FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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CHAIRMAN'S STATEMENT

I am honoured to present the financial performance of the Agricultural Bank of Zimbabwe Limited (Agribank) for the year ended 31 December 2020.

Covid-19 Pandemic

The period under review was unprecedented and challenging, both at business and macro level. The Covid-19 pandemic disrupted all spheres of life and shifted the focus of policymakers, business leaders, communities and families to prioritising health and safety as well as adapting to the 'new normal'.

The domestic economy was materially adversely impacted by the Covid-19 Pandemic, which was declared a global pandemic by the World Health Organisation (WHO) in April 2020 due to its widespread international reach, rising infection rates and escalating death toll across countries. Since then, the spread of the pandemic and the subsequent lock-down measures across countries have had significant disruptive effects on global markets, supply chains, international and regional trade as well as aggregate demand. This had severe implications on the global, regional and domestic economy.

Economic activity was, thus constrained and the domestic economy is estimated to have contracted by nearly 4.5% in 2020. This reflected, in the main the impact of both the Covid-19 Pandemic and domestic constraints, in particular foreign currency shortages, local demand decline and escalating domestic prices.

The Bank, as much as the entire corporate world grappled with the Covid-19 Pandemic and instituted business continuity measures as necessary for sustaining business growth while protecting both staff and customers. The Bank's customers were similarly affected and had to adhere to lock down measures in response to Government directives.

Prices and Inflation

The annual headline inflation decelerated in the second half of the year, from an annual peak of 834.1% in July to 348.59% in December 2020. Month on Month inflation which had peaked at 35.5% in July, also decelerated to 4.2% in December 2020. This was mainly attributed to the exchange rate stability occasioned by the Foreign Currency Auction System. Beyond the near term, the stability of the Foreign Exchange Auction and the exchange rate as well as the proactive management of money supply will remain the key determinants of inflation outlook.

Foreign Currency Auction and Exchange Rate Developments

During the first half of the financail year, the exchange rate was fixed at ZWL25 per US$1. In June 2020, the Central Bank instituted the Foreign Currency Auction system which was operationalized on the 23rd of June 2020. The exchange rate adjusted to ZWL57.35 per US$ in the first week of the auction. The exchange rate further adjusted to ZWL81.44 per US$1 by 30 September 2020 and ZWL81.78 per US$1 by 31st December 2020.

The Foreign Currency Auction system availed more foreign currency for imports through the formal system and helped stabilise the unofficial exchange rate and hence stabilisation in prices. By end of November 2020, as much as US$466.6 million had been channelled towards imports through the Foreign Currency Auction system.

Fiscal Developments

The cumulative revenue for the year was projected at ZWL173.5 billion, against expenditure of ZWL178.5 billion, resulting in a budget deficit of ZWL5 billion. Government continues to maintain prudent fiscal management policy, notwithstanding increased fiscal pressures due to unbudgeted Covid-19 related expenditures.

The Government launched the National Development Strategy (NDS1) in November 2020. The NDS1 expresses Government's commitment broad based macroeconomic transformation while maintaining fiscal discipline to consolidate the gains achieved through the Transitional Stabilisation Plan.

Monetary Developments

Broad money supply increased from ZWL34.5 billion in December 2019 to ZWL153.8 billion in September 2020, representing an annual growth of 345.8% over the nine months. As much as 60% of the money supply reflects FCAs revaluation effects and therefore ordinarily non-inflationary.

External Sector Developments

The Covid-19 pandemic disrupted both regional & international trade in 2020. Zimbabwe's cumulative exports for the year 2020 were US$4.4 billion. Total imports amounted to US$5 billion over the same period. This resulted in a trade deficit of US$582 million deteriorating from a deficit of US$515 million over the corresponding period in 2019.

The Land Bank

In August 2020, the Government of Zimbabwe took a decision to re-model and restructure Agribank as part of measures to expand provision of banking and financial services across the entire agriculture value chain, from Communal, A1, Resettled, A2 and Commercial Farmers.

In order to operationalise the restructured model, the Inter-Ministerial Cabinet Committee set up a Land Bank Technical Committee which included various stakeholders including representatives from the Bank.

Following consultative meetings and stakeholder engagements, the Government resolved that the new institution will be set up as AFC Holdings, with the AFC Land Bank as a subsidiary of the holding company. The AFC Land Bank mandate is to support agricultural transformation, increased production and productivity. The AFC Holding Company will have four subsidiaries as follows: AFC Land Bank; AFC Commercial Bank; AFC Leasing Company and AFC Insurance Company.

The 2021 National Budget allocated ZWL700 million for the establishment of the AFC Holdings. Subsequently the shareholder appointed the Board of Directors of the Holding company. The Board members are Mr James Mutizwa of Chihambakwe-Mutizwa and Partners (Chairman); former SeedCo chief executive Mr Denias Zaranyika; Syndicate Resources chief executive Mrs Nancy Guzha; former First Mutual Managing Director, Ms Ruth Ncube, Zimbabwe Commercial Farmers Union of Zimbabwe President, Dr Shadreck Makombe, farmer and former Zimbabwe Industry Tobacco Auction Centre (ZITAC) executive Mr Wilson Nyabonda and Ministry of Lands, Agriculture, Fisheries, Water and Rural Settlement representative Mrs Rutendo Nhongonhema.

Governance

As a State-Owned Enterprise, the Public Enterprises Corporate Governance Act [Chapter 10:31] (PECOGA) governs the Bank. During the year 2020, the Bank adhered to all corporate governance requirements in line with the Act and maintained good corporate governance practices as guided by the Corporate Governance Unit (CGU).

Dividend Declaration

The Bank declared a dividend to Government amounting to ZWL15.562 million for the year 2019. This represented 50% of the Bank's distributable profits for the year.

Condolences

It is with a heavy heart that I announce the passing on of one of our esteemed Board Members, Ms. Maveneka in January 2021. The Board, management and staff of Agribank, express their condolences to the Maveneka family and the Ministry of Finance on her untimely death. The Bank has been robbed of a valued and hardworking Leader.

Agribank Corporate Social Responsibility (CSR)

During the year, the Bank's CSR activities included donations to flood victims in Binga and donations to schools. In light of the Covid-19 Pandemic, the Bank donated Covid-19 personal protective equipment to several local communities.

Appreciation

Firstly, I want to thank the Shareholders and the Reserve Bank of Zimbabwe for the continued support, which is crucial in ensuring the Bank's growth. I extend my gratitude to our customers for their loyalty and continued business support. I am grateful to all members of the Board for their dedicated service ensuring the Bank maintains focus on its strategic objectives, vision and mission.

Lastly, I extend my gratitude to the Bank staff and management for sustaining business continuity and growth, notwithstanding the current challenging environment.

The future of the Bank is positive and bright, as intertwined with agriculture recovery, food security and the economy of Zimbabwe

G. T. Matemachani
Chairman
30 March 2021

CHIEF EXECUTIVE OFFICER'S REPORT

It is my honour to present to you the audited financial results of Agricultural Bank of Zimbabwe Limited (Agribank) for the year ended 31 December 2020. While the operating environment had its fair share of constraints, the Bank recorded a successful trading year, producing positive performance and preserving the interests of our stakeholders.

Financial Performance

The Bank was able to respond effectively to the dynamics in the operating environment during the year 2020. Despite the challenging operating environment, the Bank was able to balance risks and strategic initiatives. The Bank's 2020 profit before tax in historical cost terms increased by 1 086% to ZWL569.1 million, from the ZWL47.9 million recorded in the previous year. The strong profitability was primarily driven by improved revenue contributions from ICT delivery channels and electronic banking (e-channels), marked growth in the loan book and foreign currency generation strategies.

Net interest income grew by 790% to ZWL281.8 million from ZWL31.7 million in historical cost terms. The Bank's lending portfolio increased during the period under review reflecting expansion in support of the agriculture sector. The Bank also instituted measures to improve asset quality and yields and the initiatives contributed to the positive results. Mindful of the current macroeconomic environment, the Bank increased the expected credit losses on financial assets.

Non-interest income increased remarkably by 802% in historical cost terms to ZWL496.3 million from ZWL54.9 million achieved in the prior year. This growth was on the back of increased transactional volumes on our digital banking platforms, supported by increased investment in our digital infrastructure. Total income from e-channels and POS machines for the year 2020 accounted for 40% of total non-interest income. This remains an area of growth for the Bank.

Other operating income increased by 1 232% in historical cost terms to ZWL657.9 million from ZWL49.4 million achieved in the prior year. Growth in other income was mainly driven by foreign currency fair valuation gains and fair valuation gains on investment properties and unquoted equities. The growth reflects the Bank's value preservation strategies as we are operating in a hyper-inflationary environment.

Total operating income amounted to ZWL1.4 billion in historical cost terms representing a growth of 877% over the previous year.

Total operating expenditure for the year amounted to ZWL747.2 million in historical cost terms representing an annual growth of 753% over the previous year. The Covid-19 pandemic created a new normal of extraordinary cost pressures for the Bank in 2020. The 2020 Covid-19 pandemic required the Bank to refocus its resources in the short term, but the Bank's main priorities continued to drive activities.

While costs were up, the Bank's cost to income ratio further improved to 53% from 61% the previous year. The staff cost to income ratio for the year was maintained at 22% from the prior year. The Bank therefore, surpassed the Shareholder target of 30% for State Owned Enterprises. Sustained cost control and containment also helped the Bank to achieve profitability. Expenditure was mostly limited to mission critical items.

The Bank's statement of financial position at ZWL8.7 billion in historical cost terms recorded a significant 472% growth in assets compared to prior year. This growth is underpinned by continued customer support, which is a testimony to the continued consolidation of the Agribank brand on the market. The Bank's lending portfolio increased by 632% from ZWL268.4 million to ZWL2.0 billion as it continues to pursue cautious asset growth with asset quality being a key priority.

Financial position

Non-performing loans were down to 1.38% as at 31 December 2020 from 3.70% as at 31 December 2019. Deposits from customers closed the year at ZWL3.6 billion representing an increase of 526% from 2019 in historic terms. The liquidity ratio closed the year at 60% and well above the RBZ regulatory minimum requirement of 30%, confirming the Bank's strong liquidity management practices in view of the prevailing macroeconomic environment.

Core capital in historic terms currently standing at ZWL602.7 million is well in excess of ZWL25 million minimum capital requirement set by the RBZ, as the Bank progresses with its re-capitalisation plan, in pursuit of US$30 million equivalent for Tier 1 banks by 31 December 2021. The Bank paid a dividend of ZWL15.562 million to the shareholder during the year in respect of 2019 financial results. The Bank received capital injection of ZWL64 million from the shareholder during the year. In September 2020 the Bank also received capital injection The support from the Government in the form of capital injection is greatly appreciated.

The Bank's capital adequacy ratio closed 31 December 2020 at 16.80% compared with the regulatory minimum of 12%. The ratio at 16.80% reflect the increase in risk weighted assets

Hyperinflation adjusted financial performance

In line with the Public Accountants and Auditors' Board (PAAB) pronouncement on the application of IAS 29 – "Financial Reporting in Hyper-inflationary Environments" for financial years ending on or after 1 July 2019, the financial statements have been restated in accordance with IAS 29.

The inflation adjusted operating income closed the year ended 31 December 2020 at ZWL1.994 billion compared to ZWL1.396 billion in 2019. The inflation-adjusted profit before tax for 2020 was ZWL238.9 million compared to

Directors: Mr. G.T Matemachani (Chairman), Mr. B . Ngara (Vice Chairman), Ms. M.A. Washaya, Ms. P. Mandaza, Dr J. Mutambara, Ms. C.M. Maveneka, Mrs S. Mrewa, Mr. A.F Hodges, Mr. C.C. Sibanda, Mr. E. Chimbera (Acting CEO), Mr. F. Macheka (Executive Director Retail Banking), Mr. T. Ruvingo (Acting Finance Director)

CHIEF EXECUTIVE OFFICER'S REPORT *(continued)*

a loss of ZWL 1.854 billion loss for 2019. This was due to an increase in inflation adjusted operating expenses and monetary loss recorded in 2020.

Information communication technology and E-commerce

Following the successful completion of Phase I of the system upgrade, the focus was stabilising core banking system and addressing the challenges that users and customers face. The second phase of the T24 system upgrade being implementation of additional modules is currently under way and expected to be completed in the next 12 months. The modules include Customer relationship management (CRM), anti-money laundering (AML), Financial intelligence (Arc-Insight), Basel II and IFRS 9 modules. Digital transformation and investment in ICT capabilities will remain key enablers of the business going forward.

The Bank developed an in-house Internet Banking platform called "Green 365" to deliver an interim solution for the Bank's customers while awaiting implementation of the acquired Temenos solution. The main transactions supported by Green365 are RTGS, Internal Transfers, Balance Enquiry, Full Statements and Bulk Transfers. The system was rolled out to all customers on the 3rd of June 2020. Since then there has been significant growth in registration of new customers and customer transactions.

The new mobile banking application will be running on latest technologies that will allow the Bank to quickly adopt new products via simplified platforms relating to emerging technologies. Upgrading of the Bank's Mobile Banking platform to widen the service offering and migrate the platform to latest development tools is currently under way. The additional functionalities are biometric authentication, WhatsApp banking and QR codes support. The product is currently undergoing system testing. The new application is expected to be available in second quarter of 2021.

The Bank has been working with VISA to ensure that it fulfils the EMV compliance requirement for customer cards. The first phase of the project being implementation of VISA card linked to the ZWL account for domestic use was completed. Phase two being implementation of the same VISA card linked to the USD account for international use is currently under system testing phase. This also involves third party processors providing connectivity to VISA systems. The Bank already has in stock about 400 000 VISA cards ready to be deployed to customers.

Business growth strategies

The Bank will continue to support exporters in agriculture as well as its value chain and hence contribute to foreign currency generation for the country. The Bank grew its sugarcane market share in the Lowveld and targets to expand its presence in the Region. The Bank also introduced loans in foreign currency mainly targeted at exporters in the agriculture value chain. The Bank will continue to finance cash crops i.e. tobacco, cotton, soya beans and horticulture. A number of farmers in horticulture covering macadamia, fruits, flowers and avocados, among others benefited from the Bank's financing in 2020.

The Bank will continue with deposit mobilisation initiatives in order to sustain and grow the business. Focus will be on local deposits, Nostro FCA deposits and Merchant POS machines growth. The Bank will be introducing VISA and WiFi enabled POS machines in the market. The Bank will continue to expand financial inclusion initiatives through microfinance and low cost products.

The Bank targets to grow money transfer business by expanding business with Mukuru, Western Union partnership and adding other money transfer agencies such as World Remit. The Bank will leverage on its large branch and Agency network with footprint in all the provinces and outline areas to facilitate money transfer transactions both locally and internationally.

Agro bills

The Bank raised a total of ZWL300 million Agro bills for the 2020/2021 agricultural season. Of these bills, ZWL100 million was raised in conjunction with FBC, while ZWL200 million was raised by the Bank. Agricultural Marketing Authority (AMA) appointed the Bank as its financial advisor to raise ZWL100 million agro bills. The Bank has since applied for the necessary concession. Agricultural Marketing Authority on the other hand has been granted borrowing powers from its parent Ministry. The Bank is now awaiting Insurance and Pensions Commission (IPEC) to grant the prescribed asset status as well as government to give these bills Government guarantee status. The Bank will continue raising agro bills and will target raising more resources to expand financial support to agriculture.

Human capital and industrial relations

The Bank acknowledges the current difficult macro and business environment and how this has adversely affected staff welfare. The Covid-19 pandemic further exacerbated pressure on staff wellness and welfare. The Bank has sustained implementation of interventions to cushion staff and assist workers against the Covid-19 pandemic and related health expenses. A wellness team is in place to ensure staff issues are dealt with expeditiously. Due to Covid-19, emphasis is now on teleworking where possible. Meetings were done remotely via skype, zoom and Microsoft teams. Service delivery was not affected by this arrangement.

The Bank is sustaining training and skills development initiatives at all levels. The year 2020 brought with it a new norm of doing business in respect of the general country lockdown and restrictions. In that regard, the majority of training interventions delivered in 2020 were aimed at capacitating staff with skills that drive customer service excellence, sales whilst strongly enhancing the Bank's digitalisation efforts.

Regulatory Compliance

Various Statutory Instruments were promulgated during the year 2020 mainly guiding the country to ensure safety of the staff and customers alike from the Covid-19 pandemic. The Bank managed to comply with all Statutory Instruments albeit the high cost of compliance especially relating to the closure of branches, fumigation of the premises, and provision of Personal Protective Equipment (PPE) to staff and testing of all employees. The regulator requested the Banks to come up with Business Continuity Plans for Covid-19 and the Bank complied.

There was also the liberalisation of the multicurrency regime as a policy measure relating to the use of free funds. The Bank managed to offer its products and services in line with the new policy. In the period under review, the Bank was not sanctioned for any regulatory breaches, attesting to the Bank's elevated efforts to adhere to all regulatory requirements.

Capitalisation

The RBZ noted the need for banks to hold sufficient capital to ensure continued stability and soundness of the financial services sector, as well as ensuring that banks continue to be able to underwrite financial transactions that are necessary for improving production and productivity. In this regard, minimum capital requirements for Tier 1 banks were reviewed to ZWL equivalent of US$30 million by 31 December 2021. The Bank will be required to submit capitalisation plan to the Reserve Bank of Zimbabwe by 30 June 2021. Agribank's preferred segment is to be a Tier 1 bank. The Bank's core capital was ZWL603.4 million as at 31 December 2020.

Outlook

The macro and business outlook remains difficult; though modest recovery is projected for 2021. The Bank envisages sustained business growth on the back of anticipated agriculture recovery, notably export subsectors such as horticulture, tobacco and sugar cane, among others. These sub sectors are expected to continue with the strong growth trajectory and the Bank is positioned to record business growth in tandem. The Bank will also continue to explore financial inclusion strategies to roll out banking and financial services to the underbanked and the unbanked.

Appreciation

I want to extend my gratitude to the Board, management and staff of Agribank for the successes achieved during the year. It was indeed a very difficult year. Through our collective effort and teamwork, the Bank prevailed in a volatile business environment that was compounded by the Covid-19 pandemic. I also want to thank the Shareholder for the continued support, without which, it would not have been possible to achieve business growth and profitability.

Mr. E. Chimbera
Acting Chief Executive Officer
30 March 2021

CORPORATE GOVERNANCE

Responsibility

These condensed financial statements are the responsibility of the directors. This responsibility includes the setting up of internal control and risk management processes, which are monitored independently. The information contained in these financial statements has been prepared on the going concern basis and is in accordance with the applicable Financial Reporting Framework for entities in Zimbabwe, including requirements of the Companies and Other Business Entities Act (Chapter 24:31) and the Banking Act (Chapter 24:20) and International Financial Reporting Standards.

Corporate Governance

The Bank adheres to principles of corporate governance derived from the King III Report, RBZ corporate governance guidelines and national code on corporate governance guidelines. The Bank is cognisant of its duty to conduct business with due care and good faith in order to safeguard all stakeholders' interests.

Board of Directors

The Board of Directors (the "Board") is accountable for the functions of the Bank and serves to ensure leadership, integrity and shrewd judgement in directing the Bank to achieve its objectives. Board decisions are made in board meetings, which are held at least every quarter, and on an "as per need" basis. The Board oversees compliance with corporate governance. Roles and functions of the Board are spelt out in the Board Charter, and these are fully compliant to the minimum regulatory requirements. Board committees were set up to assist the Board in the effective discharge of its duties and these include the Audit, Loans Review, Risk and Compliance, Assets and Liabilities, Loans and Advances and Human Resources Committees. Chairpersons for all these Board Committees are independent, non-executive directors.

There are departments that effectively deal with Audit, Risk and Compliance issues. Directors declare their interests upon appointment and at every Board meeting. Directors are also required to declare interests prior to participating in any decision making process.

Statement of compliance

The Bank complied with all statutes regulating financial institutions as well as good corporate governance principles.

Board and Director Evaluation process

The annual board and director evaluations process is carried out as prescribed in the Reserve Bank of Zimbabwe Guideline No. 01-2004 BSD. The performance and that of individual directors are evaluated by the Board. Weaknesses and areas of concern identified through the process are discussed in board meetings with a view to rectify identified weaknesses.

By order of the Board,

Mr. L. Rwazemba
Company Secretary

Meetings ordered / *Meetings attended*	Main Board		Assets and Liabilities Committee		Audit Committee		Compliance and Risk Committee		Human Resources Committee		Loans and Advances Committee		Loans Review Committee	
Mr. G.T Matemachani (Chairman)	5	5												
Mr. B . Ngara (Vice Chairman)	5	4			7	6	4	3	6	6				
Ms. M.A. Washaya	5	5					4	4	6	5	12	10		
Ms. P. Mandaza	5	4	9	1	7	7							4	4
Dr J. Mutambara	5	5	9	7					6	5	12	11		
Ms. C.M. Maveneka	5	4	9	7									4	4
Mrs S. Mrewa	5	5					4	4					4	4
Mr. A.F Hodges	5	4	9	9	7	5	4	3			12	10	4	1
Mr. C.C. Sibanda	5	4												
Mr. E. Chimbera	5	5	9	9			4	4			12	11		
Mr. F. Macheka (Executive Director Retail Banking)	5	5					4	4			12	12		
Mr. Temba Ruvingo (Acting Finance Director)	5	5	9	9			4	4			12	12		

***Directors:** Mr. G.T Matemachani (Chairman), Mr. B . Ngara (Vice Chairman), Ms. M.A. Washaya, Ms. P. Mandaza, Dr J. Mutambara, Ms. C.M. Maveneka, Mrs S. Mrewa, Mr. A.F Hodges, Mr. C.C. Sibanda, Mr. E. Chimbera (Acting CEO), Mr. F. Macheka (Executive Director Retail Banking), Mr. T. Ruvingo (Acting Finance Director)*

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FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	INFLATION ADJUSTED 2020 ZWL '000	INFLATION ADJUSTED 2019 ZWL '000	*HISTORICAL COST 2020 ZWL '000	*HISTORICAL COST 2019 ZWL'000
ASSETS					
Cash and bank balances	6	2 030 779	1 620 385	2 030 779	361 221
Financial assets at amortized cost	7.1	78 327	353 525	78 327	78 809
Financial assets at fair value through profit and loss	7.3	2 114 187	1 821 087	2 114 187	405 962
Loans and advances	8	1 968 901	1 204 225	1 968 901	268 449
Other assets	9	269 048	187 686	212 179	34 442
Investment properties	10	68 293	71 554	68 293	15 951
Property and equipment	11	2 346 760	1 669 113	2 126 787	315 085
Intangible assets	12	349 116	363 710	87 043	29 055
Right-of-use assets	13.1	63 772	37 832	22 424	1 939
Deferred tax asset	21.2	-	146 782	-	10 956
Total assets		**9 289 183**	**7 475 899**	**8 708 920**	**1 521 869**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14.2	467 719	467 719	12 108	12 108
Shareholder capital contribution awaiting allotment	15	1 039 152	967 338	152 035	88 035
Share premium		2 630 120	2 630 120	68 087	68 087
Revaluation reserve		806 484	764 101	1 113 202	225 669
Non-distributable reserve		735 455	114 895	577 853	2 974
Accumulated (losses)/profit		(3 009 932)	(2 862 421)	370 435	2 668
Total equity attributable to ordinary shareholders		**2 668 998**	**2 081 752**	**2 293 720**	**399 541**
LIABILITIES					
Deposits due to other banks	16	1 859	32 738	1 859	7 298
Deposits from customers	17	3 550 223	2 543 060	3 550 223	566 906
Lease Liability	13.2	23 898	9 012	23 898	2 009
Other liabilities	18	154 299	75 450	154 299	16 820
Deferred income	19	38 597	181 197	38 597	7 198
Lines of credit	20	2 217 811	1 950 769	2 217 811	434 871
Deferred tax liability	21.2	633 498	601 921	428 513	87 226
Total liabilities		**6 620 185**	**5 394 147**	**6 415 200**	**1 122 328**
Total equity and liabilities		**9 289 183**	**7 475 899**	**8 708 920**	**1 521 869**

Mr. G. Matemachani
Chairman

Mr. E. Chimbera
Acting Chief Executive Officer

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	INFLATION ADJUSTED 2020 ZWL '000	INFLATION ADJUSTED 2019 ZWL '000	*HISTORICAL COST 2020 ZWL '000	*HISTORICAL COST 2019 ZWL'000
Interest and similar income	22	528 665	573 777	361 353	47 026
Interest expense and similar charges	23	(123 977)	(164 523)	(79 525)	(15 345)
Net interest income		**404 688**	**409 254**	**281 828**	**31 681**
Fee and commission income	24	756 140	577 648	496 264	54 988
Other operating income	25	554 204	372 761	657 981	49 414
Fair value (loss)/gain investment properties	10	(3 261)	53 193	52 342	11 858
Fair value gain investment in unquoted equities	7.3	2 851	6 967	11 328	2 290
Unrealised exchange gains/(losses) financial assets	7.3	279 339	(24 291)	(84 851)	(5 415)
Operating income		**1 993 961**	**1 395 532**	**1 414 892**	**144 816**
Impairment of loans and advances	8.4	(132 826)	(66 086)	(98 769)	(9 229)
Operating expenses	26	(1 300 167)	(951 584)	(747 067)	(87 625)
Net monetary adjustment		(322 001)	(2 176 543)	-	-
Profit/(Loss) before tax		**238 967**	**(1 798 681)**	**569 056**	**47 962**
Income tax charge	21.1	(368 803)	(150 805)	(183 913)	(14 838)
(Loss)/profit for the year		**(129 836)**	**(1 949 486)**	**385 143**	**33 124**
Other comprehensive income					
Surplus on revaluation of property and equipment		24 057	605 797	1 111 883	**279 921**
Deferred tax on revaluation surplus		18 326	(137 359)	(224 350)	**(61 906)**
Revaluation surplus, net of tax		**42 383**	**468 438**	**887 533**	**218 015**
Other comprehensive income for the year		**42 383**	**468 438**	**887 533**	**218 015**
Total comprehensive (loss)/income for the year		**(87 453)**	**(1 481 048)**	**1 272 676**	**251 139**

*The historic amounts are shown as supplementary information. This information is not consistent with the International Financial Reporting Standards as has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result, the auditors have not expressed an opinion on this historic financial information.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

INFLATION ADJUSTED

	Share capital ZWL '000	Shareholder capital contribution awaiting allotment ZWL '000	Share Premium ZWL '000	Revaluation reserve ZWL '000	Non-distributable reserve ZWL '000	Accumulated losses ZWL '000	Total ZWL '000
Carrying amount as at 1 January 2019	**467 719**	**449 700**	**2 630 120**	**295 663**	**114 895**	**(1 347 425)**	**2 610 672**
Total comprehensive income for the period	-	-	-	-	-	(1 481 052)	**(1 481 052)**
Revaluation of land and building net of tax	-	-	-	468 438	-	-	**468 438**
Transactions with owners:							
Capital contribution	-	517 638	-	-	-	-	**517 638**
Dividend declared	-	-	-	-	-	(33 944)	**(33 944)**
Balances as at 31 December 2019	**467 719**	**967 338**	**2 630 120**	**764 101**	**114 895**	**(2 862 421)**	**2 081 752**
Balances as at 1 January 2020	**467 719**	**967 338**	**2 630 120**	**764 101**	**114 895**	**(2 862 421)**	**2 081 752**
Transfer of Interests on TBs to non-distributable Reserve	-	-	-	-	2 113	(2 113)	-
Total comprehensive income for the period	-	-	-	-	-	(129 836)	**(129 836)**
Revaluation of land and building net of tax	-	-	-	42 383	-	-	**42 383**
Transactions with owners:							
Shareholder contribution - leasing activities	-	-	-	-	618 447	-	**618 447**
Capital contribution	-	71 814	-	-	-	-	**71 814**
Dividend paid	-	-	-	-	-	(15 562)	**(15 562)**
Carrying amount as at 31 December 2020	**467 719**	**1 039 152**	**2 630 120**	**806 484**	**735 455**	**(3 009 932)**	**2 668 998**

FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

*HISTORICAL COST

	Share capital ZWL '000	Shareholder capital contribution awaiting allotment ZWL '000	Share Premium ZWL '000	Revaluation reserve ZWL '000	Non-distributable reserve ZWL '000	Accumulated losses ZWL '000	Total ZWL '000
Carrying amount as at 1 January 2019	**12 108**	**13 035**	**68 087**	**7 654**	**2 974**	**(24 929)**	**78 929**
Total comprehensive income for the period	-	-	-	-	-	33 124	**33 124**
Revaluation of land and buildings net of tax	-	-	-	218 015	-	-	**218 015**
Transactions with owners:							
Capital contribution	-	75 000	-	-	-	-	**75 000**
Dividend paid	-	-	-	-	-	(5 527)	(5 527)
Balances as at 31 December 2019	**12 108**	**88 035**	**68 087**	**225 669**	**2 974**	**2 668**	**399 541**
Carrying amount as at 1 January 2019	**12 108**	**88 035**	**68 087**	**225 669**	**2 974**	**2 668**	**399 541**
Transfer of interest on Capitalisation TBs	-	-	-	-	1 814	(1 814)	-
Total comprehensive income for the period	-	-	-	-	-	385 143	**385 143**
Revaluation of land and buildings net of tax	-	-	-	887 533	-	-	**887 533**
Transactions with owners:							
Shareholder capitalisation of Leasing Activities	-	-	-	-	573 065	-	**573 065**
Capital contribution	-	64 000	-	-	-	-	**64 000**
Dividend paid	-	-	-	-	-	(15 562)	**(15 562)**
Carrying amount as at 31 December 2020	**12 108**	**152 035**	**68 087**	**1 113 202**	**577 853**	**370 435**	**2 293 720**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	INFLATION ADJUSTED 2020 ZWL '000	INFLATION ADJUSTED 2019 ZWL '000	*HISTORICAL COST 2020 ZWL '000	*HISTORICAL COST 2019 ZWL '00
Cash flows from operating activities					
(Loss)/profit before income tax		**238 967**	(1 798 681)	569 056	47 962
Adjusted for non-cash items:					
Expected credit losses	8.4	132 826	66 086	98 769	9 229
Bad debts written off	25	257	-	184	-
Depreciation of property and equipment	11	133 624	95 918	17 266	2 928
Depreciation of right of use assets	13	17 069	8 955	4 594	175
Amortization charge	12	100 918	27 366	6 816	513
Net monetary adjustment		322 001	2 176 543	-	-
Unrealised exchange losses	7.2	(279 339)	24 291	84 851	5 415
Deferred management fees movement		-	1 507	-	336
Deferred income movement		(7 198)	(30 118)	(7 198)	(1 271)
Provision for bonus, leave pay and long service awards		76 402	39 448	42 290	3 121
Other non-cash items		(146 713)	29 652	-	-
Fair value gain investment in unquoted equities		(2 851)	(6 967)	(11 328)	(2 290)
Fair value gain – investment properties	10	3 261	(53 193)	(52 342)	(11 858)
(Loss)/profit on disposal of property and equipment	25, 26	3 151	(529)	3	(232)
Interest expense on lines of credit	20	4 411	13 722	2 191	3 059
Interest income on treasury bills, bonds and debentures	22	(8 500)	(62 824)	(4 138)	(4 289)
Income tax paid		(101 949)	-	(45 664)	-
Operating cash flows before working capital changes		**486 337**	**531 176**	**705 350**	**52 798**
Decrease / (increase) in financial assets		283 699	(1 242 541)	4 620	20 380
(Increase)/decrease in loans and advances		(894 182)	3 867 094	(1 786 602)	(141 575)
Increase in other assets		(84 939)	(37 058)	(177 823)	(29 033)
Decrease in deposits due to other banks		(30 879)	(200 706)	(5 439)	(1 080)
Increase/ (decrease) in deposits from customers		1 007 163	(2 282 744)	2 983 317	393 714
Increase/(decrease) in other liabilities		2 447	(181 238)	95 276	5 902
(Decrease) / increase in deferred income		(135 402)	103 116	38 596	4 585
Net cash generated from operations		**634 243**	**557 099**	**1 857 295**	**305 691**
Cash flows from Investing activities					
Proceeds from disposal of property and equipment		97	1 045	100	233
Purchases of property and equipment	11	(183 182)	(155 290)	(154 123)	(13 109)
Purchases of intangible assets	12	(88 333)	(219 739)	(65 244)	(23 713)
Purchases of investment properties		-	(15 597)	-	(3 477)
Net cash utilized in investing activities		**(271 418)**	**(389 581)**	**(219 267)**	**(40 066)**

	Note	INFLATION ADJUSTED 2020 ZWL '000	INFLATION ADJUSTED 2019 ZWL '000	*HISTORICAL COST 2020 ZWL '000	*HISTORICAL COST 2019 ZWL '00
Cash flows from financing activities					
Proceeds from shareholder capital injection		83 036	517 637	74 000	75 000
Payment of lines of credit	20	-	(44 858)	-	(10 000)
Interest expense of lease liability	13	(18 905)	(471)	(25 908)	(105)
Interest paid on lines of credit	20	(1 000)	(951)	(1 000)	(212)
Dividend paid		(15 562)	(33 944)	(15 562)	(5 527)
Net cash generated from financing activities		**47 569**	**437 413**	**31 530**	**59 156**
Net increase in cash and cash equivalents		**410 394**	**604 931**	**1 669 558**	**324 781**
Cash and cash equivalents at the beginning of year		1 620 385	1 015 454	361 221	**36 440**
Cash and cash equivalents at 31 December 2020	6	**2 030 779**	**1 620 385**	**2 030 779**	**361 221**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. CORPORATE INFORMATION

Agricultural Bank of Zimbabwe Limited (the "Bank"), a limited liability company incorporated and domiciled in Zimbabwe, is registered as a commercial bank by the Reserve Bank of Zimbabwe under the Zimbabwe Banking Act (Chapter 24:20) and the Companies and Other Business Entities Act (Chapter 24:31) and provides a wide range of commercial banking and related financial services in Zimbabwe.

The financial statements have been prepared under the supervision of Mr. Temba Ruvingo CA (Z), the Acting Executive Director- Finance of the Bank.

The address of its registered office is 14-16 Nelson Mandela Avenue, Harare.

1.1 Statement of compliance

The financial statements have been prepared with policies consistent 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) except for the effects of non-compliance with International Accounting Standard 21 (IAS 21).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2.2 Basis of preparation
The audited financial results have been prepared on the basis of IAS 29: Financial Reporting for Hyperinflationary Economies, as well as the requirements of the Companies and Other Business Entities Act (Chapter 24:31) and the Banking Act (Chapter 24.20). However, full compliance with IFRS could not be achieved.

2.2.1 Non compliance with IAS 21
The Bank could not apply a market exchange rate to foreign currency balances at 31 December 2018 and foreign currency transactions that happened between October 2018 and February 2019 due to the requirements of (S.I.) 33, as a result some of the 2019 comparative balances are materially misstated.

2.3 Functional and presentation currency
Functional and presentation currency items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in "ZWL" which is the Bank's functional and presentation currency.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant accounting judgements and estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.2 Changes in accounting policies and disclosures
The Bank has not early adopted any other standard , interpretation or amendment that has been issued but is not yet effective.

3.2.1 IAS 29 Financial Reporting in Hyperinflationary Economies
IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the balance sheet date, and that corresponding figures for previous periods be stated in the same terms to the latest balance sheet date. The restatement has been calculated by means of conversion factors derived from the consumer price index (CPI) prepared by the Zimbabwe Statistical Office (Zimstats). The indices and conversion factors have been applied to the historical cost transactions and balances as follows:

Dates	Indices	Conversion Factors
December 2020	2 474.5	1.0000
December 2019	551.6	4.49

The indices and conversion factors have been applied to the historical cost transactions and balances as follows:

Monetary assets and liabilities are not restated as they are already stated in terms of the measuring unit current at the balance sheet date.

Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant monthly conversion factor. Non-monetary assets and liabilities that are carried at amounts current at the balance sheet date, that is at fair value, are not restated.

Inventories: are carried at the lower of indexed cost and net realisable value.

Income and expenditure: is restated by applying the relevant monthly conversion factor.

Deferred tax: is provided in respect of temporary differences arising from the restatement of assets and liabilities.

Cash flow items are expressed in terms of the measuring unit current at the balance sheet date.

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

4 RISK MANAGEMENT

4.1 Financial risk management

4.1.1 Financial risk factors

The Bank's business involves taking on risks in a targeted manner and managing them professionally. Taking risk is core to the financial services business and the operational risks are an inevitable consequence of being in business. The Bank's activities expose it to a variety of financial risks; market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk. The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Risk and Compliance Committee, under policies approved by the Board. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk and non-derivative financial instruments.

The Board has overall responsibility for determining the type and level of business risks that the Bank assumes are essential in achieving corporate objectives. The Board has delegated part of its risk management responsibility to its various sub-committees namely, Audit, Human Resources, Loans and Advances, Loans Review, Assets and Liabilities and Risk and Compliance Committees. In addition, internal audit is responsible for the independent review of risk management and the control environment. The Bank's risk management strategic objectives are principally to protect the financial strength and reputation of the Bank.

4.1.1.1 Credit risk

Definition
Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investments in debt securities and derivatives. The Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management
The Bank's credit committee is responsible for managing the Bank's credit risk by:

- Ensuring that the Bank has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Bank's stated policies and procedures, IFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Bank, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Bank against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Bank's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Bank's processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.
- Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

  The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

The Loans and Advances Committee manages the overall lending policy of the Bank. The Loans Review Committee reviews the quality of the Bank's loan portfolio to ensure that it conforms to sound lending policies.

The Bank's internal rating and PD estimation process
The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. These information sources are first used to determine the PDs within the Bank's Basel II framework. The internal credit grades are assigned based on these Basel II grades. For some portfolios, information from external credit rating agencies is also used.

PDs are then adjusted for IFRS 9 calculations to incorporate forward looking information and the IFRS 9 stage classification of the exposure. This is repeated for each economic scenario as appropriate.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Bank's Credit Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

Corporate and small business lending
For corporate loans are assessed using credit scoring model that takes into account various historical, current and forward looking information such as:

- Historical information together with forecasts and budgets prepared by the client including relevant ratios to measure the client's financial performance. Some of these indicators are already included in covenants with 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 external parties, independent analysts' reports, press release or articles;
- Any macroeconomic or geographical information e.g. GDP growth relevant for the specific industry and geographical segments where the client operates; and
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity of the rating techniques varies based on the exposure of the Bank and the complexity and size of the customer.

FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Consumer lending
This comprises unsecured loans whose products are less complex and additionally rated by an automated scorecard tool primarily driven by days past due. Key inputs into the models are:

- 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 re-pricing.

Treasury, trading and interbank relationships
The Bank manages these relationships by analysing publicly available information such as financial information and other external data, such as the rating of rating agencies and assigns the internal rating.

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 stage 1, the Bank assesses the possible default events within 12 months for the calculation of 12mECL. 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 Bank determines the EADs by modelling the range of possible exposure 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 Bank's models.

Loss given default (LGD)
For corporate banking financial instruments, LGD values are assessed by account managers and reviewed by a specialised risk committee. The credit risk assessment is based on 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 Bank 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, collateral type) 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 the forward looking information, the expectation is based on multiple scenarios. Under IFRS 9, LGD rates are estimated for the stage 1, stage 2, stage 3 and POCI, IFRS 9 segment of each asset class. The inputs for these LGDs are estimated and repeated for each economic scenario as appropriate.

Determining whether credit risk has increased significantly
The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 90 days past due or, for microfinance, more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Bank monitors the effectiveness of the criteria used to idenify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Using its credit judgment and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

Grouping based on shared risk characteristics
Dependent on the factors listed below, the Bank calculates ECLs either on a collective or an individual basis.
Assets classes where the Bank calculates ECL on an individual basis include:

- All stage 3 assets, regardless of the class of the financial assets;
- The corporate lending portfolio;
- The large and unique exposures of the retail business lending portfolio; and
- The treasury, trading and interbank relationships.

Assets classes where the Bank calculates ECL on collective basis include:

- Stage 1 and stage 2 retail and consumer loans; and
- The smaller and more generic balances on the retail business-lending portfolio.

The Bank groups these exposures into smaller homogenous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

For retail loans these are:

- Product type;
- Geographic location;
- Sector;
- Internal grade; and
- Exposure value.

Identification techniques
Prior to granting facilities, the Bank conducts an assessment through a credit scoring system which classifies an account depending on points scored. Thereafter facilities extended to clients are reviewed on a regular basis and reclassified accordingly depending on actual performance.

Maximum exposure to credit risk before collateral held or other credit enhancements.
The table below shows the maximum exposure to credit risk of on-statement of financial position and off-statement of financial position financial instruments, before taking into account any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements. For financial assets recognised on the statement of financial position, the exposure to credit risk equals their carrying amount before deducting impairments for financial guarantees granted.

The maximum exposure to credit risk for financial guarantees, is the maximum amount that the Bank would have to pay if guarantees are called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full committed facilities.

Maximum credit risk exposure relating to on-statement of financial position assets are as follows:

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	**2019 ZWL'000**	**2020 ZWL'000**	**2019 ZWL'000**
Cash and bank balances	1 425 046	1 355 630	1 425 046	302 201
Amounts due from other banks	605 733	264 755	605 733	59 020
Financial assets at amortized cost	78 327	353 525	78 327	78 809
Financial assets at fair value through profit or loss	2 114 187	1 821 087	2 114 187	405 962
Loans and advances to customers-gross	2 032 096	1 287 168	2 032 096	286 939
Other financial assets	146 543	89 082	146 543	19 858
Maximum credit risk exposure	**6 401 932**	**5 171 247**	**6 401 932**	**1 152 789**

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 table below shows the credit quality and maximum exposure for credit risk for the purpose of measuring expected credit losses (ECL) under IFRS 9.

	Stage 1 ZWL '000	**Stage 2 ZWL '000**	**Stage 3 ZWL '000**	**2020 ZWL '000**	**2019 ZWL '000**
Inflation Adjusted					
Loans and advances	2 005 746	12 687	13 663	2 032 096	1 287 168
Financial assets at amortised cost	78 327	-	-	78 327	353 525
ZAMCO buy-back portfolio*	-	-	2 663	2 663	40 575
Sundry debtors	3 912	-	-	3 912	1 139
Financial assets at FVPL	2 114 187	-	-	2 114 187	1 821 087
Commitments and guarantees**	463 672	-	-	436 672	38 125
Total	**4 665 844**	**12 687**	**16 326**	**4 667 857**	**3 541 619**
Historical Cost					
Loans and advances	2 005 746	12 687	13 663	2 032 096	286 939
Financial assets at amortised cost	78 327	-	-	78 327	78 809
ZAMCO buy-back portfolio*	-	-	2 663	2 663	9 045
Sundry debtors	3 912	-	-	3 912	254
Financial assets at FVPL	2 114 187	-	-	2 114 187	405 962
Commitments and guarantees**	463 672	-	-	436 672	8 499
Total	**4 665 844**	**12 687**	**16 326**	**4 667 857**	**789 508**

*ZAMCO portfolio is off statement of financial position
**Commitments and guarantees are assessed for impairment as at 31 December 2020 and, having been considered to carry a low credit risk and can be recalled at any time, no expected credit losses have been accounted for.

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FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Analysis of loans and advances portfolio

Inflation Adjusted	**Stage 1 ZWL '000**	**Stage 2 ZWL '000**	**Stage 3 ZWL '000**	**2020 ZWL '000**	**2019 ZWL '000**
Corporate lending					
Performing	922 870	-	-	922 870	477 681
Non-performing	-	-	120	120	2 532
Total corporate lending	**922 870**	**-**	**120**	**922 990**	**480 213**
Agriculture lending					
Performing	248 215	-	-	248 215	109 737
Special mention	-	108	-	108	2 046
Non-performing	-	-	733	733	3 732
Total agriculture lending	**248 215**	**108**	**733**	**249 056**	**115 515**
Retail lending					
Performing	377 340	-	-	377 340	204 300
Special mention	-	10 726	-	10 726	12 794
Non-performing	-	-	10 312	10 312	18 442
Total retail lending	**377 340**	**10 726**	**10 312**	**398 378**	**235 536**
Consumer lending					
Performing	457 321	-	-	457 321	446 334
Special mention	-	1 854	-	1 854	5 762
Non-performing	-	-	2 497	2 497	3 808
Total consumer lending	**457 321**	**1 854**	**2 497**	**461 672**	**455 904**
Total loans and advances	**2 005 746**	**12 688**	**13 662**	**2 032 096**	**1 287 168**
Historical Cost					
Corporate lending					
Performing	922 870	-	-	922 870	106 486
Non-performing	-	-	120	120	564
Total corporate lending	**922 870**	**-**	**120**	**922 990**	**107 050**
Analysis of loans and advances portfolio					
Agriculture lending					
Performing	248 215	-	-	248 215	24 463
Special mention	-	108	-	108	456
Non-performing	-	-	733	733	832
Total agriculture lending	**248 215**	**108**	**733**	**249 056**	**25 751**
Retail lending					
Performing	377 340	-	-	377 340	45 544
Special mention	-	10 726	-	10 726	2 852
Non-performing	-	-	10 312	10 312	4 111
Total retail lending	**377 340**	**10 726**	**10 312**	**398 378**	**52 507**
Consumer lending					
Performing	457 321	-	-	457 321	99 498
Special mention	-	1 854	-	1 854	1 284
Non-performing	-	-	2 497	2 497	849
Total consumer lending	**457 321**	**1 854**	**2 497**	**461 672**	**101 631**
Total loans and advances	**2 005 746**	**12 688**	**13 662**	**2 032 096**	**286 939**

An analysis of the ECLs in relation to financial assets are as follows:

	Stage 1 ZWL'000	**Stage 2 ZWL'000**	**Stage 3 ZWL'000**	**2020 ZWL'000**
Loans and advances	47 498	683	1 400	49 581
ZAMCO buy-back portfolio	-	-	298	298
Sundry debtors	3 577	-	-	3 577
Total	**51 075**	**683**	**1 698**	**53 456**

*Financial assets (including Treasury bills) assessed for impairment at 31 December 2020 and, having been considered to carry a low credit risk, hence reflected by a low credit loss figure. There was no objective evidence that future cash flows on the financial assets could end up being less than those anticipated at the point of Initial recognition.

Analysis of loans and advance portfolio

	Stage 1 ZWL'000	**Stage 2 ZWL'000**	**Stage 3 ZWL'000**	**Total ZWL'000**
Corporate lending				
Performing	5 094	-	-	5 094
Special mention	-	-	-	-
Non-performing	-	-	-	-
Total Corporate lending	**5 094**	**-**	**-**	**5 094**
Agriculture lending				
Performing	24 093	-	-	24 093
Special mention	-	9	-	9
Non-performing	-	-	196	196
Total Agricultural lending	**24 093**	**9**	**196**	**24 298**
Retail and SMEs lending				
Performing	16 344	-	-	16 344
Special mention	-	635	-	635
Non-performing	-	-	1 163	1 163
Total Retail and SMEs lending	**16 344**	**635**	**1 163**	**18 142**
Consumer lending				
Performing	1 967	-	-	1 967
Special mention	-	38	-	38
Non-performing	-	-	42	42
Total Consumer lending	**1 967**	**38**	**42**	**2 047**
Total	**47 498**	**682**	**1 401**	**49 581**

The financial effect of collateral as at 31 December 2020 is presented below together with a summary of credit exposures on loans and advances:

Credit quality of financial assets

	Neither past due nor loans ZWL'000	**Past due but not impaired loans ZWL'000**	**Individually impaired loans ZWL'000**	**Total past due ZWL'000**	**Total exposure ZWL'000**	**Collateral held ZWL'000**	**Exprcted credit losses ZWL'000**
Inflation adjusted and Historical Cost as at 31 December 2020							
Cash and bank balances	1 425 046	-	-	-	1 425 046	-	-
Amounts due from other banks	605 733	-	-	-	**605 733**	-	-
Financial assets at amortised cost	78 327	-	-	-	**78 327**	-	-
Financial assets at FVPL	2 114 187	-	-	-	**2 114 187**	-	-
Other financial assets	146 543	-	-	-	**146 543**	-	3 577
ZAMCO buy-back portfolio	-	-	2 663	2 663	**2 663**	-	298
Loans and advances	2 005 746	12 688	13 662	26 350	**2 032 096**	558 818	49 581
Corporate	922 870	-	120	120	**922 990**	555 110	5 094
Agriculture	248 215	108	733	841	**249 056**	-	24 298
Retail	377 340	10 726	10 312	21 038	**398 378**	3 125	18 143
Consumer	457 321	1 854	2 497	4 351	**461 672**	583	2 046
Total	**6 375 582**	**12 688**	**16 325**	**29 013**	**6 404 595**	**558 818**	**53 456**
Inflation adjusted as at 31 December 2019							
Cash and bank balances	1 356 630	-	-	-	**1 356 630**	-	-
Amounts due from other banks	264 755	-	-	-	**264 755**	-	-
Financial assets at amortised cost	353 525	-	-	-	353 525	-	76
Financial assets at FVPL	1 821 087	-	-	-	**1 821 087**	-	-
Other financial assets	89 028	-	-	-	**89 028**	-	265
ZAMCO buy-back portfolio	-	-	40 575	-	**40 575**	-	665
Loans and advances	1 238 057	20 600	28 511	49 111	**1 287 168**	236 956	55 915
Corporate	477 682	-	2 531	2 531	**480 213**	198 979	3 570
Agriculture	109 737	2 046	3 732	5 778	**115 515**	23 088	24 173
Retail	204 304	12 794	18 440	31 234	**235 538**	14 031	18 478
Consumer	446 334	5 760	3 808	9 568	**455 902**	858	9 694
Total	**5 123 082**	**20 600**	**69 086**	**49 111**	**5 212 768**	**236 956**	**56 921**
Historical Cost as at 31 December 2019							
Cash and bank balances	302 201	-	-	-	**302 201**	-	-
Amounts due from other banks	59 020	-	-	-	**59 020**	-	-
Financial assets at amortised cost	78 809	-	-	-	**78 809**	-	17
Financial assets at FVPL	405 962	-	-	-	**405 962**	-	-
Other financial assets	19 436	-	-	-	**19 436**	-	59
ZAMCO buy-back portfolio	-	-	9 045	-	**9 045**	-	148
Loans and advances	275 991	4 592	6 356	10 948	**286 939**	52 774	12 465
Corporate	106 486	-	564	564	**107 051**	44 316	795
Agriculture	24 463	456	832	1 288	**25 751**	5 142	5 504
Retail	45 544	2 852	4 111	6 963	**52 506**	3 125	4 007
Consumer	99 498	1 284	849	2 133	**101 631**	191	2 159
Total	**1 141 419**	**4 592**	**15 401**	**10 948**	**1 161 412**	**52 774**	**12 689**

AVOID CARD CLONING

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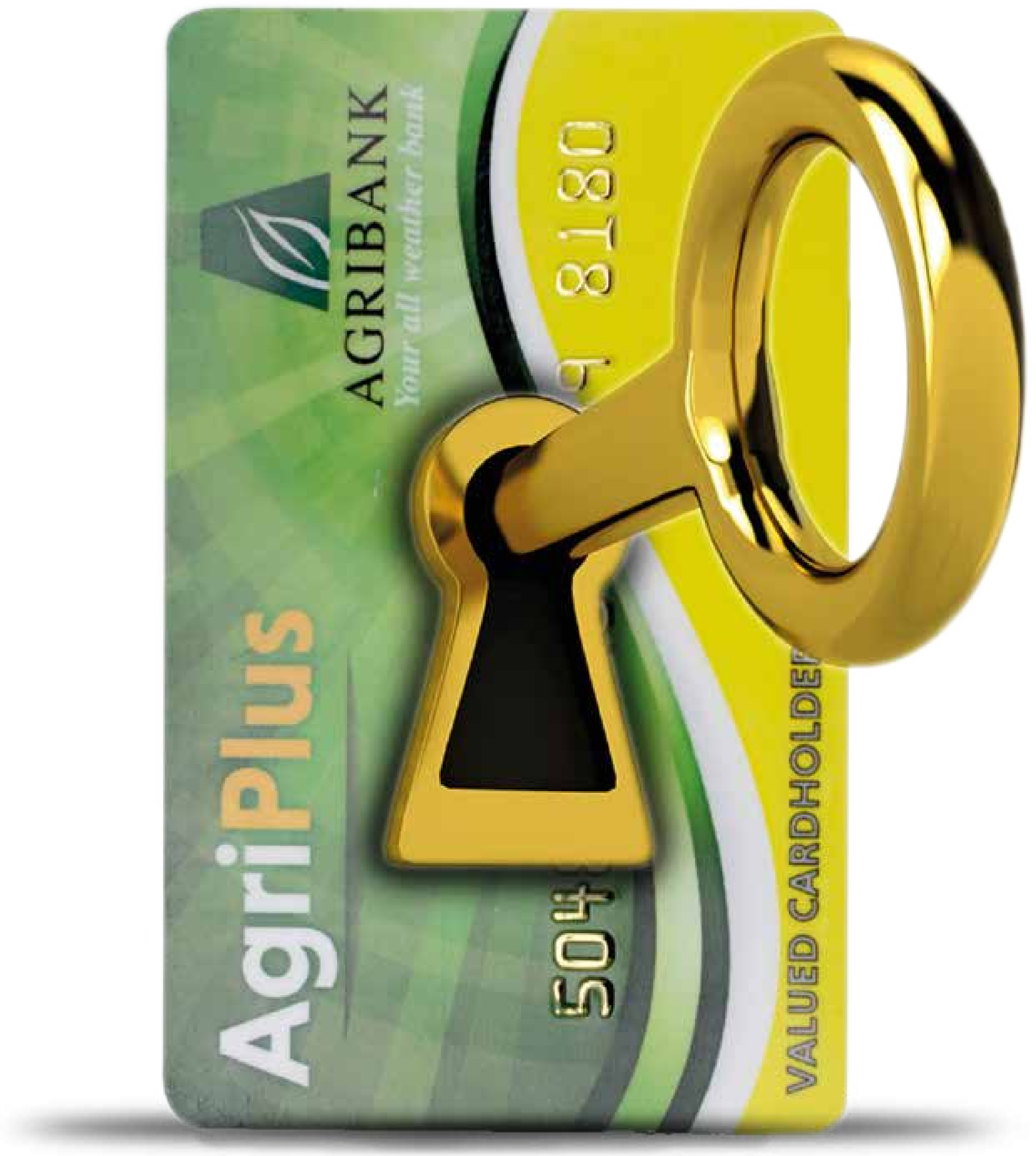

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Security Tips

- Ensure your credit/debit card is well secured
- Check for any tampering with ATMs
- Never give your credit/debit card to someone you don't know/trust
- Never reveal your PIN to anyone
- Never allow anyone close to you when transacting. Get assistance from security
- Activate SMS alerts with your bank to detect any transactions on your account
- Take note of change of PoS machines when transacting
- Regularly monitor or reconcile your bank statements to check for any unauthorized payments

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Credit quality of neither past due nor impaired financial assets

		INFLATION ADJUSTED		HISTORICAL COST	
	Credit rating	**2020 ZWL '000**	**2019 ZWL '000**	**2020 ZWL '000**	**2019 ZWL '000**
Cash and bank balances		1 425 046	1 355 630	1 425 046	302 201
Amounts due from other banks		605 733	264 755	605 733	59 020
Financial assets at amortised cost		78 327	353 525	78 327	78 809
Financial assets at fair value through profit & loss		2 114 187	1 821 087	2 114 187	405 962
Loans and advances to customers	A	2 032 096	1 287 168	2 032 096	286 939
Other financial assets		146 543	89 082	146 543	19 858
Total		**6 401 932**	**5 171 247**	**6 401 932**	**1 152 789**

The credit rating of the above financial assets has been determined using internal rating tools. According to the rating, class A loans and advances have a reasonable to extremely high prospect of repayment and no prospects of restructuring. The ungraded financial assets listed above are not subject to internal rating tools but meet the same criteria as defined for loans and advances classified as A grade.

Financial assets that are past due or impaired

Maturity analysis of financial assets that are past due and not impaired

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	**2019 ZWL'000**	**2020 ZWL'000**	**2019 ZWL'000**
Due between 1 month and 2 months	5 234	6 329	5 234	1 411
Due between 2 months and 3 months	7 454	14 271	7 454	3 181
Total	**12 688**	**20 600**	**12 688**	**4 592**

Individually impaired financial assets

	2020 ZWL'000	**2019 ZWL'000**	**2020 ZWL'000**	**2019 ZWL'000**
Gross individually impaired loans	16 325	69 086	16 325	15 401
- Less expected credit losses	(1 996)	(3 388)	(1 996)	(755)
Net individually impaired loans	**14 329**	**65 698**	**14 329**	**14 646**

These following factors were considered in determining whether the above financial assets were individually impaired:

- Significant financial difficulty of the issuer or obligor;
- Granting of concession by the Bank that it would not otherwise consider for economic or legal reasons relating to the borrower's financial difficulty;
- A breach of contract, such as a default or delinquency in interest or principal payments; and/or
- It becoming probable that the borrower will enter bankruptcy or other financial re-organisation.
  The collateral held on these loans is described below.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice.

(a) Collateral
The Bank implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation.

The principal collateral types for loans and advances are:
(i) Cash collateral;
(ii) Charges over assets financed;
(iii) Mortgages over residential and commercial properties;
(iv) Charges over business assets such as premises, inventory and accounts receivable; and
(v) Charges over financial instruments such as debt securities and equities.

In addition, in order to minimise credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured. No collateral is held for other financial assets other than loans and advances.

(b) Repossessed collateral
It is the bank's policy to dispose of repossessed assets in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the bank does not use repossessed assets for business purposes. Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans.

The assets are initially recognised at fair value when acquired and included in property and equipment other financial assets or other assets depending on their nature and the Bank's intention in respect of recovery of these assets, and are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets.

No collateral was re-possessed during the current year.

(c) Credit related commitments
The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans.

Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss of an amount equal to the total used commitments.

However, the likely amount of loss is less than the total used commitments, as most
commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

4.1.1.2 Liquidity risk
The responsibility for managing the overall liquidity risk of the Bank is delegated to the Assets and Liabilities Committee ("ALCO"), which reviews the Bank's liquidity position from time to time. ALCO recommends to the board, policies, guidelines and procedures under which the Bank manages statement of financial position growth, deposits, advances, foreign exchange activities and investments. The Bank has a comprehensive treasury risk management policy and procedure manual and an ALCO policy designed to ensure that the Bank maintains a consistent flow of funds and that all its obligations are met at a reasonable cost. The policy covers sources of the Bank's liquidity, liquid assets, borrowing capacity, liquidity maintenance plan, liquidity monitoring plan and quantitative targets. The Bank's treasury department manages the liquidity position of the Bank on a daily basis with guidance from ALCO.

The Bank employs all the critical elements regarded as fundamental in the management of liquidity; maintenance of a structurally sound statement of financial position with limited mismatches between anticipated inflows and outflows within different time buckets, diversification of funding sources and maintenance of a portfolio of liquid assets over and above prudential guidelines. The Bank uses the various measuring tools to measure and monitor liquidity risk.

Cash flow and maturity profile analysis
The Bank uses the cash flow and maturity mismatch analysis on both contractual and behavioural basis to assess its ability to meet immediate liquidity requirements and plan for its medium to long term liquidity profile.

Liquidity contingency plans
In line with the Bank's liquidity policy, liquidity contingency plans are in place in order to ensure a positive outcome in the event of a liquidity crisis. The plans clearly outline early warning indicators, which are supported by clear and decisive crisis response strategies. The crisis response strategies are created around the relevant crisis management structures, address both specific, and market crises. A comprehensive liquidity plan for liquidity risk management is in place. This plan details the course of action the Bank would take in the highly unlikely event of a run on the Bank. The Bank stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the loans to deposit ratio, which compares loans and advances to customers as a percentage of core customer current and savings accounts, together with term funding with a remaining term to maturity in excess of one year. Loans to customers that are part of reverse repurchase arrangements, and where the bank receives securities which are deemed to be liquid, are excluded from the loans to deposit ratio. Lines of credit are excluded from loans to deposit ratio computations.

Analysis of loans to deposit ratio

	2020	2019
As at 31 December	58%	51%
Maximum ratio for the year	70%	92%
Minimum ratio for the year	48%	48%
Average ratio for the year	62%	69%

Maturity analysis of assets and liabilities
The following table summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities. Repayments, which are subject to notice, are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history. When the amount payable is not fixed, the amount is determined by reference to the conditions existing at the reporting date.

LIQUIDITY GAP ANALYSIS
Contractual maturities of undiscounted cash flows of financial instruments

	INFLATION ADJUSTED					
	Up to 1 month ZWL'000	**1 month to 3 months ZWL'000**	**3 months to 1 year ZWL'000**	**1 year to 5 years ZWL'000**	**Above 5 years ZWL'000**	**Total ZWL'000**
As at 31 December 2020						
Assets						
Cash and bank balances	1 425 046	-	-	-	-	**1 425 046**
Amounts due from other banks	605 733	-	-	-	-	**605 733**
Financial assets at amortised cost	-	-	12 857	43 759	21 711	**78 327**
Financial assets at FVPL	-	-	2 114 187	-	-	**2 114 187**
Loans and advances	182 953	139 224	465 297	1 244 622	-	**2 032 096**
Other financial assets	146 543	-	-	-	-	**146 543**
	2 360 275	**139 224**	**2 592 341**	**1 288 381**	**21 711**	**6 401 932**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Liabilities						
Deposits due to other banks	1 859	-	-	-	-	**1 859**
Deposits from customers	2 698 170	284 018	568 035	-	-	**3 550 223**
Other financial liabilities	36 318	45 833	-	-	-	**82 151**
Lines of credit	-	2 217 811	-	-	-	**2 217 811**
	2 736 347	**2 547 662**	**568 035**	**-**	**-**	**5 852 044**
Liquidity gap	**(376 072)**	**(2 408 438)**	**2 024 306**	**1 288 381**	**21 711**	**549 888**
Cumulative liquidity gap	**(376 072)**	**(2 784 510)**	**(760 204)**	**528 177**	**549 888**	**549 888**

HISTORICAL COST

	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Above 5 years ZWL'000	Total ZWL'000
As at 31 December 2020						
Assets						
Cash and bank balances	1 425 046	-	-	-	-	**1 425 046**
Amounts due from other banks	605 733	-	-	-	-	**605 733**
Financial assets at amortised cost	-	-	12 857	43 759	21 711	**78 327**
Financial assets at FVPL	-	-	2 114 187	-	-	**2 114 187**
Loans and advances	182 953	139 224	465 297	1 244 622	-	**2 032 096**
Other financial assets	146 543	-	-	-	-	**146 543**
	2 360 275	**139 224**	**2 592 341**	**1 288 381**	**21 711**	**6 401 932**
Liabilities						
Deposits due to other banks	1 859	-	-	-	-	**1 859**
Deposits from customers	2 698 170	284 018	568 035	-	-	**3 550 223**
Other financial liabilities	36 318	45 833	-	-	-	**82 151**
Lines of credit	-	2 217 811	-	-	-	**2 217 811**
	2 736 347	**2 547 662**	**568 035**	**-**	**-**	**5 852 044**
Liquidity gap	**(376 072)**	**(2 408 438)**	**2 024 306**	**1 288 381**	**21 711**	**549 888**
Cumulative liquidity gap	**(376 072)**	**(2 784 510)**	**(760 204)**	**528 177**	**549 888**	**549 888**

INFLATION ADJUSTED

	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Above 5 years ZWL'000	Total ZWL'000
As at 31 December 2019						
Assets						
Cash and bank balances	1 355 630	-	-	-	-	**1 355 630**
Amounts due from other banks	264 755	-	-	-	-	**264 755**
Financial assets at amortised cost	-	-	45 617	18 949	288 959	**353 525**
Financial assets at FVPL	-	-	1 821 087	-	-	**1 821 087**
Loans and advances	115 888	88 187	294 725	788 367	-	**1 287 167**
Other financial assets	89 082	-	-	-	-	**89 082**
	1 825 355	**88 187**	**2 161 429**	**807 316**	**288 959**	**5 171 246**
Liabilities						
Deposits due to other banks	32 738	-	-	-	-	**32 738**
Deposits from customers	1 939 221	202 693	341 957	59 189	-	**2 543 060**
Other financial liabilities	64 547	13 650	-	-	-	**78 197**
Lines of credit	-	1 950 769	-	-	-	**1 950 769**
	2 036 506	**2 167 112**	**341 957**	**59 189**	**-**	**4 604 764**
Liquidity gap	**(211 151)**	**(2 078 925)**	**1 819 472**	**748 127**	**288 959**	**566 482**
Cumulative liquidity gap	**(211 151)**	**(2 290 076)**	**(470 604)**	**277 523**	**566 482**	**566 482**

HISTORICAL COST

	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Over 5 years ZWL'000	Total ZWL'000
As at 31 December 2019						
Assets						
Cash and bank balances	302 201	-	-	-	-	**302 201**
Amounts due from other banks	59 020	-	-	-	-	**59 020**
Financial assets at amortised cost	-	-	10 169	4 212	64 428	**78 809**
Financial assets at FVPL	-	-	405 962	-	-	**405 962**
Loans and advances	25 834	19 659	65 701	175 745	-	**286 939**
Other financial assets	19 436	-	-	-	-	**19 436**
	406 491	**19 659**	**481 832**	**179 957**	**64 428**	**1 152 367**
Liabilities						
Due to other banks	7 298	-	-	-	-	**7 298**
Deposits from customers	432 297	45 185	76 230	13 194	-	**566 906**
Other financial liabilities	14 389	3 043	-	-	-	**17 432**
Lines of credit	-	434 871	-	-	-	**434 871**
	453 984	**483 099**	**76 230**	**13 194**	**-**	**1 026 507**
Liquidity gap	**(47 493)**	**(463 440)**	**405 602**	**166 763**	**64 428**	**125 860**
Cumulative liquidity gap	**(47 493)**	**(510 933)**	**(105 331)**	**61 432**	**125 860**	**125 860**

The table below shows the contractual expiry by maturity of the bank's financial guarantees and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Contractual maturities of undiscounted cash flows of financial guarantees and commitments

INFLATION ADJUSTED

	1 month to 3 months ZWL'000	3 months to 1-year ZWL'000	Total ZWL'000
As at 31 December 2020			
Facility commitments approved but not drawn down	435 922	-	**435 922**
Financial guarantees	750	-	**750**
	436 672	**-**	**436 672**
Restated as at 31 December 2019			
Facility commitments approved but not drawn down	8 346	-	**8 346**
Financial guarantees	123	30	**153**
	8 469	**30**	**8 499**

HISTORICAL COST

	1 month to 3 months ZWL'000	3 months to 1-year ZWL'000	Total ZWL'000
As at 31 December 2020			
Facility commitments approved but not drawn down	435 922	-	**435 922**
Financial guarantees	750	-	**750**
	436 672	**-**	**436 672**
As at 31 December 2019			
Facility commitments approved but not drawn down	8 346	-	**8 346**
Financial guarantees	123	30	**153**
	8 469	**30**	**8 499**

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitments disclosed in the above maturity analysis, because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments may expire or terminate without being funded.

4.1.1.3 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate currency and equity products all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Market and foreign currency exposures related to dealing positions are housed and managed in the treasury department as guided by the treasury and international banking manual.

The risk department is responsible for monitoring of limits and pricing, thereby ensuring that any errors or unauthorised transactions are promptly identified.

(a) **Foreign exchange risk**

Foreign exchange risk is the potential adverse impact on earnings and economic value due to currency rate movements. The Bank takes an exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its statement of financial position and cash flows.

The Bank manages this risk by strict conformity to asset and liability management processes and requirements driven by the relevant management and board committees. These responsibilities include:

- Monitoring significant foreign exchange exposure; and
- Ensuring that foreign exchange transactions by the Bank comply with foreign exchange control regulations.

The bank analyses all foreign currency denominated commitments on an on-going basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Foreign exchange risk (continued)
The table below summarises the Bank's exposure to foreign currency exchange risk at the reporting date:

INFLATION ADJUSTED

	USD ZWL' 000 equivalent	ZAR ZWL' 000 equivalent	EUR ZWL' 000 equivalent	BWP ZWL' 000 equivalent	Other ZWL' 000 equivalent	Total ZWL' 000 equivalent
As at 31 December 2020						
Assets						
Cash and bank balances	649 837	21 034	3 748	680	1 355 480	**2 030 779**
Financial assets at fair value through profit and loss	2 114 187	-	-	-	-	**2 114 187**
Liabilities						
Deposits from customers	(1 151 251)	(17 166)	(679)	(10 868)	(2 370 259)	**(3 550 223)**
Deposits due to other banks	(1 859)	-	-	-	-	**(1 859)**
Lines of credit	(2 217 811)	-	-	-	-	**(2 217 811)**
Net currency position	**(606 897)**	**3 868**	**3 069**	**(10 188)**	**(1 014 779)**	**(1 624 927)**
As at 31 December 2019						
Assets						
Cash and bank balances	818 318	8 106	4 831	4 217	784 913	**1 620 385**
Financial assets at fair value through profit and loss	1 821 087	-	-	-	-	**1 821 087**
Liabilities						
Deposits due to other Banks	(32 738)	-	-	-	-	**(32 738)**
Deposits from customers	(150 413)	(8 312)	(4 163)	(767)	(2 379 405)	**(2 543 060)**
Lines of credit	(1 950 769)	-	-	-	-	**(1 950 769)**
Net currency position	**505 485**	**(206)**	**668**	**3 450**	**(1 594 492)**	**(1 085 095)**

HISTORICAL COST

	USD ZWL' 000 equivalent	ZAR ZWL' 000 equivalent	EUR ZWL' 000 equivalent	BWP ZWL' 000 equivalent	Other ZWL' 000 equivalent	Total ZWL' 000 equivalent
As at 31 December 2020						
Assets						
Cash and bank balances	649 837	21 034	3 748	680	1 355 480	**2 030 779**
Financial assets at fair value through profit and loss	2 114 187	-	-	-	-	**2 114 187**
Liabilities						
Deposits from customers	(1 151 251)	(17 166)	(679)	(10 868)	(2 370 259)	**(3 550 223)**
Deposits due to other banks	(1 859)	-	-	-	-	**(1 859)**
Lines of credit	(2 217 811)	-	-	-	-	**(2 217 811)**
Net currency position	**(606 897)**	**3 868**	**3 069**	**(10 188)**	**(1 014 779)**	**(1 624 927**
As at 31 December 2019						
Assets						
Cash and bank balances	182 424	1 807	1 077	940	174 973	**361 221**
Financial assets at fair value through profit or loss	405 962	-	-	-	-	**405 962**
Liabilities						
Deposits due to other banks	(7 298)	-	-	-	-	**(7 298)**
Deposits from customers	(33 531)	(1 853)	(928)	(171)	(530 423)	**(566 906)**
Lines of credit	(434 871)	-	-	-	-	**(434 871)**
Net currency position	**112 686**	**(46)**	**149**	**769**	**(355 450)**	**(241 892)**

The exposure was calculated only for monetary balances denominated in the different currencies. The bank's exposure to currency risk at the end of the reporting period is not representative of the typical exposure during the year. As is evident in the table above, the Bank is primarily exposed to the USD.

Conversion of foreign currency transactions and balances at interbank exchanges rates
The Bank used the interbank exchanges rates to convert foreign currency transactions and balances in the financial results. The interbank exchanges rates were determined by management as appropriate given that during this period the Bank can demonstrate transactions where customers were buying and selling foreign currency at interbank rates and the Bank also purchased foreign currency at interbank rates for its own use.

Sensitivity analysis
The following table presents sensitivities of profit or loss and equity to a 5% strengthening or weakening in exchange rates with all other variables held constant.

	USD ZWL' 000 Equivalent	ZAR ZWL' 000 equivalent	EUR ZWL' 000 equivalent	BWP ZWL' 000 equivalent	Other ZWL' 000 equivalent	Total ZWL' 000 equivalent
Inflation Adjusted as at 31 December 2020						
Foreign and exchange gain/ (loss)	5 526	179	32	6	211	**5 954**
% increase or decrease in exchange rates	5%	5%	5%	5%	5%	
Increase or decrease in profit or loss and equity	276	9	2	-	11	**298**
Inflation Adjusted as at 31 December 2019						
Foreign and exchange gain/ (loss)	0	(126)	13	9	(49)	(153)
increase or decrease in exchange rates	5%	5%	5%	5%	5%	
Increase or decrease in profit or loss and equity	-	(6)	1	0	(2)	**(7)**
Historical Cost as at 31 December 2020						
Foreign and exchange gain/ (loss)	5 526	179	32	6	211	**5 954**
% increase or decrease in exchange rates	5%	5%	5%	5%	5%	
Increase or decrease in profit or loss and equity	276	9	2	-	11	**298**
Historical Cost as at 31 December 2019						
Foreign and exchange gain/ (loss)	0	(28)	3	2	(11)	(34)
% increase or decrease in exchange rates	5%	5%	5%	5%	5%	
Increase or decrease in profit or loss and equity	-	(1)	0	0	(1)	**(2)**

There were no off-statement of financial position exposures that were denominated in foreign currency as at 31 December 2020 (2019: US $nil).

(b) Interest rate risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

Interest rate risk is managed through ALCO, which ensures that there is a well-designed strategy and policy. The bank reviews the interest rate risk on a monthly basis and through ALCO optimises the risk reward trade-off by:

- Assessing and optimally structuring the profile of the Bank's statement of financial position; and
- Effectively utilising capital.

The objective of interest rate risk management is to minimise exposure of earnings and equity to loss. The following interest rate risk management measurement and monitoring methods are used by the Bank:

- Repricing gap analysis;
- Interest rate spreads; and
- Interest margin analysis.

The table below summarises the bank's exposure to interest rate risk on financial and non-financial instruments. It includes the bank's financial instruments at carrying amounts categorised by earlier of contractual repricing or maturity dates.

INFLATION ADJUSTED AND HISTORICAL COST

	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Above 5 years ZWL'000	Non-interest bearing ZWL'000	Total ZWL'000
As at 31 December 2020							
Assets							
Cash and bank balances	1 425 046	-	-	-	-	-	**1 425 046**
Amounts due from other banks	605 733	-	-	-	-	-	**605 733**
Financial assets at amortised cost	-	-	12 857	43 759	21 711	-	**78 327**
Financial assets at FVPL	-	-	-	-	-	2 114 187	**2 114 187**
Loans and advances	182 953	139 224	465 297	1 244 622	-	-	**2 032 096**
Other financial assets	-	-	-	-	-	146 543	**146 543**
Total assets	**2 213 732**	**139 224**	**478 154**	**1 288 381**	**21 711**	**2 260 730**	**6 401 932**
Liabilities							
Deposits due to other banks	1 859	-	-	-	-	-	**1 859**
Deposits from customers	2 698 170	284 018	568 035	-	-	-	**3 550 223**
Lines of credit	-	2 217 811	-	-	-	-	**2 217 811**
Other financial liabilities	-	-	-	-	-	82 151	**82 151**
Total equity and liabilities	**2 700 029**	**2 501 829**	**568 035**	**-**	**-**	**82 151**	**5 852 044**
Interest rate repricing gap	**(486 297)**	**(2 362 605)**	**(89 881)**	**1 288 381**	**21 711**	**2 178 579**	**549 888**
Cumulative repricing gap	**(486 297)**	**(2 848 902)**	**(2 938 783)**	**(1 650 402)**	**(1 628 691)**	**549 888**	**549 888**

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INFLATION ADJUSTED

	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Above 5 years ZWL'000	Non-interest bearing ZWL'000	Total ZWL'000
As at 31 December 2019							
Assets							
Cash and bank balances	1 355 630	-	-	-	-	-	**1 355 630**
Amounts due from other banks	264 755	-	-	-	-	-	**264 755**
Financial assets at amortised cost	-	-	45 617	18 949	288 959	-	**353 525**
Financial assets at FVPL	-	-	-	-	-	1 821 087	**1 821 087**
Loans and advances	115 888	88 187	294 725	788 367	-	-	**1 287 167**
Other financial assets	-	-	-	-	-	89 082	**89 082**
Total assets	**1 736 273**	**88 187**	**340 342**	**807 316**	**288 959**	**1 910 169**	**5 171 246**
Liabilities							
Deposits due to other banks	32 738	-	-	-	-	-	**32 738**
Deposits from customers	1 939 221	202 693	341 957	59 189	-	-	**2 543 060**
Lines of credit	-	1 950 769	-	-	-	-	**1 950 769**
Other financial liabilities	-	-	-	-	-	78 197	**78 197**
Total equity and liabilities	**1 971 959**	**2 153 462**	**341 957**	**59 189**	**-**	**78 197**	**4 604 764**
Interest rate repricing gap	**(235 686)**	**(2 065 275)**	**(1 615)**	**748 127**	**288 959**	**1 831 972**	**566 482**
Cumulative repricing gap	**(235 686)**	**(2 300 961)**	**(2 302 576)**	**(1 554 449)**	**(1 265 490)**	**566 482**	**566 482**

HISTORICAL COST

	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Above 5 years ZWL'000	Non-interest bearing ZWL'000	Total ZWL'000
As at 31 December 2019							
Assets							
Cash and bank balances	302 201	-	-	-	-	-	**302 201**
Amounts due from other banks	59 020	-	-	-	-	-	**59 020**
Financial assets at amortised cost	-	-	10 169	4 212	64 428	-	**78 809**
Financial assets at FVPL	-	-	-	-	-	405 962	**405 962**
Loans and advances	25 834	19 659	65 701	175 745	-	-	**286 939**
Other financial assets	-	-	-	-	-	19 858	**19 858**
Total assets	**387 055**	**19 659**	**75 870**	**179 957**	**64 428**	**425 820**	**1 152 789**
Liabilities							
Deposits due to other banks	7 298	-	-	-	-	-	**7 298**
Deposits from customers	432 297	45 185	76 230	13 194	-	-	**566 906**
Lines of credit	-	434 871	-	-	-	-	**434 871**
Other financial liabilities	-	-	-	-	-	17 432	**17 432**
Total liabilities	**439 595**	**480 056**	**76 230**	**13 194**	**-**	**17 432**	**1 026 507**
Interest rate repricing gap	**(52 540)**	**(460 397)**	**(360)**	**166 763**	**64 428**	**408 388**	**126 282**
Cumulative repricing gap	**(52 540)**	**(512 937)**	**(513 297)**	**(346 534)**	**(282 106)**	**126 282**	**126 282**

Sensitivity analysis
The following table represents sensitivities of profit or loss and equity to a 5% strengthening or weakening in interest rates with all other variables held constant.

	% Increase or decrease in interest ZWL' 000	rates	Increase or decrease in profit or loss and equity ZWL' 000
Inflation adjusted as at 31 December 2020			
Interest income			
Interest income on loans and advances	410 412	5%	20 521
Interest income on Financial assets at amortised cost - ZAMCO TBs	8 500	5%	425
Interest income on Financial assets at amortised cost - CTBs	6 568	5%	328
Interest income on fixed deposits	1 820	5%	91
Interest income on bonds and debentures	112	5%	5
Total increase or decrease in profit or loss and equity			**21 370**

	% Increase or decrease in interest ZWL' 000	rates	Increase or decrease in profit or loss and equity ZWL' 000
Interest expense			
Interest expense on fixed deposits	120 587	5%	6 029
Interest expense on retail and savings accounts	2 086	5%	104
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	1 107	5%	55
Total increase or decrease in profit or loss and equity			**6 188**

	% Increase or decrease in interest ZWL' 000	rates	Increase or decrease in profit or loss and equity ZWL' 000
Historical cost as at 31 December 2020			
Interest income			
Interest income on loans and advances	285 523	5%	14 276
Interest income on Financial assets at amortised cost - ZAMCO TBs	2 271	5%	114
Interest income on Financial assets at amortised cost - CTBs	1 820	5%	91
Interest income on fixed deposits	3 788	5%	189
Interest income on bonds and debentures	46	5%	2
Total increase or decrease in profit or loss and equity			**14 672**

	% Increase or decrease in interest ZWL' 000	rates	Increase or decrease in profit or loss and equity ZWL' 000
Interest expense			
Interest expense on fixed deposits	77 517	5%	3 876
Interest expense on retail and savings accounts	563	5%	28
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	197	5%	10
Total increase or decrease in profit or loss and equity			**3 914**

	% Increase or decrease in interest ZWL' 000	rates	Increase or decrease in profit or loss and equity ZWL' 000
Interest Income			
Historical Cost adjusted as at 31 December 2019			
Interest income			
Interest income on loans and advances	32 620	5%	1 631
Interest income on Financial assets at amortised cost - ZAMCO TBs	2 193	5%	110
Interest income on Financial assets at amortised cost - CTBs	1 820	5%	91
Interest income on fixed deposits	314	5%	16
Interest income on bonds and debentures	276	5%	14
Total increase or decrease in profit or loss and equity			**1 862**
Interest expense			
Interest expense on fixed deposits	11 017	5%	551
Interest expense on retail and savings accounts	177	5%	9
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	2 542	5%	127
Interest expense on Reserve Bank of Zimbabwe ("Aftrades")	95	5%	5
Total increase or decrease in profit or loss and equity			**692**

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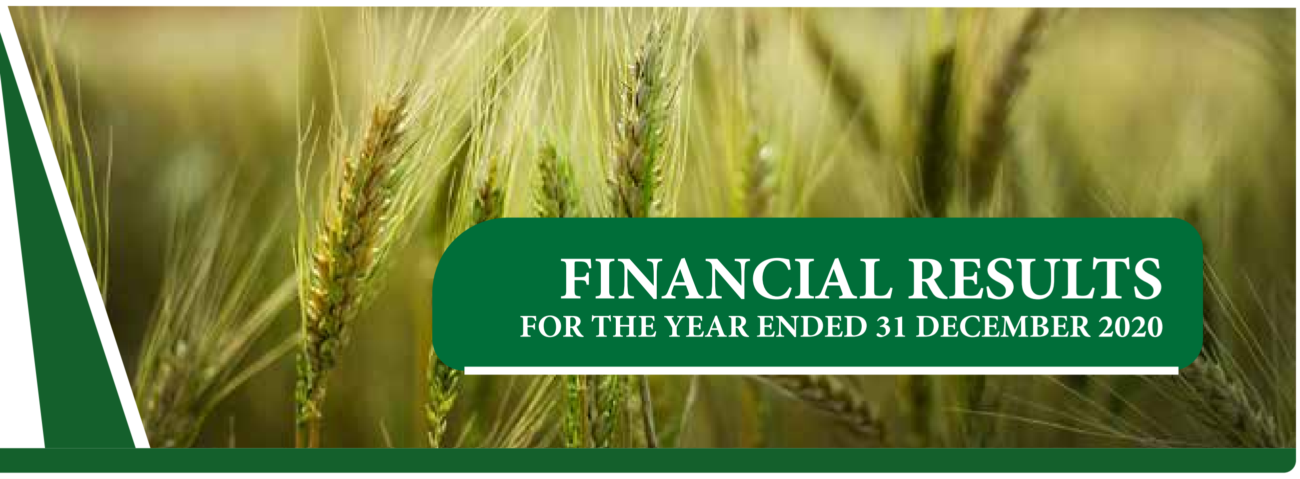

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	% Increase or decrease in interest ZWL' 000	rates	Increase or decrease in profit or loss and equity ZWL' 000
Historical cost as at 31 December 2019			
Interest income			
Interest income on loans and advances	32 620	5%	1 630
Interest income on financial assets at amortised cost - ZAMCO TBs	2 193	5%	110
Interest income on Financial assets at amortised cost - CTBs	1 820	5%	91
Interest income on fixed deposits	314	5%	16
Interest income on bonds and debentures	276	5%	14
Total increase or decrease in profit or loss and equity			**1 861**
Interest expense			
Interest expense on fixed deposits	(11 017)	5%	(551)
Interest expense on retail and savings accounts	(177)	5%	(9)
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	(2 542)	5%	(127)
Interest expense on Reserve Bank of Zimbabwe ("Aftrades")	(95)	5%	(5)
Total increase or decrease in profit or loss and equity			**(692)**

4.2 Capital risk management

Capital risk is the risk that the Bank is unable to maintain adequate levels of capital which could lead to an inability to support business activity, a failure to meet regulatory requirements and/or changes to credit ratings, which could also result in increased costs or reduced capacity to raise funding.

The Bank's strategic focus is to maintain an optimal mix of high quality capital, while continuing to generate sufficient capital to support economically profitable asset growth and the active management of the business portfolio.

The Bank's objectives when managing capital are:

- To comply with the capital requirements of the Reserve Bank of Zimbabwe;
- To safeguard the Bank's ability as a going concern so that it can continue to provide returns to share holders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Reserve Bank of Zimbabwe, for supervisory purposes.

The regulatory capital requirements are strictly observed when managing economic capital.
The banking regulatory capital is analysed into three tiers:

- **Tier 1** capital, which includes ordinary share capital and premium, retained earnings, non-distributable reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- **Tier 2** capital, which includes qualifying subordinated liabilities, revaluation reserve, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for- sale.
- **Tier 3** capital or market and operational risk capital includes market risk capital and operational risk capital. Operational risk includes legal risk. Market risk capital is allocated to the risk of losses on and off statement of financial position arising from movements in market prices.

Various limits are applied to elements of the capital base. The amount of capital qualifying for tier 2 capital cannot exceed tier 1 capital and the qualifying term subordinated loan capital may not exceed 50% of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include investment in the capital of other banks and certain other regulatory items.

The Bank's operations are categorised as either banking or trading book, and risk weighted assets are determined according to specified requirements that seek to reflect the varying levels or risk attached to assets and off statement of financial position exposures.

Capital adequacy ratio

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Share capital	467 719	467 719	12 108	12 108
Shareholder capital contribution	1 039 152	967 338	152 035	88 035
Share premium	2 630 120	2 630 120	68 087	68 087
IFRS adjustment on capitalization TBs	2 600	11 668	776	2 601
Accumulated (loss)/ profit	(3 009 932)	(2 862 421)	370 435	2 668
Tier 1 capital*	**1 129 659**	**1 214 424**	**603 441**	**173 499**
Revaluation reserve	746 818	335 950	244 165	74 891
General provisions	11 858	53 193	51 204	11 858
Tier 2 capital**	**758 676**	**389 143**	**295 369**	**86 749**
Market risk capital	14 490	64 994	33 301	14 489
Operational risk capital	11 490	53 193	84 410	11 490
Tier 3 capital	**25 980**	**118 187**	**117 711**	**25 979**
Total capital	**1 914 315**	**1 721 754**	**1 016 521**	**286 227**
Total risk weighted assets	**8 792 585**	**7 092 799**	**6 049 468**	**1 472 498**
Capital adequacy ratio	**21.77%**	**24.27%**	**16.80%**	**19.43%**
Tier 1	12.84 %	17.12%	9.97%	11.78%
Tier 2	8.63%	5.48%	4.88%	5.89%
Tier 3	0.3%	1.67%	1.95%	1.76%

* Tier 1 capital requirement should be a minimum of ZWL25 million.
** Tier 2 capital should not exceed 50% of Tier 1 capital.

The Zimbabwe Banking Act (Chapter 24:20) section 31 stipulates that capital adequacy ratio as calculated in historical cost terms should be a minimum of 12% of Tier 1 capital.
Included in Tier 1 capital as part of shareholder capital contribution are capitalisation treasury bills with a carrying amount of ZWL39.2 million (2019: ZWL37.4 million).

On 26 May 2015, the Bank received capitalisation treasury bills with a face value of US$30.0 million. The CTBs mature on 26 May 2025 and carry a coupon of 1% which is payable on maturity. On 8 December 2016, the Bank received further CTBs with a face value of US$10.0 million. The CTBs received in 2016 mature on 8 December 2026 and carry a coupon of 5% which is payable on maturity.

The face value of the treasury bills is accepted as prescribed equity capital by the Reserve Bank of Zimbabwe. IFRS requires all financial assets and financial liabilities to be recognised initially at fair value. Subsequent to initial recognition, IFRS requires financial assets at amortised cost to be subsequently measured using the effective interest rate method.

4.3 Regulatory Risk Rating

The Reserve Bank of Zimbabwe conducts regular offsite and onsite examinations of the institutions that it regulates. The following is the result of the last onsite examination:

AGRIBANK CAMELS RATINGS AS AT 31 MARCH 2017

CAMELS COMPONENT	RATING AS AT 31 MARCH 2017	
Capital	2	satisfactory
Asset Quality	3	fair
Management	3	fair
Earnings	3	fair
Liquidity	3	fair
Sensitivity to market risk	2	satisfactory
Composite rating	3	fair

OVERALL RATINGS
The composite CAMELS rating assigned to the Bank is "3" i.e. fair

In terms of the Risk Assessment System (RAS), the composite risk of the Bank was considered moderate on account of moderate aggregate inherent risk and acceptable overall risk management systems. The direction of the overall composite risk is stable:

SUMMARY RISK MATRIX

Type of risk	Level of aggregate inherent risk	Adequacy of risk management systems	Overall composite risk	Direction of overall composite risk
Credit	High	Acceptable	Moderate	Stable
Liquidity	High	Acceptable	Moderate	Stable
Interest rate	Moderate	Acceptable	Moderate	Stable
Foreign exchange	Low	Acceptable	Low	Stable
Operational	High	Acceptable	Moderate	Stable
Legal and compliance	Moderate	Acceptable	Moderate	Stable
Reputation	Moderate	Acceptable	Moderate	Stable
Strategic	Moderate	Acceptable	Moderate	Stable
Overall	Moderate	Acceptable	Moderate	Stable

Interpretation of risk matrix

Level of Inherent risk
Low - the probability of the risk occurring and the impact of loss to capital and earnings if the event occurs is lower than average. Losses in a functional area with low inherent risk would have little negative impact on the banking institution's financial condition.

Moderate - the probability of the risk occurring and the impact of loss to capital and earnings if the event occurs is average. It could reasonably have expected to result in a loss, which could be absorbed by a banking institution in the normal course of business.

High - the probability of the risk occurring and the impact of loss to capital and earnings if the event occurs is higher than average. High inherent risk could reasonably be expected to result in a significant

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and harmful loss to the banking institution

Weak - Management of risk is barely effective and lacking to a high degree. Risk management weaknesses have not been addressed. Management does not implement timely and appropriate actions in response to changing conditions. Bank personnel lack knowledge on risk management and are inexperienced. Management information systems are inadequate.

Acceptable - Management of risk is largely effective but lacking to some modest degree. The institution has minor risk management weaknesses which can be addressed during the normal course of business. Management information system are generally adequate.

Strong - Risk management systems are adequate for identifying, measuring, monitoring and controlling risks. Whilst the institution may be having some insignificant risk management weaknesses, these have been recognised and are being addressed. Management information systems are adequate.

Adequacy of risk management systems

Overall composite risk
Low - would be assigned to low inherent risk areas. Minor risk areas may be assigned a low composite risk where risk management systems are acceptable or strong. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong or very strong and effectively mitigate much of the risk.
Moderate - risk management systems appropriately mitigate inherent risk. For a given minor or low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong or very 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 banking institution.
High - risk management systems do not significantly mitigate the low, moderate, high or extreme inherent risk. The activity could potentially result in a financial loss that would have a significant impact on the bank's overall condition, even in some cases where systems are considered strong.
Direction of overall composite

Increasing - based on the current information, composite risk is expected to increase in the next 12 months.
Decreasing - based on the current information, composite risk is expected to decrease in the next 12 months.
Stable - based on the current information, composite risk is expected to be stable in the next 12 months.

5 FAIR VALUE ESTIMATION

Fair value of financial instruments not held at fair value
The disclosed fair values of these financial assets and financial liabilities measured at amortised cost approximate their carrying value because of their short term nature.

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Financial assets				
Cash and bank balances	1 425 046	1 355 632	1 425 046	302 201
Amounts due from other banks	605 733	264 756	605 733	59 020
Financial assets at amortized cost	78 327	353 525	78 327	78 809
Loans and advances to customers- gross	2 032 096	1 287 168	2 032 096	286 939
Other financial assets	146 533	89 082	146 533	19 858
	4 287 735	**3 350 163**	**4 287 735**	**746 827**
Financial liabilities				
Deposits due to other banks	1 859	32 738	1 859	7 298
Deposits from customers	3 550 223	2 543 060	3 550 223	566 906
Other financial liabilities	82 151	78 197	82 151	17 432
Lines of credit	2 217 811	1 950 769	2 217 811	434 871
	5 852 044	**4 604 764**	**5 852 044**	**1 026 507**

IFRS 13 "Fair value measurement" requires an entity to classify its assets and liabilities according to hierarchy that reflects the availability of observable significant market inputs. The table below analyses financial instruments carried at fair value, by valuation method. The three levels have been defined as follows:

Quoted market prices - Level 1

Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs - Level 2

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market either directly (that is, as prices) or indirectly (that is, derived from prices).

Valuation technique using significant and unobservable inputs - Level 3
Assets and liabilities are classified as level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs).

A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.The hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

The classification of assets and liabilities is based on the lowest level input that is significant to the fair value measurement in its entirety. The following table analyses the financial assets carried at fair value and at amortised cost:

Valuation technique using	Quoted Market Prices Level 1 ZWL'000	Observable inputs Level 2 ZWL'000	Significant unobservable inputs Level 3 ZWL'000	Total ZWL'000
Inflation Adjusted and Historical Cost				
As at 31 December 2020				
Fair Value Hierarchy of non-financial assets carried at fair value				
Land	-	-	303 106	**303 106**
Buildings	-	-	1 114 822	**1 114 822**
Investment properties	-	-	68 293	**68 293**
Non-financial assets at fair value	**-**	**-**	**1 486 221**	**1 486 221**
Fair Value Hierarchy of financial assets carried at fair value				
Financial assets at FVPL	-	-	**2 114 187**	**2 114 187**
Inflation Adjusted				
As at 31 December 2019				
Fair Value Hierarchy of non-financial assets carried at fair value				
Land	-	-	180 022	**180 022**
Buildings	-	-	1 158 190	**1 158 190**
Investment properties	-	-	71 554	**71 554**
Non-financial assets at fair value	**-**	**-**	**1 409 766**	**1 409 766**
Fair Value Hierarchy of financial assets carried at fair value				
Financial assets at FVPL	-	-	**1 821 087**	**1 821 087**
Historical Cost				
As at 31 December 2019				
Fair Value Hierarchy of non-financial assets carried at fair value				
Land	-	-	40 131	**40 131**
Buildings	-	-	258 187	**258 187**
Investment properties	-	-	15 951	**15 951**
Non-financial assets at fair value	**-**	**-**	**314 269**	**314 269**
Fair Value Hierarchy of financial assets carried at fair value				
Financial assets at FVPL	-	-	**405 962**	**405 962**

6 CASH AND BANK BALANCES

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Cash on hand	720 323	305 509	720 323	**68 105**
RBZ Current Account	650 630	992 087	650 630	**221 159**
RBZ Statutory Reserves	54 093	58 034	54 093	**12 937**
Amounts due from other banks	605 733	264 755	605 733	**59 020**
	2 030 779	**1 620 385**	**2 030 779**	**361 221**

Amounts due from other banks comprises current accounts and fixed placements held with other banks.

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7 FINANCIAL ASSETS

7.1 Financial assets at amortised cost

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	**2019 ZWL'000**	**2020 ZWL'000**	**2019 ZWL'000**
Treasury bills (TBs)	66 797	302 740	66 797	67 485
Deferred facility fees on ZAMCO TBs	309	1 983	309	442
Savings bonds	73	-	73	-
Fixed deposit placements	11 148	44 859	11 148	10 003
Fidelity Life bonds	-	1 884	-	420
Cairns Foods Limited debentures	-	2 059	-	459
	78 327	**353 525**	**78 327**	**78 809**

Reconciliation of financial assets at amortised cost

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	**2019 ZWL'000**	**2020 ZWL '000**	**2019 ZWL '000**
As at 1 January	353 526	425 694	78 809	94 897
Additions - ZAMCO treasury bills	-	39 749	-	8 861
ZAMCO deferred fees recognised during the year	(309)	(565)	(309)	(126)
Additions - Fixed deposit placements	11 000	44 858	11 000	10 000
Maturities	(284 645)	(165 174)	(9 928)	(36 821)
Accrued interest	148	18 329	148	4 086
Interest payments received	(1 393)	(9 366)	(1 393)	(2 088)
As at 31 December	**78 327**	**353 525**	**78 327**	**78 809**
Maturity analysis				
Due within 3 months to 1 year	12 847	45 617	12 847	10 169
Due between 1 year and 5 years	43 759	18 894	43 759	4 212
Due between 5 years and 10 years	16 969	197 369	16 969	43 998
Due between 10 years and 15 years	4 752	91 645	4 752	20 430
	78 327	**353 525**	**78 327**	**78 809**

7.2 Capitalisation treasury bills (CTBs)

On 26 May 2015, treasury bills with a maturity value of ZWL30 million were issued to the Bank as part of the recapitalisation by the shareholder. The treasury bills were issued at a coupon rate of 0.15% per annum maturing in ten years. Subsequent to year-end of 2015, the treasury bills were recalled and reissued on 26 February 2016 at a coupon rate of 1% per annum maturing in 10 years from the date of issue. Interest on the treasury bills is payable semi-annually. The Bank received additional CTBs in December 2016 with a face value of ZWL10 million. These CTBs mature on 7 December 2026 and carry a coupon of 5% which is payable on maturity The CTBs were discounted and recorded at a carrying amount of ZWL 39.2 million as at 31 December 2020 (2019: ZWL37.4 million). The CTBs have been classified as financial assets at amortised cost in terms of IFRS 9 - Financial Instruments Recognition and Measurement. Consequently, the asset is included in the statement of financial position at amortised cost, having been accounted for at fair value at initial recognition

7.2.1 ZAMCO treasury bills

Treasury bills were received as settlement for certain non-performing loans. The treasury bills were issued at coupon rates ranging between 2% to 5% per annum and maturing between 2 years and 15 years. The appropriate discounting of the treasury bills was applied in determining the fair value at initial recognition. The ZAMCO TBs were discounted and recorded at a carrying amount of ZWL 271 million as at 31 December 2020 (2019: ZWL31.5 million). The TBs have been classified as financial assets at amortised cost in terms of IFRS 9 - Financial Instruments Recognition and Measurement. Consequently, the asset is included in the statement of financial position at amortised cost, having been accounted for at fair value at initial recognition.

7.2.2 Fidelity Life bonds

Fidelity Life Bonds were received as settlement for certain non-performing loans and are redeemable in five equal instalments every 30th day of June. The first instalment of US$140 000 was received on 30 June 2018 and the last instalment was paid in 2020.

7.2.3 Cains Foods Limited debentures

The Bank received Cairns Foods Limited debentures as settlement for a non-performing loan on 30 September 2015 at a coupon rate of 5% payable bi-annually on the 30th day of September and 31st day of March with a tenor of sixty months from the date of allotment. The bond matured in 2020.

7.3 Financial assets at fair value through profit and loss

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL '000	**2019 ZWL '000**	**2020 ZWL '000**	**2019 ZWL '000**
	13 761	**10 910**	**13 761**	**2 432**
Investment in unquoted shares	10 910	3 943	2 432	142
Fair value gain- unquoted shares	2 851	6 967	11 329	2 290
	2 100 426	**1 810 177**	**2 100 426**	**403 530**
Embedded derivative (IDC legacy debt)	1 821 087	1 834 468	2 185 277	408 945
Exchange gains / (losses)	279 339	(24 291)	(84 851)	(5 415)
	2 114 187	**1 821 087**	**2 114 187**	**405 962**

The Bank undertook an investment in SWIFT shares of 24 shares worth ZWL13 760 000 as at 31 December 2020 (2019: ZWL 2 432 000). These shares are unquoted and the fair value is based on SWIFT confirmation.

7.4 Embedded derivative (IDC Legacy debt)

The Bank recognised a financial asset of ZWL 2.1 billion that relates to the Reserve Bank of Zimbabwe ("RBZ") funding the Bank's foreign liability funding gap that arose after separation of RTGS and foreign currency balances by the Reserve Bank of Zimbabwe. The arrangement with the RBZ was determined in accordance with IFRS 9 to contain an embedded derivative which is recognised at fair value through profit or loss, any gains or losses will be recognised in profit or loss The fair value of the financial asset on initial recognition was determined as the anticipated US$ amount receivable translated at the closing exchange rate. Subsequently the financial asset was re-measured taking into account the movement in the exchange rates.

As at the date of this report the Bank had received US$ 1 000 000 funding from the RBZ with respect to the foreign liability. The Directors believe that the Bank will fully recover the ZWL amount paid to the Reserve Bank in US$ at a rate of 1:1 from this arrangement.

8 LOANS AND ADVANCES

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	**2019 ZWL'000**	**2020 ZWL'000**	**2019 ZWL'000**
Loans	1 650 631	1 192 167	1 650 631	265 761
Overdrafts	381 465	95 001	381 465	21 178
Gross loans and advances	**2 032 096**	**1 287 168**	**2 032 096**	**286 939**
Allowance for expected credit losses	(49 879)	(56 921)	(49 879)	(12 689)
Suspended interest	(13 316)	(26 022)	(13 316)	(5 801)
Net loans and advances	**1 968 901**	**1 204 225**	**1 968 901**	**268 449**
8.1 **Maturity analysis**				
Due within 1 month	182 953	115 886	182 953	25 834
Due between 1 month and 3 months	139 224	88 187	139 224	19 659
Due between 3 months and 1 year	465 297	294 728	465 297	65 701
Due between 1 year and 5 years	1 244 622	788 367	1 244 622	175 745
	2 032 096	**1 287 168**	**2 032 096**	**286 939**

8.2 Non-performing loans

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	**2019 ZWL'000**	**2020 ZWL'000**	**2019 ZWL'000**
Included in the loans and advances are the following:				
Gross non-performing loans	53 456	92 054	53 456	20 521
Expected credit losses on non-performing loans and advances	(1 698)	(1 862)	(1 698)	(415)
Suspended interest on non-performing loans and advances	(13 316)	(26 021)	(13 316)	(5 801)
Net non-performing loans	**38 442**	**64 171**	**38 442**	**14 305**

8.3 Sectoral analysis of loans and advances

	INFLATION ADJUSTED			
	2020 ZWL'000	**2020 %**	**2019 ZWL'000**	**2019 %**
Individuals	692 976	34.1	584 534	45.41
Agriculture	1 174 454	57.8	480 292	37.31
Manufacturing	107 727	5.3	50 031	3.89
Communication	40	0.0	242	0.02
Construction	3 066	0.2	1 095	0.09
Transport	185	0.0	242	0.02
Services	18 337	0.9	96 706	7.51
Mining	1 876	0.1	7 177	0.56
Distribution	33 435	1.6	66 849	5.19
	2 032 096	**100%**	**1 287 168**	**100%**

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	HISTORICAL COST			
	2020 ZWL'000	2020 %	2019 ZWL'000	2019 %
Individuals	692 976	34.1	130 306	45.41%
Agriculture	1 174 454	57.8	107 068	37.31%
Manufacturing	107 727	5.3	11 153	3.89%
Communication	40	0.0	54	0.02%
Construction	3 066	0.2	244	0.09%
Transport	185	0.0	54	0.02%
Services	18 337	0.9	21 558	7.51%
Mining	1 876	0.1	1 600	0.56%
Distribution	33 435	1.6	14 902	5.19%
	2 032 096	**100%**	**286 939**	**100%**

8.4 Movement in expected credit losses

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Carrying amount as at 1 January	**56 921**	**223 095**	**12 689**	**8 007**
Expected credit losses for the year	132 826	60 086	98 769	9 229
Amounts written off during the year as uncollectible	(136 291)	(232 260)	(58 002)	(4 547)
Carrying amount as at 31 December	**53 456**	**56 921**	**53 456**	**12 689**
The expected credit losses consists of the following:				
Loans and advances	49 879	56 921	49 879	12 689
Sundry debtors	3 577	-	3 577	-
	53 456	**56 921**	**53 456**	**12 689**

9 OTHER ASSETS

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Equipment in transit	-	3 714	-	777
Rent receivable	3 912	1 141	3 912	254
Prepayments*	56 931	83 038	38 238	13 112
Consumables*	69 151	11 843	30 975	693
Sundry debtors	24 998	10 614	24 998	2 366
Security deposits	117 633	77 336	117 633	17 240
Expected credit loss	(3 577)	-	(3 577)	-
	269 048	**187 686**	**212 179**	**34 442**

*consists of non-monetary items

10 INVESTMENT PROPERTIES

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Carrying amount as at 1 January	71 554	-	15 951	-
Reclassification from PPE	-	2 764	-	616
Additions	-	15 597	-	3 477
Fair value (loss) / gain	(3 261)	53 193	52 342	11 858
Carrying amount as at 31 December	**68 293**	**71 554**	**68 293**	**15 951**

The fair value of the Bank's investment properties at 31 December 2020 has been arrived at on the basis of a valuation carried out by Seeff Properties, independent valuers. The valuation conforms to International Valuation Standards. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. If investment properties were carried at historical cost the carrying amount would be ZWL 4 093 000.

11 PROPERTY AND EQUIPMENT

INFLATION ADJUSTED

	Land ZWL'000	Buildings ZWL '000	Motor vehicles ZWL '000	Computer equipment ZWL '000	Equipment & Machinery ZWL '000	Fixtures and fittings ZWL'000	Office Equipment & Furniture ZWL '000	Work-in-progress ZWL'000	Total ZWL '000
Carrying amount as at 1 January 2019	**116 592**	**621 381**	**42 753**	**62 301**	-	**46 589**	**111 699**	-	**1 001 315**
Reclassification to investment properties	-	(2 762)	-	-	-	-	-	-	**(2 762)**
Revaluation surplus	62 847	548 373	-	-	-	-	-	-	**611 220**
Additions	583	4 943	28 634	16 687	-	16 137	13 369	74 937	**155 290**
Disposals – cost	-	-	(3 267)	(418)	-	(21)	(74)	-	**(3 780)**
Disposals – accumulated depreciation	-	-	3 266	417	-	6	59	-	**3 748**
Depreciation charge	-	(13 745)	(18 677)	(29 901)	-	(9 113)	(24 482)	-	**(95 918)**
Carrying amount as at 31 December 2019	**180 022**	**1 158 190**	**52 709**	**49 086**	-	**53 598**	**100 571**	**74 937**	**1 669 113**
Revaluation surplus	123 084	(99 027)	-	-	-	-	-	-	**24 057**
`Additions	-	5 008	413	130 023	1 261	12 316	34 161	-	**183 182**
Capitalisation	-	-	-	-	607 226	-	-	-	**607 226**
Reclassification	-	74 313	-	-	-	624	-	(74 937)	-
Disposal	-	-	(7 560)	(21 609)	-	(2 040)	(8 965)	-	**(40 174)**
Disposals – accumulated depreciation	-	-	6 142	21 508	-	1 557	7 773	-	**36 980**
Depreciation charge	-	(23 662)	(23 740)	(39 045)	(7 648)	(11 618)	(27 911)	-	**(133 624)**
Carrying amount as at 31 December 2020	**303 106**	**1 114 822**	**27 964**	**139 963**	**600 839**	**54 437**	**105 629**	-	**2 346 760**
As at 31 December 2019									
Cost or revalued amount	180 022	1 158 190	127 421	156 212	-	71 411	199 664	74 937	**1 967 857**
Accumulated depreciation	-	-	(74 712)	(107 126)	-	(17 813)	(99 093)	-	**(298 744)**
Carrying amount	**180 022**	**1 158 190**	**52 709**	**49 086**	-	**53 598**	**100 571**	**74 937**	**1 669 113**
As at 31 December 2020									
Cost or revalued amount	303 106	1 114 822	120 274	264 627	608 487	82 310	224 860	-	**2 718 486**
Accumulated depreciation	-	-	(92 310)	(124 664)	(7 648)	(27 873)	(119 231)	-	**(371 726)**
Carrying amount	**303 106**	**1 114 822**	**27 964**	**139 963**	**600 839**	**54 437**	**105 629**	-	**2 346 760**

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11. PROPERTY AND EQUIPMENT (CONTINUED)

HISTORICAL COST

	Land ZWL'000	Buildings ZWL '000	Motor vehicles ZWL '000	Computer equipment ZWL '000	Machinery ZWL '000	Fixtures and fittings ZWL'000	Office Equipment & Furniture ZWL '000	Work-in-progress ZWL'000	Total ZWL '000
Carrying amount as at 1 January 2019	**3 020**	**16 086**	**1 106**	**1 265**	**-**	**1 236**	**2 886**	**-**	**25 599**
Reclassification to investment properties	-	(616)	-	-	-	-	-	-	**(616)**
Revaluation Surplus	36 981	242 940	-	-	-	-	-	-	**279 921**
Additions	130	194	4 663	1 642	-	1 924	1 059	3 497	**13 109**
Disposals – cost	-	-	(98)	(11)	-	(1)	(2)	-	**(112)**
Disposals – accumulated depreciation	-	-	98	11	-	1	2	-	**112**
Depreciation charge	-	(417)	(713)	(675)	-	(352)	(771)	-	**(2 928)**
Carrying amount as at 31 December 2019	**40 131**	**258 187**	**5 056**	**2 232**	**-**	**2 808**	**3 174**	**3 497**	**315 085**
Revaluation surplus	262 975	848 908	-	-		-	-	-	**1 111 883**
Additions	-	4 259	413	116 636	1 228	7 998	23 589	-	**154 123**
Capitalisation	-	-	-	-	563 065	-	-	-	**563 065**
Reclassification	-	3 469	-	-	-	28	-	(3 497)	-
Disposals – cost	-	-	(196)	(561)	-	(53)	(258)	-	**(1 068)**
Disposals – accumulated depreciation	-	-	159	557	-	40	209	-	**965**
Depreciation charge		-	(1 537)	(5 034)	(6 910)	(1 432)	(2 353)	-	**(17 266)**
Carrying amount as at 31 December 2020	**303 106**	**1 114 823**	**3 895**	**113 830**	**557 383**	**9 389**	**24 361**	**-**	**2 126 787**
As at 31 December 2019									
Cost or revalued amount	40 131	260 220	7 206	5 300	-	3 387	5 908	3 497	**325 649**
Accumulated depreciation	-	(2 033)	(2 150)	(3 068)	-	(579)	(2 734)	-	**(10 564)**
Carrying amount	**40 131**	**258 187**	**5 056**	**2 232**	**-**	**2 808**	**3 174**	**3 497**	**315 085**
As at 31 December 2020									
Cost or revalued amount	303 106	1 114 823	7 423	121 262	564 293	11 359	29 239	-	**2 151 505**
Accumulated depreciation	-	-	(3 528)	(7 432)	(6 910)	(1 970)	(4 878)	-	**(24 718)**
Carrying amount as at 31 December 2020	**303 106**	**1 114 823**	**3 895**	**113 830**	**557 383**	**9 389**	**24 361**	**-**	**2 126 787**

*Included in machinery and equipment is capital contribution from the Government of Zimbabwe in form of mechanisation equipment such as combine harvesters and tractors. The fair value at initial contribution was ZWL 563million.

If land, buildings, furniture, fixtures and fittings were stated at historical cost, their carrying amounts would be as follows:

	Fixtures & fittings		Furniture		Land & buildings	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Cost	11 385	3 387	2 983	950	24 230	18 398
Accumulated depreciation	(1 935)	(735)	(559)	(254)	(2 101)	(1 985)
Carrying amount	**9 450**	**2 652**	**2 424**	**696**	**22 129**	**16 413**

The fair value of the Bank's property and equipment at 31 December 2020 has been arrived at on the basis of a valuation carried out by Seeff Properties independent valuers. The valuation conforms to International Valuation Standards. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

12 INTANGIBLE ASSETS

INFLATION ADJUSTED

	Work in Progress ZWL '000	Computer Software ZWL '000	Total ZWL '000
Carrying amount as at 1 January 2019	**138 942**	**32 395**	**171 337**
Additions	215 187	4 552	**219 739**
Reclassification from work-in-progress	(297)	297	-
Amortisation charge	-	(27 366)	**(27 366)**
Carrying amount as at 1 January 2020	**353 832**	**9 878**	**363 710**
Additions	86 396	1 937	**88 333**
Reclassification from work-in-progress	(365 995)	363 986	**(2 009)**
Amortisation charge	-	(100 918)	**(100 918)**
Carrying amount as at 31 December 2020	**74 233**	**274 883**	**349 116**
Cost	353 832	140 514	**494 346**
Accumulated amortisation	-	(130 636)	**(130 636)**
Carrying amount as at 31 December 2019	**353 832**	**9 878**	**363 710**
Cost	74 233	506 437	**580 670**
Accumulated amortisation	-	(231 554)	**(231 554)**
Carrying amount as at 31 December 2020	**74 233**	**274 883**	**349 116**

Work in progress comprises the T24 core banking system upgrade and other ICT projects.

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12 INTANGIBLE ASSETS (continued)

	HISTORICAL COST		
	Work in Progress ZWL '000	Computer Software ZWL '000	Total ZWL '000
Carrying amount as at 1 January 2019	**4 962**	**893**	**5 855**
Additions	22 972	741	**23 713**
Reclassification from work-in-progress	(66)	66	-
Amortisation charge	-	(513)	**(513)**
Carrying amount as at 31 December 2020	**27 868**	**1 187**	**29 055**
Additions	63 327	1 917	**65 244**
Reclassification from work-in-progress	(31 459)	31 019	**(440)**
Amortisation charge	-	(6 816)	**(6 816)**
Carrying amount as at 31 December 2020	**59 736**	**27 307**	**87 043**
Cost	27 869	4 375	**32 244**
Accumulated amortisation	-	(3 189)	**(3 189)**
Carrying amount as at 31 December 2019	**27 869**	**1 186**	**29 055**
Cost	59 736	37 386	**97 122**
Accumulated amortisation	-	(10 079)	**(10 079)**
Carrying amount as at 31 December 2020	**59 736**	**27 307**	**87 043**

Work in progress comprises the T24 core banking system upgrade and other ICT projects.

13 LEASES

13.1 Right-of-use assets

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Balance at 1 January	37 832	43 182	1 939	894
Additions	43 009	3 605	25 079	1 220
Depreciation	(17 069)	(8 955)	(4 594)	(175)
Right-of-use at 31 December	**63 772**	**37 832**	**22 424**	**1 939**
Cost	**89 796**	**46 786**	**27 194**	**2 114**
Accumulated amortisation	(26 024)	(8 954)	(4 770)	(175)
	63 722	**37 832**	**22 424**	**1 939**

The Bank leases several buildings in Zimbabwe as offices and residential property for its employees. The average lease term is 5 years (2019: 5 years).

13.2 Lease liability

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Balance at 1 January	9 012	9 483	2 009	2 114
Interest expense	18 905	471	25 908	105
Repayments	(4 019)	(942)	(4 019)	(210)
Balance at 31 December	**23 898**	**9 012**	**23 898**	**2 009**
Maturity analysis				
Due between 2 years and 5 years	**23 898**	**9 012**	**-**	**2 009**

When measuring lease liabilities for leases that were classified as operating leases, the Bank discounted lease payments using its incremental borrowing rate at 1 January 2020. The weighted average rate applied was 25%.

14 SHARE CAPITAL

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Issued and fully paid				
Ordinary shares of ZWL1.00 each	**467 719**	**467 719**	**12 108**	**12 108**

The unissued share capital is under the control of the directors' subject to the limitations of the Companies and other Business Entities Act (Chapter 24:31)

15 SHAREHOLDER CAPITAL CONTRIBUTION

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Shareholder capital contribution awaiting allotment	967 337	449 700	88 035	13 035
Received during the year	71 815	517 638	64 000	75 000
	1 039 152	**967 338**	**152 035**	**88 035**

This amount represents contribution by shareholders to increase share capital. The capital contribution has not yet been allotted (refer to Statement of changes in equity for the movement).

16 DEPOSITS DUE TO OTHER BANKS

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Term deposits held with other banks	**1 859**	**32 738**	**1 859**	**7 298**
Maturity analysis				
Due within 1 month	**1 859**	**32 738**	**1 859**	**7 298**

All deposits from banks are fixed-interest rate deposits with interest rates ranging between 7% and 12%.

17 DEPOSITS FROM CUSTOMERS

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Demand deposits	2 780 956	1 369 590	2 780 956	305 313
Savings accounts	177 489	126 222	177 489	28 138
Term deposits	592 386	1 048 844	592 386	233 811
Deferred Agro-bills arrangement fees	(608)	(1 596)	(608)	(356)
	3 550 223	**2 543 060**	**3 550 223**	**566 906**
Maturity analysis				
Due within 1 month	2 698 170	1 939 221	2 698 170	432 297
Due between 1 month and 3 months	284 018	202 693	284 018	45 185
Due between 3 months and 1 year	568 035	401 146	568 035	89 424
	3 550 223	**2 543 060**	**3 550 223**	**566 906**

18 OTHER LIABILITIES

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Provision for leave pay (note 18.1.1)	9 596	4 266	9 596	951
Accrued expenses	25 503	12 480	25 503	2 782
Sundry creditors	11 511	5 764	11 511	1 285
Current tax liability	10 355	-	10 355	-
Audit fees	4 891	513	4 891	114
Medical aid, Pension, Standards and Manpower levies	-	383	-	86
Withholding and other taxes	59 827	33 065	59 827	7 371
Unclaimed deposits	100	722	100	161
Provision for long service awards (note 18.1.2)	5 562	3 957	5 562	882
Provision for bonus (note 18.1.3)	17 785	3 809	17 785	849
Zimbabwe Asset Management (ZAMCO) collections payable	9 169	10 491	9 169	2 339
	154 299	**75 450**	**154 299**	**16 820**

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18.1.1 Provision for leave pay

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
As at 1 January	4 266	9 891	951	355
Provision for leave pay charge	20 329	7 913	9 045	764
Provision for leave pay utilized	(14 999)	(13 538)	(400)	(168)
As at 31 December	**9 596**	**4 266**	**9 596**	**951**

18.1.2 Provision for long service award

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
As at 1 January	882	184	882	41
Provision for long service charge	7 767	4 629	7 767	1 032
Provision for long service utilized	(3 087)	(856)	(3 087)	(191)
As at 31 December	**5 562**	**3 957**	**5 562**	**882**

18.1.3 Provision for bonus

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
As at 1 January	3 808	1 193	849	266
Provision for bonus charge	25 478	10 609	25 478	2 365
Provision for bonus utilized	(11 501)	(7 993)	(8 542)	(1 782)
As at 31 December	**17 785**	**3 809**	**17 785**	**849**

19 DEFERRED INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Deferred income	**38 597**	**181 197**	**38 597**	**7 198**
Maturity analysis				
Due within 1 month	3 474	14 552	3 474	614
Due between 1 month and 3 months	5 018	22 555	5 018	951
Due between 3 months and 1 year	3 474	15 786	3 474	666
Due between 1 year and 5 years	26 631	128 304	26 631	4 967
	38 597	**181 197**	**38 597**	**7 198**

19.1 Movement in deferred income

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
As at 1 January	181 197	108 181	7 198	3 883
Fair value adjustment	(173 999)	-	-	-
Income deferred during the year	38 597	103 134	38 597	4 590
Income realised during the year	(7 198)	(30 118)	(7 198)	(1 275)
As at 31 December	**38 597**	**181 197**	**38 597**	**7 198**

Deferred income relates to establishment and drawdown fees charged to customers on loans and advances which mature subsequent to the reporting period.

20 LINES OF CREDIT

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Industrial Development Corporation of South Africa ("IDCSA")	2 217 811	1 950 769	2 217 811	434 871
Total	**2 217 811**	**1 950 769**	**2 217 811**	**434 871**
Maturity analysis				
Due between 1 month and 3 months	2 217 811	1 950 769	2 217 811	434 871
	2 217 811	**1 950 769**	**2 217 811**	**434 871**
Analysis of lines of credit				
Carrying amount as at 1 January	1 950 769	146 880	434 871	32 743
Interest accrued during the year:	4 411	13 722	2 191	3 059
Industrial Development Corporation of South Africa ("IDCSA")	4 411	13 292	2 191	2 963
Reserve Bank of Zimbabwe (Aftrades)	-	430	-	96
Re-measurement of IDC Legacy debt to fair value	263 631	1 834 469	1 781 749	408 945
Deferred upfront and raising fees movement	-	1 507	-	336
Cash flows made during the year	(1 000)	(45 809)	(1 000)	(10 212)
Capital repayments	-	(44 858)	-	(10 000)
Interest repayments	(1 000)	(951)	(1 000)	(212)
Carrying amount as at 31 December	**2 217 811**	**1 950 769**	**2 217 811**	**434 871**

As at 31 December 2020, the Bank had an outstanding foreign debt of USD27 117 043 due to IDCSA. The Bank registered the IDCSA` legacy debt with the Reserve Bank of Zimbabwe (RBZ), under the provisions of the Monetary Policy of February 2019 Section 2; 1iv which was approved. The Bank paid the ZWL equivalent at USD1: ZWL1 then amounting to $25 604 239 and recorded this amount as a receivable due from RBZ and credited RBZ Bank account. During 2020 the Bank successfully registered interest that was accruing on the foreign debt to the tune of $1 462 489 as a legacy debt. The arrangement is such that when the foreign currency is available, RBZ will pay the foreign currency obligation to IDCSA on behalf of the Bank. The lender may declare that all or part of the facility together with accrued interest and all other amounts accrued be immediately due and payable, however, as at the reporting date, the lender had been repaid US$1 000 000 in part settlement of the amount due.

At year-end, the total overdue instalments and accrued interest amounted to US$ 27.1 million (2019: US$25.9million). The inability to settle loan obligations was as a result of lack of foreign currency. As at the date of this report, the Lender has not called on the interest accrued and the principal due.

The Directors are in the process of finalising a restructuring agreement of the loan with IDC South Africa. If approved the loan is expected to be fully paid by September 2025.

21 TAXATION

21.1 Income tax expense

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Current tax	172 118	-	56 020	-
Deferred tax	196 685	150 805	127 893	14 838
Income tax expense	**368 803**	**150 805**	**183 913**	**14 838**
Tax rate reconciliation				
Accounting profit	238 967	(1 843 681)	569 056	47 962
Notional taxation on income for the year at a statutory rate of 24.72% (2019: 25.75%)	59 120	-	140 841	12 350
Tax effect of non-taxable/non-deductible items:				
Expenses not deductible for tax purposes	281 576	168 811	14 137	6 502
Assessed loss not claimed	32 670	-	32 925	-
Exempt income	(4 092)	(18 006)	(4 092)	(4 014)
Other tax adjustments	(471)	-	102	-
	368 803	**150 805**	**183 913**	**14 838**

21.2 Deferred tax

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Assessed losses	-	146 782	-	10 956
Deferred tax asset as at 31 December	**-**	**146 782**	**-**	**10 956**
Property and equipment	497 133	308 896	127 353	5 462
Deferred tax on revaluation	42 383	137 359	224 348	61 906
Unrealised exchange gains	163 153	168 639	112 545	21 174
Provisions	(69 171)	(12 973)	(35 733)	(1 316)
Deferred tax liability as at 31 December	**633 498**	**601 921**	**428 513**	**87 226**
Net deferred tax liability	**633 498**	**455 139**	**428 513**	**76 270**

The movement in deferred tax assets and liabilities during the year, taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Net carrying amount as at 1 January	455 139	166 975	76 270	(475)
Charge/ (credit) to profit or loss	196 685	150 805	127 893	14 838
Tax charge relating to components of other comprehensive income	(18 326)	137 359	224 350	61 907
Net deferred tax liability	**633 498**	**455 139**	**428 513**	**76 270**

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22 INTEREST AND SIMILAR INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Interest income on loans and advances to customers	410 412	375 430	285 523	32 620
Interest income on financial assets at amortized cost	8 500	62 824	4 138	4 289
Interest income on ZAMCO treasury bills	6 568	48 524	2 271	2 193
Interest income on capitalisation treasury bills	1 820	8 164	1 820	1 820
Interest income on bonds and debentures	112	6 136	47	276
Amortisation of deferred facility fees on ZAMCO treasury bills	(264)	(1 852)	(138)	(126)
Interest income on fixed deposits	9 364	5 540	3 788	314
Management and establishment fees	100 653	131 835	68 042	9 929
	528 665	**573 777**	**361 353**	**47 026**

23 INTEREST EXPENSE & SIMILAR CHARGES

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Interest expense on fixed deposits	120 587	118 116	77 517	11 017
Amortization of Agro bills arrangement fees	2 086	8 021	1 248	748
Interest expense on retail and savings accounts	1 107	1 897	563	177
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	197	27 252	197	2 542
Amortization of lines of credit upfront fees	-	6 913	-	645
Interest expense on Reserve Bank of Zimbabwe ("Aftrades")	-	1 023	-	95
Amortization of Aftrades raising fees	-	1 301	-	121
	123 977	**164 5 23**	**79 525**	**15 345**

24 FEE AND COMMISSION INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Fee income	546 329	348 654	351 385	35 332
Commission income	209 811	228 994	144 879	19 656
	756 140	**577 648**	**496 264**	**54 988**

The commissions are from usage of the Bank's electronic platforms and Point of Sale (POS) machines.

25 OTHER OPERATING INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Rental income	10 155	7 406	7 579	604
Hiring of combine harvesters*	29 277	-	27 232	
Profit on disposal of property and equipment	-	529	-	232
Unrealized exchange gains	499 490	342 953	612 468	47 084
RBZ Agency commission	2 461	18 204	1 263	1 394
Sundry income	12 357	3 503	9 039	-
Bad debt recoveries	464	166	400	100
	554 204	**372 761**	**657 981**	**49 414**

*With effect from September 2020 the Bank was involved in hiring out of farming equipment for the winter wheat harvesting.

26 OPERATING EXPENSES

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Employee benefit expenses (note 26.1)	472 103	363 711	308 931	32 521
Directors' fees	5 423	3 957	3 858	398
Audit fees	10 576	3 494	6 875	276
Security expenses	32 291	26 419	23 396	2 345
Repairs and maintenance costs	44 935	39 076	35 777	4 296
Printing and stationery	32 928	39 651	21 575	4 265
Software license fees	81 775	80 047	48 708	9 730
Consultancy charges	9 894	8 199	7 732	1 041
Insurance	15 046	16 499	10 572	1 587
Motor vehicle fuel	34 228	24 340	25 314	2 857
Subsistence and travel	33 255	28 871	26 379	2 991
Advertising and subscriptions	55 367	63 964	37 013	7 794
Telecommunication and postage charges	43 641	28 764	33 842	3 055
Networking and data charges	21 474	14 897	15 127	1 577
Hire of services	48 556	35 082	35 979	4 479
Equipment hiring charges	1 935	2 152	1 421	199
Bank charges and cash in transit charges	35 136	12 148	27 089	1 282
Office cleaning expenses	8 071	6 082	4 449	527
Electricity and water charges	9 169	7 452	5 773	930
Rent and rates	12 843	10 116	9 639	907
Legal expenses	2 980	3 996	1 438	372
Public relations expenses	1 591	4 719	1 495	444
Depreciation of property and equipment (note 11)	133 624	90 235	17 266	2 928
Depreciation right of use assets	17 069	8 955	4 594	175
Amortisation of intangible assets (note 12)	100 918	27 366	6 816	513
Periodicals and entertainment	730	996	448	85
Other operating expenses	993	396	828	51
IMTT tax	12 995	-	10 385	-
Covid expenses	13 841	-	10 940	-
VISA Transaction expenses	3 372	-	3 221	-
Loss on disposal of property and equipment	3 151	-	3	-
Bad debts and AA Loan Written-off	257	-	184	-
	1 300 167	**951 584**	**747 067**	**87 625**

26.1 Employee benefit expenses

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Salaries and wages	162 986	172 735	87 163	13 146
Pension costs (note 29)	18 216	20 024	10 017	1 529
Staff bonus	44 789	24 029	25 479	2 356
Covid allowance	54 460	-	48 023	-
Fuel allowance	1 895	-	2 029	-
National Social Security Authority Scheme Costs	1 198	2 102	890	144
Medical aid expenses	36 972	22 789	26 279	2 678
School fees allowances	7 239	9 304	5 023	596
Government training levy	5 147	4 923	3 327	423
Retention allowances	56 999	35 669	49 033	5 418
Gratuities	11 283	4 999	7 767	1 032
Housing and other allowances	5 906	22 276	3 710	1 183
Workmen's compensation	1 722	1 930	984	154
Training expenses	13 446	14 947	8 195	1 481
Staff refreshments expenses	16 276	5 247	14 894	576
Staff uniforms	9 670	8 071	4 771	722
Staff commission	364	2 310	266	158
Movement in provision for leave pay (note 19.1)	20 329	10 419	9 045	764
Recruitment costs	1 361	226	1 199	24
Group accident insurance	839	195	486	23
Sports and recreation	1 006	1 516	351	114
	472 103	**363 711**	**308 931**	**32 521**

The average number of persons employed by the Bank during the year was 485 (2019:478)

27 COMMITMENTS AND CONTINGENCIES

27. 1 Loan facility commitments

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Facility commitments approved but not drawn down	435 922	37 439	435 922	8 346
Maturity analysis				
Due between 1 month and 3 months	**435 922**	**37 439**	**435 922**	**8 346**

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Commitments to lend are agreements to lend money to a customer in future, subject to certain terms and conditions. Such commitments are normally made for a fixed period. The Bank may withdraw from its contractual obligation for the undrawn portion of the agreed facility limits by giving reasonable notice to the customer. The following represents the contractual amounts of the Bank's off statement of financial position financial instruments, which commit the Bank to extend credit to customers.

27.2 Financial guarantees

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Guarantees	750	686	750	153
Maturity analysis				
Due within 1 month	-	215	-	48
Due between 1 month and 3 months	750	336	750	75
Due between 3 months and 1 year	-	135	-	30
Due between 1 year and 5 years	-	-	-	-
	750	**686**	**750**	**153**

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit guarantees and acceptances.

28 PENSION AND RETIREMENT BENEFITS

The Bank operates a defined contribution pension plan administered by Marsh Employee Benefits Zimbabwe (Private) Limited. The Bank and employees contribute 12.7% and 7.5% of qualifying salaries respectively. The assets of the fund are held in a separate trustee administered fund.

In addition, the National Social Security Authority Scheme ("NSSA") was introduced on 1 October 1994 and with effect from that date all employees became members of the scheme to which both the employees and the Bank contribute. The Bank's obligations under the scheme are limited to specific contributions as legislated from time to time.

The amounts recognised in the income statement as contributions by the Bank to the plans during the year are as follows:

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Pension costs	18 216	20 024	10 017	1 529
National Social Security Authority scheme	1 198	2 104	893	144
	19 414	**22 128**	**10 910**	**1 673**

The Ministry of Finance and the Ministry of Agriculture who each hold 50% of the Bank's shares control the Bank jointly. The Bank has ZWL17 million due to ministry of Agriculture. Other related parties are those entities who share common shareholders with the Bank.

28.1 Deposits from related parties

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
National Aids Council	22 118	27 280	22 118	6 081
Agricultural Marketing Authority	1 612	9 178	1 612	2 046
Ministry of Agriculture	17 219	-	17 219	-
Reserve Bank of Zimbabwe	157 754	50 923	157 754	11 352
Rural Electrification Agency	-	3 441	-	767
Grain Marketing Board	-	220 333	-	49 117
Tobacco Industry and Marketing	5 066	7 306	5 066	1 629
Industrial Development Corporation of Zimbabwe	44 500	211 035	44 500	47 045
Tobacco Research Board	3 056	18 365	3 056	4 094
	251 325	**547 861**	**251 325**	**122 131**

29 RELATED PARTIES

Deposits from related parties are at the Bank's normal borrowing rates, terms and conditions.

29.1 Commission income

	2020 ZWL '000	2019 ZWL '000	2020 ZWL '000	2019 ZWL '000
Reserve Bank of Zimbabwe	**2 461**	**18 208**	**1 263**	**1 394**

Commission income from related parties relates to agency commission received from the Reserve Bank of Zimbabwe.

29.2 Key management compensation

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Directors' fees	8 613	3 957	3 858	398
Short-term employee benefits	95 668	59 904	42 852	6 026
	104 281	**63 861**	**46 710**	**6 424**

Key management includes directors, both executive and non-executive.
Loans and advances to directors were at the Bank's normal lending rates, terms and conditions. There were no expected credit losses required for loans and advances to directors.

29.3 Transactions related to the Agricultural Leasing Company of Zimbabwe (ALCZ)

The Bank was authorised by the Government of Zimbabwe through the Ministry of Finance to set up a Special Purpose Vehicle (SPV) as a 100% subsidiary of the Bank, for the leasing of agricultural equipment as part of Government's farm mechanisation strategy. The leasing of farming equipment commenced in September 2020 under the Bank as the SPV was only legally incorporated as the Agricultural Leasing Company of Zimbabwe (Private) Limited (ALCZ) in December 2020.

In September 2020 the Bank received capital in form of ZWL10 million cash injection and mechanisation equipment such as combine harvesters and tractors amounting to ZWL 563million, from the Ministry of Finance to commence operations. All revenue and expenditure incurred up to 31 December 2020 is included in the current year statement of profit or loss as all contracts with customers were drawn up under the Bank while the SPV was being formally registered. The detail of revenue and expenditure related to the SPV are as below;

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Revenue	29 277	-	27 232	-
Expenditure	(29 045)	-	(26 345)	-
	232	**-**	**887**	**-**

As at the reporting date all contracts were still being drawn up under the Bank awaiting final approvals for the operationalisation of the SPV. Subsequent to year end the shareholders resolved to form a Holding Company with the following companies as subsidiaries, the Land and Development Bank, the Insurance Company, the Leasing Company (SPV) and the Commercial Bank (Agribank). The shareholders further resolved that the SPV will no longer be a 100% subsidiary of the Bank but that of the Holding Company to formed.

The capital injection of ZWL583million recorded in these financial statements will be transferred to the SPV once all relevant approvals have been processed.

Directors: Mr. G.T Matemachani (Chairman), Mr. B . Ngara (Vice Chairman), Ms. M.A. Washaya, Ms. P. Mandaza, Dr J. Mutambara, Ms. C.M. Maveneka, Mrs S. Mrewa, Mr. A.F Hodges, Mr. C.C. Sibanda, Mr. E. Chimbera (Acting CEO), Mr. F. Macheka (Executive Director Retail Banking), Mr. T. Ruvingo (Acting Finance Director)

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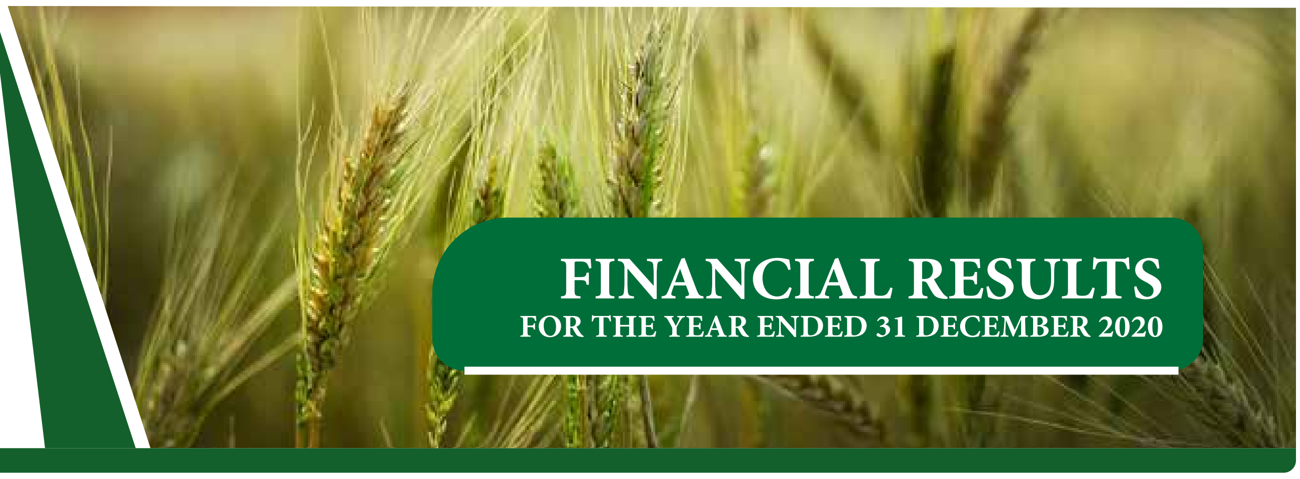

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30 GOING CONCERN

The prevailing macro-economic conditions within the country's have negatively affected the business operating environment. The adverse conditions, which include; shortages of foreign currency; continued weakening of the local currency and price instability will continue to have a bearing on the performance of the business.

- The Reserve Bank of Zimbabwe reviewed upwards the minimum capital threshold for Tier 1 and Tier 2 banks to the equivalent of US$30 million and US$20million respectively by 31 December 2021 to ensure continued stability and soundness of the financial services sector. As at the reporting date the Bank had US$ equivalent capital of US$ 12.3million representing a gap of US$7.7million to meet Tier 2 requirements which the Bank is now aiming for.

- As at the reporting date, the Bank was in breach of its loan agreement with IDC South Africa and had an outstanding foreign debt of US$27.1million. The Bank has registered the IDCSA legacy debt with the Reserve Bank of Zimbabwe (RBZ) under the provisions of the Monetary Policy of February 2019 Section 2;1iv which was approved. To date the Bank has paid ZWL27.1million in respect of this arrangement. The Bank recognised a receivable ZWL2,1billion from the Reserve Bank of Zimbabwe ("RBZ") for funding the Bank's foreign liability (IDC SA line of credit) funding gap.

The Directors are in the process of finalising a restructuring of the loan with IDC South Africa. If approved the loan is expected to be fully paid by September 2025. As at year end the Reserve Bank had paid US$1 million in relation to interest overdue.

The Directors undertake regular and rigorous assessment of whether the Bank is a going concern or not in the light of current economic conditions and all available information about future risks and uncertainties and appropriately adapt its strategies to ensure the continued operation of the Bank into the foreseeable future. Some of the key strategies include;

- Pursue the settlement of the legacy debt on a 1 to 1 basis by the Reserve Bank of Zimbabwe;
- Continuously engage the shareholders to obtain financial assistance to engage the Tier 2 Capital requirement ;and
- Negotiate with foreign lenders of payments plan that the Bank and the Reserve Bank is able to sustain.

The Directors have reviewed the Group's budgets and cash flow forecasts to 31 March 2022 and, in light of this review and the current financial position, are satisfied that the Bank has access to adequate resources to continue in operational existence for the foreseeable future.
The projections for the Bank 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 These analyses have been updated to include the ongoing developments related to the COVID-19 pandemic.

The Directors have assessed the ability of the Bank to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. Furthermore, the Directors believe that under the current economic environment, a continuous assessment of the ability of the Bank to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

31 EVENTS AFTER REPORTING DATE

Board appointments

Subsequent to year end, the shareholder appointed directors to the board of the Land and Agri cultural Development Bank of Zimbabwe (LADBZ), Holding company. The board members are former SeedCo chief executive Mr Denias Zaranyika, Syndicate Resources chief executive Mrs Nancy Tawengwa Guzha, former First Mutual chief executive Ms Ruth Ncube, Zimbabwe Commercial Farmers Union of Zimbabwe president, Dr Shadreck Makombe, Mr James Mutizwa of Chihambakwe-Mutizwa and Partners, farmer and former Zimbabwe Industry Tobacco Auction Centre (ZITAC) executive Mr Wilson Nyabonda and Ministry representative Ms Rutendo Nhongonhema.

The chairperson for the Land and Agricultural Development Bank of Zimbabwe is Mr. James Mutizwa.

The four subsidiaries under the LADBZ will be chaired by Mrs Nancy Tawengwa Guzha - Land Bank — Mr Wilson Nyabonda — Leasing Company, Ms Ruth Ncube — Insurance Company, while Mr Godfrey Matemachani will chair Agribank.

Executives appointments

With the appointment of the Board, the following appointments were done:
- Mr. F. Macheka Executive Director Agridev was seconded as the Acting CEO/MD of the Holding company/Land bank with immediate effect from 12 March 2021.
- Mrs. P Munyeza Head Corporate Banking was appointed as Acting Executive Director Agridev and Retail banking with effect from 15 March 2021.

AUDITOR'S OPINION

These abridged audited financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2020, which have been audited by Deloitte & Touche. A qualified opinion has been issued thereon. The auditor's report, has a qualified opinion in respect of:

- The carry over impact of the incorrect date of application of IAS 21 'The Effects of Changes in Foreign Exchange Rates';
- The carry over impact of the caveat made by professional valuers regarding the valuation of the Bank's investment property and land and Buildings in 2019; and
- Recognition and measurement of the financial asset resulting from the foreign liability funding gap (Legacy debt).

In addition to the above matters, the auditor's opinion contains the following key audit matters;
- Susceptibility of suspense accounts to fraudulent transactions;
- Valuation of expected credit losses on financial assets; and
- Valuation of investment properties and land and buildings.

The auditor's report has been made available to management and the directors of Agricultural Bank of Zimbabwe.

Directors: Mr. G.T Matemachani (Chairman), Mr. B . Ngara (Vice Chairman), Ms. M.A. Washaya, Ms. P. Mandaza, Dr J. Mutambara, Ms. C.M. Maveneka, Mrs S. Mrewa, Mr. A.F Hodges, Mr. C.C. Sibanda, Mr. E. Chimbera (Acting CEO), Mr. F. Macheka (Executive Director Retail Banking), Mr. T. Ruvingo (Acting Finance Director)