IFRS 9 impairment charge was raised. There was no objective evidence to suggest that future cash flows on the treasury bills could end up being less than those anticipated at the point of initial recognition.

	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-)	121 496 630	182 868	84 274	121 763 772	49 493 007	67 015	31 830	49 591 852
Special Mention (BB+ to CCC-)	18 397	129 965 730	837	129 984 964	55 355	2 133 962	4 833	2 194 150
Non performing (CC TO D)	-	-	1 814 666	1 814 666	-	-	2 745 974	2 745 974
	121 515 027	130 148 598	1 899 777	253 563 402	49 548 362	2 200 977	2 782 637	54 531 976
Impairment allowance for loans and advances by lending category:								
Corporate Lending								
Good (AAA to- BBB-)	92 334 033	-	-	92 334 033	33 784 674	-	-	33 784 674
Special Mention (BB+ to CCC-)	-	128 506 460	-	128 506 460	-	1 953 379	-	1 953 379
Non performing (CC TO D)	-	-	513 917	513 917	-	-	2 304 445	2 304 445
Impairment allowance for corporate lending	92 334 033	128 506 460	513 917	221 354 410	33 784 674	1 953 379	2 304 445	38 042 498

38.2.4 Credit risk (continued)

	Unaudited Historical cost 2020				Unaudited Historical cost 2019			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Small business Lending								
Good (AAA to- BBB-)	4 084 218	13	571	4 084 802	629 354	11	10	629 375
Special Mention (BB+ to CCC-)	-	229 105	-	229 105	2 338	21 983	557	24 878
Non performing (CC TO D)	-	-	106 001	106 001	-	-	47 715	47 715
Impairment allowance for small business lending	4 084 218	229 118	106 572	4 419 908	631 692	21 994	48 282	701 968
Consumer lending								
Good (AAA to- BBB-)	23 733 784	182 855	83 703	24 000 342	11 615 536	22 333	8 618	11 646 487
Special Mention (BB+ to CCC-)	18 397	946 091	837	965 325	37 733	139 254	2 967	179 954
Non performing (CC to D)	-	-	1 194 748	1 194 748	-	-	245 024	245 024
Impairment allowance for consumer lending	23 752 181	1 128 946	1 279 288	26 160 415	11 653 269	161 587	256 609	12 071 465
Mortgage Lending								
Good (AAA to- BBB-)	1 344 595	-	-	1 344 595	3 463 444	44 671	23 202	3 531 317
Special Mention (BB+ to CCC-)	-	284 074	-	284 074	15 284	19 346	1 309	35 939
Non performing (CC to D)	-	-	-	-	-	-	148 790	148 790
Impairment allowance for mortgage lending	1 344 595	284 074	-	1 628 669	3 478 728	64 017	173 301	3 716 046

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.4 Credit risk (continued)

	Unaudited Historical cost 2020				Unaudited Historical cost Restated 2019			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Impairment allowances on guarantees and loan commitments included in provisions under other liabilities								
Guarantees								
Good (AAA to- BBB-)	832 533	-	-	832 533	139 817	-	-	139 817
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Impairment allowances for guarantees	832 533	-	-	832 533	139 817	-	-	139 817
Loan commitments								
Good (AAA to- BBB-)	630 160	-	-	630 160	744 517	-	-	744 517
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Impairment allowances for loan commitments	630 160	-	-	630 160	744 517	-	-	744 517
Other financial assets								
Debentures								
Non performing (CC TO D)	-	-	-	-	759	-	-	759
Bonds								
Good (AAA to BBB-)	1 536 953	-	-	1 536 953	-	90 539	-	90 539
Impairment allowances for other financial assets	1 536 953	-	-	1 536 953	759	90 539	-	91 298

38.2.4 Credit risk (continued)

An analysis of changes in the gross carrying amount are as follows:

	Inflation adjusted 2020				Inflation adjusted Restated 2019			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Total loans and advances	2 797 789 565	517 166 987	5 994 486	3 320 951 038	2 027 170 258	89 846 738	16 498 463	2 133 515 459
Guarantees	688 652 647	-	-	688 652 647	636 121 888	-	-	636 121 888
Loan commitments	219 933 545	-	-	219 933 545	450 168 271	-	-	450 168 271
Letters of credit	-	-	-	-	291 493 299	-	-	291 493 299
Treasury bills	518 114 164	-	-	518 114 164	973 641 269	-	-	973 641 269
Insurance debtors	79 955 826	-	21 662 067	101 617 893	132 327 527	-	55 762 527	188 090 054
Other financial assets	21 944 608	-	-	21 944 608	49 770 769	3 865 499	-	53 636 268
Total financial assets	4 326 390 355	517 166 987	27 656 553	4 871 213 895	4 560 693 281	93 712 238	72 260 990	4 726 666 508
Balance at 1 January 2020	4 560 693 283	93 712 237	72 260 988	4 726 666 508	10 671 333 413	111 795 907	219 212 994	11 002 342 314
Effects of inflation adjustments	(3 544 001 248)	(72 821 447)	(56 152 215)	(3 672 974 910)	(8 923 878 990)	(93 797 845)	(213 394 936)	(9 231 071 771)
New assets	4 745 755 995	410 597 808	13 528 565	5 169 882 368	3 953 642 728	133 794 918	39 025 028	4 126 462 674
Repayments	(1 296 831 940)	(53 767 122)	(1 761 009)	(1 352 360 071)	(1 116 617 655)	(33 818 194)	(9 358 812)	(1 159 794 661)
Transfers to Stage 1	-	139 462 842	(237 107)	139 225 735	(1 116 617 655)	(667 566)	24 453 779	23 786 213
Transfers to Stage 2	(139 462 842)	-	17 331	(139 445 511)	667 566	-	23 594 983	24 262 549
Transfers to stage 3	237 107	(17 331)	-	219 776	(24 453 779)	(23 594 983)	-	(48 048 762)
Amounts written off	-	-	-	-	-	-	(11 272 048)	(11 272 048)
Balance at 31 December 2020	4 326 390 355	517 166 987	27 656 553	4 871 213 895	4 560 693 283	93 712 237	72 260 988	4 726 666 508

Notes to Consolidated and Separate Financial Statements (continued)

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38.2.4 Credit risk (continued)

An analysis of changes in the ECLs are as follows:

	Inflation adjusted 2020				Inflation adjusted Restated 2019			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Total loans and advances	121 515 027	130 148 598	1 899 777	253 563 402	222 264 834	9 873 178	12 482 397	244 620 409
Insurance debtors	-	-	21 662 067	21 662 067	-	-	55 762 530	55 762 527
Total loans and other advances	121 515 027	130 148 598	23 561 844	275 225 469	222 264 834	9 873 178	68 244 927	300 382 939
In respect of guarantees	832 533	-	-	832 533	627 193	-	-	627 193
In respect of loan commitments	630 160	-	-	630 160	3 339 766	-	-	3 339 766
In respect of other financial assets	1 536 953	-	-	1 536 953	3 397	406 145	-	409 542
Total impairment allowances	124 514 673	130 148 598	23 561 844	278 225 115	226 235 190	10 279 323	68 244 924	304 759 440
Balance at 1 January 2020	226 235 190	10 279 323	68 244 927	304 759 440	360 901 396	13 102 440	48 202 456	422 206 292
Effects of inflation adjustments	(175 801 735)	(7 987 807)	(53 031 434)	(236 820 976)	(284 335 938)	(10 993 169)	17 033 118	(278 295 989)
Initial adoption of IFRS 9	-	-	-	-	-	-	-	-
New assets	156 095 584	94 716 608	9 390 331	260 202 523	204 298 702	15 439 824	3 079 633	222 818 159
Repayments	(34 681 118)	(13 416 719)	(1 818 035)	(49 915 872)	(49 546 070)	(2 153 425)	(2 394 834)	(54 094 329)
Transfers to Stage 1	-	(46 650 780)	682 468	47 333 248	-	149 741	4 933 159	5 082 900
Transfers to Stage 2	(46 650 780)	-	93 587	(46 557 193)	(149 741)	-	5 266 088	5 116 347
Transfers to stage 3	682 468	(93 587)	-	(776 055)	(4 933 159)	(5 266 088)	-	(10 199 247)
Amounts written off	-	-	-	-	-	-	(7 874 693)	(7 874 693)
Balance at 31 December 2020	124 514 673	130 148 598	23 561 844	278 225 115	226 235 190	10 279 323	68 224 927	304 759 440

38.2.4 Credit risk (continued)

An analysis of changes in the gross carrying amount are as follows:

	Unaudited Historical cost 2020				Unaudited Historical cost Restated 2019			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Total loans and advances	2 797 789 565	517 166 987	5 944 486	3 320 951 038	451 906 701	20 029 074	3 677 918	475 613 693
Guarantees	688 652 647	-	-	688 652 647	141 807 400	-	-	141 807 400
Loan commitments	219 933 545	-	-	219 933 545	100 353 711	-	-	100 353 711
Letters of credit	-	-	-	-	64 981 111	-	-	64 981 111
Treasury bills	518 114 164	-	-	518 114 164	217 048 870	-	-	217 048 870
Insurance debtors	79 955 826	-	21 662 067	101 617 893	29 499 099	-	12 430 855	41 929 954
Other financial assets	21 944 608	-	-	21 944 608	11 095 143	861 716	-	11 956 859
Total financial assets	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
Balance at 1 January 2020	1 016 692 035	20 890 790	16 108 773	1 053 691 598	382 980 791	4 012 215	7 867 280	394 860 286
New assets	4 745 755 995	410 597 808	13 528 565	5 169 882 368	879 014 628	29 826 218	2 129 360	910 970 206
Repayments	(1 296 831 940)	(53 767 122)	(1 761 009)	(1 352 360 071)	(248 921 865)	(7 538 917)	(2 086 312)	(258 547 094)
Transfers to Stage 1	-	(139 462 842)	(237 107)	(139 225 735)	-	(148 817)	5 451 356	5 302 539
Transfers to Stage 2	(139 462 842)	-	(17 331)	(139 445 511)	148 817	-	5 259 909	5 408 726
Transfers to stage 3	237 107	(17 331)	-	219 776	(5 451 356)	(5 259 909)	-	(10 711 265)
Amounts written off	-	-	-	-	-	-	(2 512 820)	(2 512 820)
Effects of changes in functional currency	-	-	-	-	8 921 020	-	-	8 921 020
Balance at 31 December 2020	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

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38.2.4 Credit risk (continued)

An analysis of changes in the ECLs are as follows:

	Unaudited Historical cost 2020				Unaudited Historical cost Restated 2019			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Total loans and advances	121 515 027	130 148 598	1 899 777	253 563 402	49 548 363	2 200 977	2 782 637	54 531 977
Insurance debtors	-	-	21 662 067	21 662 067	-	-	12 430 856	12 430 856
Total impairment allowances	121 515 027	130 148 598	23 561 844	275 225 469	49 548 363	2 200 977	15 213 493	66 962 833
In respect of guarantees	832 533	-	-	832 533	139 817	-	-	139 817
In respect of loan commitments	630 160	-	-	630 160	744 517	-	-	744 517
In respect of other financial assets	1 536 953	-	-	1 536 953	759	90 539	-	91 297
	124 514 673	130 148 598	23 561 844	278 225 115	50 433 456	2 291 516	15 213 493	67 938 464
Balance at 1 January 2020	50 433 455	2 291 516	15 213 493	67 938 464	12 952 299	470 230	1 729 926	15 152 455
Initial adoption of IFRS 9	-	-	-	-	-	-	-	-
New assets	156 095 584	94 716 608	9 390 331	260 202 523	48 270 181	3 441 900	13 499 233	65 211 314
Repayments	(34 681 118)	(13 416 719)	(1 818 035)	(49 915 872)	(11 045 052)	(480 052)	(533 868)	(12 058 972)
Transfers to Stage 1	-	46 650 780	682 468	47 333 248	-	33 381	1 099 724	1 133 105
Transfers to Stage 2	(46 650 780)	-	93 587	(46 557 193)	(33 381)	-	1 173 943	1 140 562
Transfers to stage 3	(682 468)	(93 587)	-	(776 055)	(1 099 724)	(1 173 943)	-	(2 273 667)
Amounts written off	-	-	-	-	-	-	(1 755 465)	(1 755 465)
Effects of changes in functional currency	-	-	-	-	1 389 132	-	-	1 389 132
Balance at 31 December 2020	124 514 673	130 148 598	23 561 844	278 225 115	50 433 455	2 291 516	15 213 493	67 938 464

38.2.4 Credit risk (continued)

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
ECL Movement				
Balance at beginning of year	300 382 935	398 158 111	66 962 832	14 289 396
Impact of changes in functional currency at 1 Jan 2019	-	9 491 233	-	1 389 132
Increase / (decrease) in respect of impairments are:	-	-	-	-
Loans and insurance debtors	269 389 041	350 962 981	208 074 088	51 366 764
Write offs against provision	188 549	(12 210 162)	188 549	(82 460)
Effects of inflation movements	(294 735 056)	(446 019 228)	-	-
	275 225 469	300 382 935	275 225 469	66 962 832
Analysis of ECL on loans and advances				
Balance at beginning of year	244 620 407	363 029 660	54 531 977	13 028 680
Impact of changes in functional Currency at 1 Jan 2019	-	-	-	1 389 132
Increase / (decrease) ECL for the year	260 157 829	266 029 283	198 842 876	40 196 625
Write offs against provision	188 549	(12 210 162)	188 549	(82 460)
Effects of inflation movements	(251 403 383)	(372 228 374)	-	-
Balance at end of year	253 563 402	244 620 407	253 563 402	54 531 977
Analysis of ECL on insurance debtors				
Balance at beginning of year	55 762 528	35 128 451	12 430 855	1 260 716
Increase / (decrease) ECL for the year	9 231 212	84 933 698	9 231 212	11 170 139
Effects on inflation movements	(43 331 673)	(64 299 621)	-	-
Balance at end of year	21 662 067	55 762 528	21 662 067	12 430 855

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.4 Credit risk (continued)

	Inflation adjusted		Unaudited Historical cost	
	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$	31 Dec 2020 ZW$	Restated 31 Dec 2019 ZW$
Analysis of ECL on guarantees and letters of credit Guarantees				
Balance at beginning of year	627 193	6 446 786	139 817	231 367
Decrease ECL for the year	692 716	(625 516)	692 716	(91 550)
Effect of inflation movements	(487 376)	(5 194 077)	-	-
Balance at end of year	832 533	627 193	832 533	139 817
Analysis of ECL on loan commitments				
Balance at beginning of year	3 339 766	14 348 981	744 517	514 967
Increase / (decrease) ECL for the year	(16 570 969)	1 568 398	(114 357)	229 550
Effects of inflation movements	(19 280 575)	(12 577 613)	-	-
Balance at end of year	630 160	3 339 766	630 160	744 517
Analysis of ECL on other financial assets				
Balance at beginning of year	409 546	3 252 414	91 298	116 725
(Decrease) / increase ECL for the year	1 394 281	(174 601)	1 445 655	(25 427)
Effect of Inflation movements	(266 874)	(2 668 267)	-	-
Balance at end of year	1 536 953	409 546	1 536 953	91 298

38.2.4 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. 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.

A substantial portion of the Group's individual and corporate borrowings is insured for non-performance whilst security of various other forms is obtained for large exposures.

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.

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 graded 1 to 4, and for which the maximum amount payable by the Group, assuming all guarantees are called on is ZW$688 652 647 (2019: ZW$141 807 400).

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$110 481 449 (2019: ZW$248 903 011) and the total assets in the statement of financial position reducing by ZW$224 727 662 (2019:ZW$377 747 649).

The impact of the COVID-19 Pandemic on Credit Risk

COVID-19 pandemic have impacted on repayment capacity of the bank's clientele as individuals and business borrowers faced job losses, slowed sales and declining profits. The school's portfolio was one area hard hit by the pandemic. However, risks related to schools 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 material impact on ECLs as there were no material changes on the terms and conditions on loans and the lending processes and procedures.

The Group was in compliance with all Government and World Health Organisation (WHO) guidelines aimed at terming the spread of the virus. Rollout of the Government COVID-19 vaccination programs is anticipated to reduce adverse impact of the COVID-19 pandemic on the economy. For further information on COVID-19 Pandemic refer to note 41.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.2.4 Credit risk (continued)

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.

38.3 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

Management of the Group 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.

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.

38.3 Insurance Risk (continued)

Risk Management (continued)

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.

38.3.1 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.

38.3.2 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 Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.3.2 Mortality risk

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.

38.3.3 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.

38.3.4 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.

38.3.5 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 Zimbabwean 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 Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.3.5 Insurance risk sensitivity analysis (continued)

2020	Inflation Adjusted ZW$			Unaudited Historical Cost ZW$		
	Change After	Change Amount	% Change	After Change	Change Amount	% Change
Valuation of insurance liabilities - before bonuses	1 369 570 000			1 369 570 000		
Increase of 10% in expected mortality - assured lives only	1 371 180 000	1 609 000	0.1%	1 371 180 000	1 609 000	0.1%
Reduction of 10% in expected mortality - annuitants only	1 374 855 000	5 285 000	0.4%	1 374 855 000	5 285 000	0.4%
Reduction of one percentage point in the valuation discount rate	1 408 410 000	38 839 000	2.8%	1 408 410 000	38 839 000	2.8%
Increase of one percentage point in the valuation discount rate	1 346 055 000	23 516 000	-1.7%	1 346 055 000	23 516 000	-1.7%
Increase in renewal expenses of 10%	1 406 900 000	37 329 000	2.7%	1 406 900 000	37 329 000	2.7%
Increase of one percentage point in the expense inflation rate	1 404 341 000	34 770 000	2.5%	1 404 341 000	34 770 000	2.5%

2019	Inflation Adjusted ZW$			Unaudited Historical Cost ZW$		
	Change After	Change Amount	% Change	After Change	Change Amount	% Change
Valuation of insurance liabilities - before bonuses	739 455 600			176 881 000		
Increase of 10% in expected mortality - assured lives only	795 030 121	1 574 521	0.2%	177 232 000	351 000	0.2%
Reduction of 10% in expected mortality - annuitants only	794 913 490	1 457 890	0.2%	177 206 000	325 000	0.2%
Reduction of one percentage point in the valuation discount rate	807 132 852	13 677253	1.7%	179 930 000	3 049 000	1.7%
Increase of one percentage point in the valuation discount rate	783 676 521	9 779 079	-1.2%	174 701 000	2 180 000	-1.2%
Increase in renewal expenses of 10%	801 987 621	8 532 022	1.1%	178 783 000	1 902 000	1.1%
Increase of one percentage point in the expense inflation rate	795 595 334	2 139 734	0.3%	177 358 000	477 000	0.3%

38.4 Other business risks

38.4.1 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.

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.

In addition, the Group has an independent Compliance function that forms part of the second line of defence within its risk management governance structure and the Group Internal Audit, being the third line of defence, provides assurance to the Board.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.4.1 Operational risk (continued)

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 2020 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 well-structured 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.

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.

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.

38.4.2 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 Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.4.3 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 at 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.

The Group's exposure to IT risk has been heightened by the unavailability of foreign currency to acquire new technologies and payment for software licenses.

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.

38.4.3 Technological risk (continued)

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.

38.4.4 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.

38.4.5 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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.4.5 Underwriting risk (continued)

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 (2019: 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.

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 2020 US$	Restated 31 Dec 2019 US$	31 Dec 2020 US$	Restated 31 Dec 2019 US$
GROUP				
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

38.5 Risk rating

38.5.1 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]**

[1] "CAMELS" stands for Capital Adequacy Asset Quality Management Earnings, Liquidity management and Sensitivity to market risk

Notes to Consolidated and Separate Financial Statements (continued)

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38.5.1 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**

38.5.1 Regulatory risk rating (continued)

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 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 mitigates 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 Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

38.5.2 External credit ratings

Some of the Group's significant trading companies subscribe to an internationally recognised rating agency, Global Credit Rating Group (GCR) and the ratings for the last three (3) years were as follows:

Long-term debt rating scale:

Entity	2020	2019	2018
ZB Bank Limited	BB	BB	BB
ZB Building Society	B-	B-	BB-
ZB Reinsurance Company	BBB	BBB	A-

The ratings for ZB Bank Limited and ZB Building Society expire in September 2020, whilst the rating for ZB Reinsurance expires in May 2020.

39. COMPLIANCE WITH REGULATIONS

39.1 Banking Operations

Commercial banks and building societies in Zimbabwe were required to maintain a minimum capital level of ZW$25 million and ZW$20 million respectively as at 31 December 2020. ZB Bank Limited and ZB Building Society (ZBBS) met this requirement as at 31 December 2020.

The Group is confident that it will meet the new minimum capital requirements for banking operations. This will be achieved by the re-arrangement of capital resources and the planned merger of banking operations within the Group which should result in the Group retaining a single banking licence, should required approvals be obtained before the regulatory deadline.

39.2 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.

39.3 Insurance Operations

In terms of paragraph 3 of Statutory Instrument 206 of 2019, Amendment Regulations of 2019 (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 and ZB Reinsurance Limited did not comply with these ratios throughout 2020, closing the year with ratios at 0.7% (2019: 1.78%) for the Life Assurance Company and 5% (2019: 1%) for the Reinsurance Company respectively. As further required by paragraph 11B sub-section 4, the two entities have 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 ratios 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 the entities for the non-compliance.

39.4 Other compliance issues

The directors are not aware of any other material cases of non-compliance with regulations governing the operations of all companies within the Group.

40. SUBSEQUENT EVENTS

The Group lost US$2 775 000 and ZW$43 090 in a heist on 6 January, 2021 after a Cash In Transit (CIT) vehicle was involved in a robbery incident. Measures have been taken to strengthen controls around the operation of cash movement activities and to mitigate the impact of similar events.

41. GOING CONCERN

The Board undertakes regular assessment of whether the Group 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 with effect 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 merger of the Group's banking operation 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 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 analysis. These analysis 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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2020

41. GOING CONCERN (continued)

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. 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.

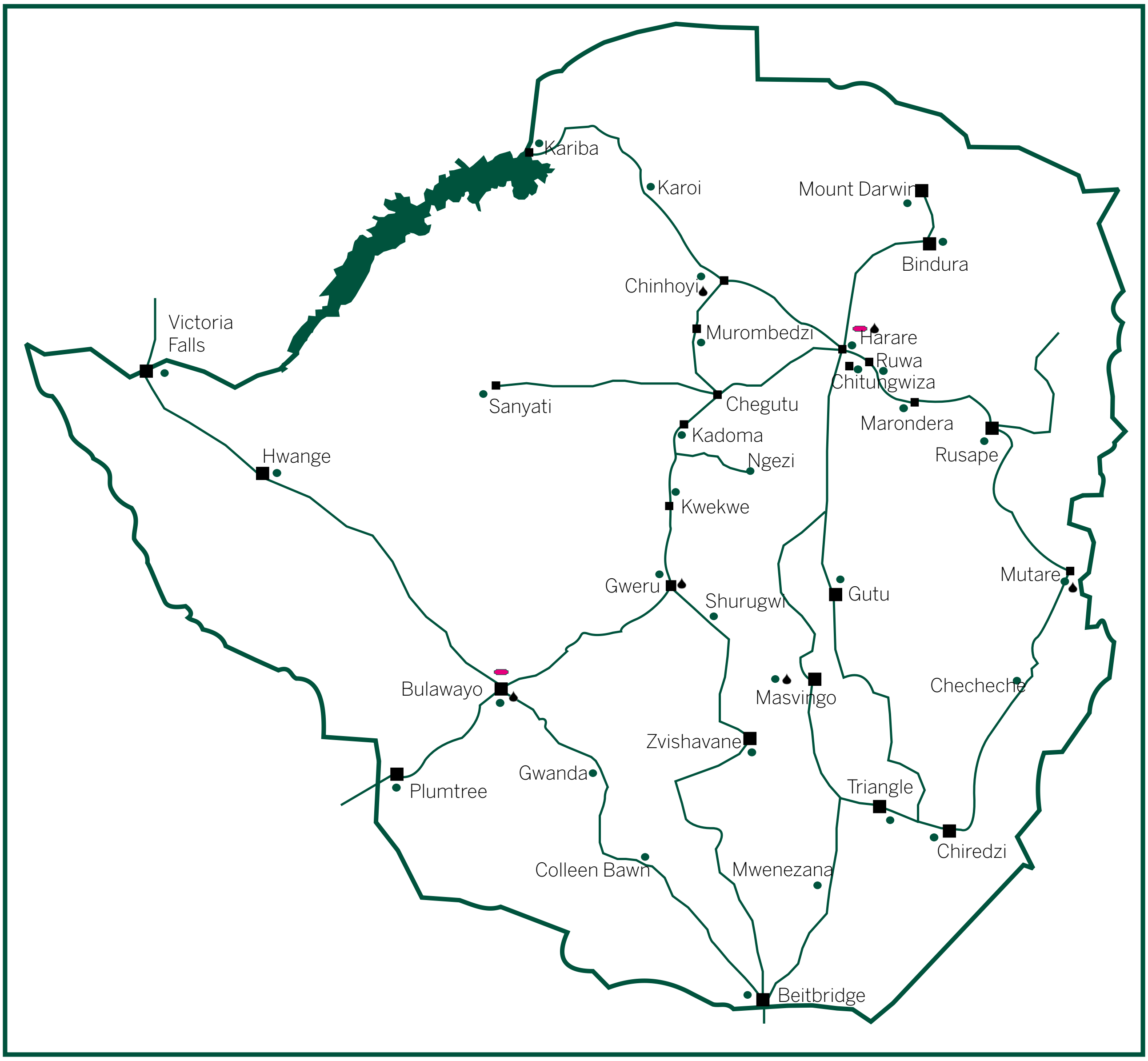
c) **Insurance Risk –** funeral insurance claims remained very low on individual life products despite the advent of COVID-19. There was also an improvement in the claims experience for 2020 where the overall claims ratio came down to 32% compared to 40% in 2019. Current claims levels have been in line with expected trends.

d) **Market risk –** the valuation of equity investments may be 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 2020. A market wide increase in interest rates is likely to reduce the Group's net interest earnings in the short-term.

Consequently, the consolidated and separate inflation adjusted financial statements for the year ended 31 December 2020 have been prepared on a going-concern basis.

ZB Financial Holdings Group Footprint

For the year ended 31 December 2020



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 2020

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
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

Head Corporate and Investment 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

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
Avondale
Harare
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
Avondale
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
Avondale
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
Tel: (04) 781361/6
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 2020

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 2020

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 2020

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 2020

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 2020

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 30 July 2021, 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 2020.			
2	Ordinary	To confirm the final dividend of ZW$0.7413 per Ordinary Share as recommended by the board.			
3	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. P. Chiromo			
		ii. J. Mutevedzi			
		iii. A.Z. Mangwiro			
4	Ordinary	To approve the remuneration of Directors for the past financial year. The total remuneration for the Directors of the Company in 2020 amounted to ZW$2 507 964 (2019: ZW$125 654).			
5	Ordinary	5.1 To approve the fees 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.			

SPECIAL BUSINESS

Resolution Number	Type of Resolution	Provision of the Resolution	In favour of	Against	Abstain
6	Special	To consider, and if deemed appropriate, to pass with or without amendments, the adoption and substitution of a new Memorandum and Articles of Association for the Company compliant with the requirements of the new Companies and Other Business Entities Act (Chapter 24:31) and the new ZSE Listing Requirements (Statutory Instrument (S.I.) 134/2019).			

Proxy Form (continued)

For the year ended 31 December 2020

ANY OTHER BUSINESS

Resolution Number	Type of Resolution	Provision of the Resolution
7	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 ....2021.

Full name(s) ....

Signature of member ....

NOTES:

i. Appointment of a Proxy

In terms of the Companies and Other Businesses Entities Act (Chapter 24:31), a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend, vote and speak in their 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 2020 are available for inspection at the Company's registered office.

b) Electronic copies of the Company's 2020 Annual Report comprising of the Directors Report, the Independent Auditor's Report and the consolidated and separate inflation adjusted financial statements for the year ended 31 December 2020, 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 login credentials or any other assistance with regards to electronic participation should contact ZB Transfer Secretaries on **0867 7002 001** 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).


Access the world of many possiblities
Send Money Home
Get Medical Aid Home
Get Funeral Policy Home
Build a House
kesto