AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

AFC COMMERCIAL BANK
Integrity. Diligence. Innovation

CHAIRMAN'S STATEMENT

It is my pleasure to present the Bank's financial results for the year ended 31 December 2021.

1. The AFC Holdings Group and Subsidiaries
Following the establishment of AFC Holdings in April 2021, the Bank was officially rebranded to AFC Commercial Bank, a subsidiary of AFC Holdings. The Bank is now part of a broader group of companies structured around efficient agricultural value chain financing and the other subsidiaries in the group include; AFC Land Bank, AFC Leasing Company and AFC Insurance company. Soon after this name change, the Bank embarked on a strategic exercise for which Digital Transformation, Excellent Customer Experience delivery and growing Shareholder Value and Return are at the centre of our focus.

2. The Macroeconomic and Business Environment

2.1. Economic Activity and Real GDP Growth
Official estimates indicate robust growth of the economy of 7.8% in 2021, underpinned by strong agricultural growth of 34%. Banking and finance, infrastructure, roads construction, retail and distribution sectors were also key growth sectors in 2021 and are likely to sustain positive growth in 2022.

Notwithstanding the macro and business environment, growth remained suppressed during the year, particularly reflecting the elevated currency volatility, pressure on the exchange rate and high inflation. The impact on business growth and customer viability certainly persisted during the year.

2.2. Inflation
The annual headline inflation, which had decelerated during the first half of the year, remained high in the second half with signs of inflation resurgence since the last quarter of the year. Reflecting the widening parallel market premium, month on month inflation rose from 1.9% in April to 4.7% in September 2021. It then subsequently rose to 6.4% in October and 5.4% in December, giving rise to year end inflation of 61.04% by December 2021.

2.3. Fiscal Development
Revenue collections for the year 2021 were estimated at ZWL495.01 billion (16.6% of GDP), while total expenditure for the same period were projected at ZWL509 billion (17% of GDP), mainly on account of Covid-19 related expenditure, as well as other road infrastructure expenditures, giving rise to a projected budget deficit for the year of ZWL14 billion (0.5% of GDP).

2.4. Monetary Developments
Broad money amounted to ZWL475.36 billion in December 2021. On an annual basis, broad money registered a growth of 131.83%, compared to 485.55% in December 2020. The local currency deposits component in broad money grew by 161.21%; while foreign currency deposits by 103.13%. Currency in circulation accounted for 0.49% of total broad money supply.

Foreign currency deposits increased from ZWL103.73 billion in December 2020 to ZWL210.70 billion in December 2021, largely due to an increase in the value of foreign currency accounts (FCA) deposits from US$1.27 billion in December 2020 to US$1.94 billion in December 2021.

3. Governance
During the year 2021, the Bank maintained good corporate governance practices as guided by the Corporate Governance Unit (CGU). The Bank continues to adhere to all the corporate Governance requirements in accordance with the Public Enterprises Corporate Governance Act (PECOGA) as well as the Reserve Bank of Zimbabwe Regulations

4. People and engagement
The Board also recognises the importance of employee engagement to the success of the Bank and is continuously developing its engagement activities. On 1st of September 2021, Mr. Kenneth Chitando, joined the Bank as the designated Managing Director. A business executive with a wealth of banking experience, locally and in the region, Ken brings expertise in Corporate & Institutional Banking, Retail Banking, Trade Finance & International Banking, Project & Structured Finance, Mortgages, and Enterprise Development. He has held several executive management positions in a number of very renowned financial institutions and as a board we are very confident that he will successfully drive the strategic transformation of AFC Commercial Bank into a top banking institution in Zimbabwe and beyond.

5. Bank's Response to the COVID19 Pandemic
The Bank implemented the Covid19 Business Continuity Plan (BCP), reflecting the escalation in Covid19 infection rates across the country. Over the year 2021, some of our staff were affected by the pandemic and some branches were temporarily closed, with mandatory quarantine being implemented. The Bank continues to adhere to Covid19 protocols while supporting the staff affected. All the affected Bank staff recovered.

6. Environmental and Social Governance
The Bank's Environmental and Social Governance (ESG) is guided by the Bank's core values, essentially expanding social investment in communities where the Bank has operations. Following the outbreak of the Covid19 pandemic in early 2020, the Bank has been expanding support in terms of PPEs to schools in communities. The Bank has also been supporting Government initiatives and programs to contain the Covid19 pandemic. The Bank supported programs in agriculture, including promoting Young Farmers Federation programs in agriculture to create a growing tide of youth in agriculture.

7. Appreciation
I want to thank the Shareholders for the continued support. I extend my gratitude to my colleagues in the Board, Management and Staff for the sterling performance, notwithstanding the Covid19 pandemic related disruptions, in addition to the difficult business environment. The Bank is well positioned to expand banking and financial services to both current and new customers.

G. T. Matemachani
Chairman
13 May 2022

MANAGING DIRECTOR'S REPORT FOR THE 2021 FINANCIAL RESULTS

1.Introduction
As I look back over the last few months after my appointment, and my first fiscal year with AFC Commercial Bank, I believe we have started a transformation journey for our organisation that will result in sustainable growth for our shareholders and long-term change for the Bank. We have established ourselves around consistent execution and operational discipline, while also redefining our strategy and, most importantly, we rethought our purpose, values and ways of doing things. These steps are foundational for the next stages of the Bank, regardless of the adversity in the macro-environment. I am very humbled by how we performed, and even more proud of how we rose as a team to overcome some of the numerous challenges we faced in the past trading period.

2. Financial Performance Review
We are still in the midst of a global crisis, but we have, and we will continue to work hard through this difficult time. The service that we provide as an institution is essential, in all cases directly contributing to economic growth, business and personal development and also combatting the effects of the pandemic and saving lives. With that said, during the year ended 31 December 2021, the Bank recorded an after tax profit of ZWL1.3 billion in inflation adjusted compared to a loss of ZWL209 million during the year ended 31 December 2020, representing an increase of 711%. This reflected growth in both interest income and non-interest income. Interest income contributed 46% to total income while non funded income accounted for 54%, reflecting the Bank's lending role.

The cost to income ratio for the year 2021 was 52% compared to a benchmark of 70% whilst the staff cost to income ratio for the year was 22% against a benchmark of 30%.

Total shareholders' equity closed the year at ZWL$5.6 billion as at 31 December 2021, increasing from ZWL4.3 billion in December 2020. Tier 1 capital closed the year at ZWL3.1 billion from ZWL1.8 million in 2020 while total assets closed the year at ZWL19 billion from ZWL14.9 billion in 2020.

Loans and advances
In a continuous effort to drive our revenue generating capacity we grew our gross loans and advances to ZWL7.4 billion representing an increase of 125% from December 2020. The major drivers for the increase were business loans and consumer loans. The loan to deposit ratio was 83% as at 31 December 2021 compared to 57% in December 2020. The agriculture sector continues to dominate the Bank's loan book, accounting for 51% of loans and advances.

Directors: Mr. G.T Matemachani (Chairman), Mr. B . Ngara (Vice Chairman), Dr J. Mutambara, Ms. M.A. Washaya, Ms. P. Mandaza, Mr. A.F Hodges, Mr. C.C. Sibanda, Mrs S. Mrewa, Mr M. Mudzungairi, Mr K. Chitando (Managing Director), Mr T. Ruvingo (Acting Director Finance), Mr D. Ngwenya (Executive Director Retail Banking)

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AFC COMMERCIAL BANK
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MANAGING DIRECTOR'S REPORT FOR THE 2021 FINANCIAL RESULTS (cont'd)

Asset Quality
The Non-Performing Loans (NPL) ratio was 0.3% as at 31 December 2021, improving from 2.63% in December 2020. The growth in the quality and size of the loan book resulted in the decline in the NPL ratio.

Deposits
Following the organisation's transformation we introduced our core strategic goals to be a leader in the market segments where we compete, reinforce profitable growth, and deliver higher margins and consistent earnings. To this end we grew our total deposits to ZWL8.9 billion from ZWL5.7 billion in December 2020 reflecting an increase of 57%. The Bank closed the period with a liquidity ratio of 49%, which was above the RBZ minimum liquidity requirement of 30%.

3.Capitalisation
Total shareholders' funds closed the year at ZWL5.6 billion mainly due to revaluation of land and buildings done as at 31 December 2021. The Bank's Tier 1 capital was ZWL2.1 billion in historical cost translating to US$19.5 million against regulatory minimum of an equivalent of US$30 million. The Bank submitted the Board approved Capitalisation plan as required by the Reserve Bank of Zimbabwe.

The Bank's capital adequacy ratio closed the year at 21.16% compared to the regulatory minimum of 12%.

4. AFC Commercial Bank Rebranding
Following the launch of AFC Holdings and its subsidiaries by His Excellency the President on the 30th April 2021, the Bank has taken steps to rebrand to AFC Commercial Bank. The Bank has since embarked on a comprehensive rebranding exercise covering all service delivery touch points and elevated brand visibility initiatives, including staff training in-order to enhance customer experience. The priority is to carry our customers along our transformational journey with the least disruption to service while we build on brand consistency, standardization and uniformity across all customer delivery channels. The rebranding process will be sustained over the coming years.

5. Industrial Relations, Staff Health and Welfare
It takes people for us to provide these important financial services, and our number one priority remains the health and safety of our employees and their families. We have a complement of more than three hundred staff members working in fourty five branch locations in and around the country and it is our obligation to provide a safe and positive work environment for them.

We've learnt quickly how to implement protocols to physically protect our employees, operate effectively under strict safety conditions, and when necessary, provide a support system for our employees who test positive. The Bank continues to be responsive to the plight of staff under the current environment characterised by wage compression and a continuously changing cost of living. As such, the Bank has adopted some innovations to cushion staff, in the form of both Covid19 and hardship allowances.

The Bank continues to engage and encourage staff to get vaccinated as well as adhering to all Covid19 Protocols for their safety, customers' and improved work place safety.

6. Regulatory Compliance
The Reserve Bank of Zimbabwe granted the Bank an extension of 12 months to comply with minimum capital requirement of US$30 million. The Bank continues to pay attention to compliance with Anti-Monetary Laundering/ Combating the Financing of Terrorism (AML/CFT) and regulatory requirements.

7. Outlook
We are expanding our core competencies in leading edge technology, advancing digital transformation and core banking system capabilities. The Bank strategy entails a new structure, re-organisation of the Bank's functions and culture transformation. The new Bank architecture seeks to elevate customer experience while offering endless customer touch points that speed up service delivery. The Bank will continue to leverage on AFC Holdings group synergies, and its subsidiaries for business growth and new business development. Management will continue to drive value preservation strategies as part of sustainability and going concern.

8. Appreciation
I want to express my sincere appreciation to all the Bank's employees, who have worked tirelessly to overcome the current challenges and deliver these financial results while firmly establishing our strategic framework to deliver even better results in the future. I also want to thank our customers and suppliers for their trust and partnership, our board and shareholders who believe in the potential that AFC Commercial Bank has and the path we are now on. We are all stakeholders, and we are all in this together for a smart, brighter future.

K. Chitando
Managing Director

13 May 2022

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 Businesses Entities Act (Chapter 24:31), the Banking Act (Chapter 24:20) and International Financial Reporting Standards.

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. The Board is currently composed of nine non-executive directors and two executive directors. Board decisions are made in board meetings, which are held at least every quarter, and on an "as per need" basis. The Board of directors 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.

Meetings ordered / Meetings attended	Main Board		Assets and Liabilities Committee		Audit Committee		Human Resources Committee		Loans and Advances		Loans Review Committee		Risk and Compliance Committee	
	Meetings ordered	Meetings attended	Meetings ordered	Meetings attended	Meetings ordered	Meetings attended	Meetings ordered	Meetings attended	Meetings ordered	Meetings attended	Meetings ordered	Meetings attended	Meetings ordered	Meetings attended
Mr. G.T Matemachani (Chairman)	5	4												
Mr. B . Ngara (Vice Chairman)	5	4			5	4	7	7					4	2
Ms. P. Mandaza	5	3			5	5					4	4		
Mr.C. C. Sibanda	5	4					7	7			4	1	4	2
Ms. M.A. Washaya	5	4					7	7	13	11			4	4
Mr.A.F. Hodges	5	5	9	9	5	5			13	11				
Dr. J. Mutambara	5	5	9	9			7	7	13	13				
Mrs. S. Mrewa	5	5									4	4	4	4
Mr. M. Mudzungairi	2	2	4	4										
Mr. F. Macheka	2	2											1	1
Mr. K. Chitando	1	1	2	2					4	4			1	1
Mr. E.Chimbera	5	5	9	9					9	9			4	4
Mrs.P. Munyeza	3	3											3	3
Mr.T. Ruvingo	4	4	7	7									3	3

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	INFLATION ADJUSTED 2021 ZWL '000	INFLATION ADJUSTED 2020 ZWL '000	*HISTORICAL COST 2021 ZWL '000	*HISTORICAL COST 2020 ZWL'000
ASSETS					
Cash and bank balances	6	2 796 846	9 264 218	2 796 846	2 030 779
Financial assets at amortised cost	7.1	1 604 305	125 901	1 604 305	78 327
Financial assets at fair value through profit and loss	7.3	21 736	3 398 284	21 736	2 114 187
Loans and advances	8	7 056 316	3 164 757	7 056 316	1 968 901
Other assets	9	647 164	432 456	604 680	212 179
Statutory asset	9.1	1 569 849	-	1 569 849	-
Investment properties	10	199 097	109 772	199 097	68 293
Property and equipment	11	4 394 441	3 772 117	4 051 540	2 126 787
Intangible assets	12	596 011	561 159	140 824	87 043
Right-of-use assets	13.1	94 222	102 505	37 262	22 424
Total assets		18 979 987	14 931 169	18 082 455	8 708 920
EQUITY AND LIABILITIES					
Share capital	14	751 798	751 798	12 108	12 108
Shareholder capital contribution awaiting allotment	15	1 670 303	1 670 303	152 035	152 035
Share premium		4 227 581	4 227 581	68 087	68 087
Revaluation reserve		2 300 470	1 296 319	2 799 595	1 113 202
Non-distributable reserve		188 075	1 182 149	4 788	577 853
(Accumulated losses)/Retained earnings		(3 560 162)	(4 838 080)	1 887 266	370 435
Total equity attributable to ordinary shareholders		5 578 065	4 290 070	4 923 879	2 293 720
LIABILITIES					
Deposits due to other banks	16	43 182	2 988	43 182	1 859
Deposits from customers	17	8 902 861	5 706 529	8 902 861	3 550 223
Lease liability	13.2	48 830	38 413	48 830	23 898
Other liabilities	18	609 066	248 017	609 066	154 299
Deferred income	19	124 171	62 039	96 226	38 597
Lines of credit	20	2 698 167	3 564 846	2 698 167	2 217 811
Deferred tax liability	21.2	975 645	1 018 267	760 244	428 513
Total liabilities		13 401 922	10 641 099	13 158 576	6 415 200
Total equity and liabilities		18 979 987	14 931 169	18 082 455	8 708 920

Mr. G. Matemachani
Chairman

Mr. K Chitando
Managing Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	INFLATION ADJUSTED 2021 ZWL'000	INFLATION ADJUSTED 2020 ZWL'000	*HISTORICAL COST 2021 ZWL'000	*HISTORICAL COST 2020 ZWL'000
Interest and similar income	22	2 893 424	849 762	2 338 488	361 353
Interest expense and similar charges	23	(600 666)	(199 277)	(488 396)	(79 525)
Net interest income		2 292 758	650 485	1 850 092	281 828
Fee and commission income	24	2 254 830	1 215 398	1 748 588	496 264
Other operating income	25	1 066 095	890 811	986 869	657 982
Fair value gain/(loss) investment properties	10	89 325	(5 242)	130 804	52 342
Fair value (loss)/gain investment in unquoted equities	7.3	(10 206)	4 583	(1 848)	11 328
Unrealised exchange gains/(losses) financial assets	7.3	-	449 002	-	(84 851)
Operating income		5 692 802	3 205 037	4 714 505	1 414 893
Impairment of loans and advances	8.4	(493 107)	(213 500)	(418 574)	(98 769)
Operating expenses	26	(2 983 163)	(2 089 852)	(2 296 338)	(747 065)
Net monetary adjustment		(569 564)	(517 575)	-	-
Profit before tax		1 646 968	384 110	1 999 593	569 059
Income tax charge	21.1	(369 050)	(592 804)	(482 762)	(183 913)
Profit/(loss) for the year		1 277 918	(208 694)	1 516 831	385 146
Other comprehensive income					
Net Surplus on revaluation of property and equipment		1 287 590	38 669	2 145 637	1 111 883
Deferred tax on revaluation surplus		(283 439)	29 456	(433 814)	(224 350)
Revaluation surplus, net of tax		1 004 151	68 125	1 711 823	887 533
Other comprehensive income for the year		1 004 151	68 125	1 711 823	887 533
Total comprehensive income/(loss) for the year		2 282 069	(140 569)	3 228 654	1 272 679

*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 2021

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 2020	751 798	1 554 871	4 227 581	1 228 194	184 679	(4 600 975)	3 346 148
Transfer of interest on CTBs to non- distributable reserves	-	-	-	-	3 396	(3 396)	-
Total comprehensive income for the period	-	-	-	-	-	(208 695)	(208 695)
Revaluation of property and equipment net of tax	-	-		68 125			68 125
Transactions with owners:							
Shareholder capitalisation of Leasing Activities	-	-	-	-	994 074		994 074
Capital contribution		115 432					115 432
Dividend paid	-	-	-	-	-	(25 014)	(25 014)
Balances as at 31 December 2020	751 798	1 670 303	4 227 581	1 296 319	1 182 149	(4 838 080)	4 290 070
Balances as at 1 January 2021	751 798	1 670 303	4 227 581	1 296 319	1 182 149	(4 838 080)	4 290 070
Revaluation of property and equipment net of tax	-	-	-	1 004 151	-	-	1 004 151
Total comprehensive income for the period	-	-	-	-	-	1 277 918	1 277 918
Transactions with owners:							
Dividend paid	-	-	-	-	-	(191 665)	(191 665)
Dividend reinvested	-	-	-	-	-	191 665	191 665
Dividend in specie	-	-	-	-	(994 074)	-	(994 074)
Carrying amount as at 31 December 2021	751 798	1 670 303	4 227 581	2 300 470	188 075	(3 560 162)	5 578 065

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

*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 2020	12 108	88 035	68 087	225 669	2 974	2 668	399 541
Transfer of interest on CTBs to non-distributable reserves	-	-	-	-	1814	(1814)	-
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)
Balances as at 31 December 2020	12 108	152 035	68 087	1 113 202	577 853	370 435	2 293 720
Carrying amount as at 1 January 2021	12 108	152 035	68 087	1 113 202	577 853	370 435	2 293 720
Transfer of interest on CTBs to non- distributable reserves	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	1 516 831	1 516 831
Revaluation of land and buildings net of tax	-	-	-	1 686 393	-	-	1 686 393
Transactions with owners:							
Dividend paid	-	-	-	-	-	(191 665)	(191 665)
Dividend reinvested	-	-	-	-	-	191 665	191 665
Dividend in specie	-	-	-	-	(573 065)	-	(573 065)
Carrying amount as at 31 December 2021	12 108	152 035	68 087	2 799 395	4 788	1 887 266	4 923 879

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	INFLATION ADJUSTED 2021 ZWL '000	INFLATION ADJUSTED 2020 ZWL '000	*HISTORICAL COST 2021 ZWL '000	*HISTORICAL COST 2020 ZWL '00
Cash flows from operating activities					
Profit before income tax		1 646 968	384 111	1 999 593	569 056
Adjusted for non-cash items:					
Expected credit losses	8.4	493 107	213 500	418 574	98 769
Bad debts written off	26	442	413	323	184
Depreciation of property and equipment	11	174 077	214 783	85 478	17 266
Depreciation of right of use assets	13	39 969	27 437	11 331	4 594
Amortisation charge	12	41 428	162 214	7 031	6 816
Impairment of assets	10 .1	56 525	-	56 525	-
Net monetary adjustment		(49 992)	281 752	-	-
Unrealised exchange (gain)/losses	9.1 & 20	(29 123)	(449 002)	57 232	84 851
Deferred income movement		(20 025)	(11 570)	(19 300)	(7 198)
Provision for bonus, leave pay and long service awards		139 876	122 806	106 958	42 290
Fair value loss/(gain) on in investment in unquoted equities	7.3	10 206	(4 583)	1 848	(11 328)
Fair value (gain)/loss investment properties	10	(89 325)	5 242	(130 804)	(52 342)
(Loss)/profit on disposal of property and equipment	26	(1 064)	5 064	(1 446)	3
Interest expense on lines of credit	20	192 180	7 090	150 793	2 191
Interest income on treasury bills, bonds and debentures	22	(10 236)	(13 663)	(8 681)	(4 138)
Tax paid		(627 270)	(163 869)	(525 790)	(45 664)
Operating cash flows before working capital changes		1 967 733	781 725	2 209 665	705 350
(Increase)/ decrease in financial assets		(1 468 169)	456 009	(1 517 298)	4 620
Increase in loans and advances to customers		(4 381 055)	(1 437 283)	(5 502 258)	(1 786 602)
Increase in other assets		(210 295)	(136 528)	(385 294)	(177 823)
Increase/(decrease) in deposits due to other banks		40 195	(49 634)	41 323	(5 439)
Increase in deposits from customers		3 196 332	1 618 886	5 352 638	2 983 317
Increase in other liabilities		136 687	3 933	263 325	95 276
Increase/(decrease) in deferred income		82 156	(217 642)	76 927	38 596
Net cash (utilised)/generated from operations		(636 416)	1 019 466	539 028	1 857 295
Cash flows from investing activities					
Proceeds from disposal of property and equipment		1 338	157	1 450	100
Purchases of property and equipment	11	(474 856)	(294 442)	(421 979)	(154 123)
Purchases of intangible assets	12	(76 279)	(141 984)	(60 812)	(65 244)
Receipts for statutory asset		1 155 768	-	1 155 768	-
Net cash generated from/(utilised in) investing activities		605 971	(436 269)	674 427	(219 267)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

Cash flows from financing activities	Note	INFLATION ADJUSTED 2021 ZWL '000	INFLATION ADJUSTED 2020 ZWL '000	HISTORICAL COST 2021 ZWL '000	HISTORICAL COST 2020 ZWL '000
Proceeds from shareholder capital injection		-	133 469	-	74 000
Payment of lines of credit		(269 198)	-	(269 198)	-
Interest expense of lease liability	13	(25 127)	(30 388)	(35 588)	(25 908)
Interest paid on lines of credit	20	(142 602)	(1 607)	(142 602)	(1 000)
Dividend paid		-	(25 014)	-	(15 562)
Net cash (utilised in) / generated from financing activities		(436 927)	76 460	(447 388)	31 530
Net (decrease)/ increase in cash and cash equivalents		(467 372)	659 657	766 067	1 669 558
Cash and cash equivalents at the beginning of year		3 264 218	2 604 561	2 030 779	361 221
Cash and cash equivalents at 31 December	6	2 796 846	3 264 218	2 796 846	2 030 779

*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 2021

1. CORPORATE INFORMATION

AFC COMMERCIAL BANK 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 Companies and Other Businesses 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. E. Chimbera CA (Z), the Executive Director-Finance of the Bank. The address of its registered office is 14-16 Nelson Mandela Avenue, Harare.

2. 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).

AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

AFC COMMERCIAL BANK
Integrity. Diligence. Innovation

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2.1 Basis of preparation

The financial statements 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), the Banking Act (Chapter 24:20).

2.2 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 2021	3 977.5	1.0000
December 2020	2 474.5	1.6074

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 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 reporting 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 Hyper inflationary Economies.

4. RISK MANAGEMENT

4.1 Financial risk management

4.1.1 Financial risk factors

The Bank's business involves taking 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 counter party 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 counter party 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, counter parties, 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 a 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Consumer lending

This comprises unsecured loans whose products are less complex and additionally rated by an automated score card 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 modeling 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 includes 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 identify 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	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Cash and bank balances	1 283 323	2 290 579	1 283 323	1 425 046
Amounts due from other banks	1 513 523	973 638	1 513 523	605 733
Financial assets at amortised cost	1 604 305	125 900	1 604 305	78 327
Financial assets at fair value through profit or loss	21 736	3 398 285	21 736	2114 187
Loans and advances to customers-gross	7 358 271	3 266 334	7 358 271	2 032 096
Other financial assets	455 117	235 549	453 596	146 543
Maximum credit risk exposure	12 236 275	10 290 285	12 234 754	6 401 932

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 counterparts.

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.

Inflation Adjusted	Stage 1 ZWL '000	Stage 2 ZWL '000	Stage 3 ZWL '000	2021 ZWL '000	2020 ZWL '000
Loans and advances	7 291 558	46 587	20 127	7 358 271	3 266 334
Financial assets at amortised cost	1 604 305	-	-	1 604 305	125 901
ZAMCO buy-back portfolio*	-	-	2 099	2 099	4 280
Sundry debtors	6 755	-	-	6 755	6 288
Financial assets at FVPL	21 736	-	-	21 736	3 398 285
Commitments and guarantees**	258 492	-	-	258 492	701 894
Total	9 182 845	46 587	22 226	9 451 658	7 502 982

Historical Cost	Stage 1 ZWL '000	Stage 2 ZWL '000	Stage 3 ZWL '000	2021 ZWL '000	2020 ZWL '000
Loans and advances	7 291 558	46 587	20 127	7 358 271	2 032 096
Financial assets at amortised cost	1 604 305	-	-	1 604 305	78 327
ZAMCO buy-back portfolio*	-	-	2 099	2 099	2 663
Sundry debtors	6 755	-	-	6 755	3 912
Financial assets at FVPL	21 736	-	-	21 736	2 114 187
Commitments and guarantees**	258 492	-	-	258 492	436 672
Total	9 182 846	46 587	22 226	9 451 658	4 667 857

*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.

AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

AFC COMMERCIAL BANK
Integrity. Diligence. Innovation

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Analysis of loans and advances portfolio

Inflation Adjusted	Stage 1 ZWL '000	Stage 2 ZWL '000	Stage 3 ZWL '000	2021 ZWL '000	2020 ZWL '000
Corporate lending					
Performing	2 961 188	-	-	2 961 188	1 483 395
Non-performing	-	-	-	-	193
Total corporate lending	2 961 188	-	-	2 961 188	1 483 588
Agriculture lending					
Performing	1 049 461	-	-	1 049 461	398 974
Special mention	-	32	-	32	174
Non-performing	-	-	199	199	1178
Total agriculture lending	1 049 461	32	199	1 049 692	400 326
Retail lending					
Performing	895 704	-	-	895 704	606 526
Special mention	-	26 276	-	26 276	17 241
Non-performing	-	-	10 202	10 202	16 575
Total retail lending	895 704	26 276	10 202	932 182	640 342
Consumer lending					
Performing	2 385 205	-	-	2 385 205	735 085
Special mention	-	20 279	-	20 279	2 980
Non-performing	-	-	9 725	9 725	4 014
Total consumer lending	2 385 205	20 279	9 725	2 415 209	742 079
Total loans and advances	7 291 558	46 587	20 126	7 358 271	3 266 335

Analysis of loans and advances portfolio

Historical Cost	Stage 1 ZWL '000	Stage 2 ZWL '000	Stage 3 ZWL '000	2021 ZWL '000	2020 ZWL '000
Corporate lending					
Performing	2 961 188	-	-	2 961 188	922 870
Non-performing	-	-	-	-	120
Total corporate lending	2 961 188	-	-	2 961 188	922 990
Agriculture lending					
Performing	1 049 461	-	-	1 049 461	248 215
Special mention	-	32	-	32	108
Non-performing	-	-	199	199	733
Total agriculture lending	1 049 461	32	199	1 049 692	249 056
Retail lending					
Performing	895 704	-	-	895 704	377 340
Special mention	-	26 276	-	26 276	10 726
Non-performing	-	-	10 202	10 202	10 312
Total retail lending	895 704	26 276	10 202	932 182	398 378
Consumer lending					
Performing	2 385 205	-	-	2 385 205	457 321
Special mention	-	20 279	-	20 279	1 854
Non-performing	-	-	9 725	9 725	2 497
Total consumer lending	2 385 205	20 279	9 725	2 415 209	461 672
Total loans and advances	7 291 558	46 587	20 126	7 358 271	2 032 096

Inflation adjusted and Historical Cost

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	2021 ZWL'000	2020 ZWL'000
Loans and advances	194 278	3 893	2 056	200 227	49 581
Financial Assets at amortised cost	5	-	-	5	-
ZAMCO buy-back portfolio	-	-	29	29	298
Sundry debtors	4 410	-	-	4 410	3 577
	198 693	3 893	2 085	204 671	53 456

*Financial assets (including Treasury bills) assessed for expected credit losses at 31 December 2021 and, having been considered to carry a low credit risk, hence reflected by a low expected credit loss. 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 (continued)

Corporate lending				
Performing	11 687	-	-	11 687
Special mention	-	-	-	-
Non-performing	-	-	-	-
Total corporate lending	11 687	-	-	11 687
Agriculture				
Performing	86 506	-	-	86 506
Special mention	-	3	-	3
Non-performing	-	-	30	30
Total agriculture lending	86 506	3	30	86 539
Retail and SMEs lending				
Performing	58 863	-	-	58 863
Special mention	-	2 003	-	2 003
Non-performing	-	-	1 291	1 291
Total Retail and SMEs lending	58 863	2 003	1 291	62 157
Consumer lending				
Performing	37 222	-	-	37 222
Special mention	-	1 887	-	1 887
Non-performing	-	-	735	735
Total Consumer lending	37 222	1 887	735	39 844
Total	194 278	3 893	2 056	200 227

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	Expected credit losses ZWL'000
Inflation adjusted and Historical Cost as at 31 December 2021							
Cash and bank balances	1 283 323	-	-	-	1 283 323	-	-
Amounts due from other banks	1 513 523	-	-	-	1 513 523	-	-
Financial assets at amortised cost	1 604 305	-	-	-	1 604 305	-	5
Financial assets at FVPL	21 736	-	-	-	21 736	-	-
Other financial assets	402 975	-	-	-	402 975	-	4 410
ZAMCO buy-back portfolio	-	-	2 099	-	2 099	-	29
Loans and advances	7 291 558	46 587	20 127	66 714	7 358 271	956 910	200 227
Corporate	2 961 188	-	-	-	2 961 188	733 772	11 687
Agriculture	1 049 461	32	199	231	1 049 692	128 041	86 539
Retail	895 704	26 276	10 202	36 478	932 182	95 097	62 156
Consumer	2 385 205	20 279	9 726	30 005	2 415 209	-	39 845
Total	12 117 420	46 587	22 226	66 714	12 186 233	956 910	204 671
Inflation adjusted as at 31 December 2020							
Cash and bank balances	2 290 579	-	-	-	2 290 579	-	-
Amounts due from other banks	973 638	-	-	-	973 638	-	-
Financial assets at amortised cost	125 901	-	-	-	125 901	-	-
Financial assets at FVPL	3 398 284	-	-	-	3 398 284	-	-
Other financial assets	235 533	-	-	-	235 533	-	5 750
ZAMCO buy-back portfolio	-	-	4 280	4 280	4 280	-	479
Loans and advances	3 223 980	20 394	21 960	42 354	3 266 334	898 228	79 696
Corporate	1 483 395	-	193	193	1 483 588	892 268	8 188
Agriculture	398 974	174	1 178	1 351	400 326	-	39 056
Retail	606 526	17 240	16 575	33 816	640 341	5 023	29 163
Consumer	735 085	2 980	4 014	6 994	742 079	937	3 289
Total	10 247 915	20 394	26 240	46 634	10 294 549	898 228	85 295
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	146 533	-	-	-	146 533	-	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	6 375 572	12 688	16 325	29 013	6 404 585	558 818	53 456

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Credit quality of neither past due nor impaired financial assets

	Credit rating	INFLATION ADJUSTED 2021 ZWL '000	INFLATION ADJUSTED 2020 ZWL '000	HISTORICAL COST 2021 ZWL '000	HISTORICAL COST 2020 ZWL '000
Cash and bank balances		1 283 323	2 290 579	1 283 323	1 425 046
Amounts due from other banks		1 513 523	973 638	1 513 523	605 733
Financial assets at amortised cost		1 604 305	125 901	1 604 305	78 327
Financial assets at fair value through profit & loss		21 736	3 398 284	21 736	2 114 187
Loans and advances to customers	A	7 358 271	3 266 334	7 358 271	2 032 096
Other financial assets		455 117	235 549	453 596	146 543
Total		12 236 275	10 290 285	12 234 754	6 401 932

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.

Maturity analysis of financial assets in Stage 2

	INFLATION ADJUSTED 2021 ZWL'000	INFLATION ADJUSTED 2020 ZWL'000	HISTORICAL COST 2021 ZWL'000	HISTORICAL COST 2020 ZWL'000
Due between 1 month and 2 months	20 279	8 413	20 279	5 234
Due between 2 months and 3 months	26 308	11 981	26 308	7 454
Total	46 587	20 394	46 587	12 688

Financial assets in Stage 3

	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Gross individually impaired loans	22 226	26 240	22 226	16 325
- Less expected credit losses	(2 085)	(3 208)	(2 085)	(1 996)
Net individually impaired loans	20 141	23 032	20 141	14 329

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 counter party 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 behavioral 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

	2021	2020
As at 31 December	83%	57%
Maximum ratio for the year	89%	70%
Minimum ratio for the year	58%	48%
Average ratio for the year	68%	62%

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 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	Total ZWL'000
As at 31 December 2021						
Assets						
Cash and bank balances	1 283 323	-	-	-	-	1 283 323
Amounts due from other banks	1 513 523	-	-	-	-	1 513 523
Financial assets at amortised cost	-	-	1 539 448	43 534	21 323	1 604 305
Financial assets at FVPL	-	-	21 736	-	-	21 736
Loans and advances	656 179	1 203 140	3 101 641	2 397 311	-	7 358 271
Other financial assets	453 596	-	-	-	-	453 596
	3 906 621	1 203 140	4 662 825	2 440 845	21 323	12 234 754

AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

AFC COMMERCIAL BANK
Integrity. Diligence. Innovation

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Contractual maturities of undiscounted cash flows of financial instruments (continued)

Liabilities						
Deposits due to other banks	43 182	-	-	-	-	43 182
Deposits from customers	5 629 745	1 897 895	1 388 312	-	-	8 915 952
Other financial liabilities	609 066	-	-	-	-	609 066
Lines of credit	-	2 698 167	-	-	-	2 698 167
	6 281 993	4 596 062	1 388 312	-	-	12 266 367
Liquidity gap	(2 375 372)	(3 392 922)	3 274 513	2 440 845	21 323	(31 613)
Cumulative liquidity gap	(2 375 372)	(5 768 294)	(2 493 781)	(52 936)	(31 613)	(31 613)

HISTORICAL COST

Liquidity gap analysis	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 2021						
Assets						
Cash and bank balances	1 283 323	-	-	-	-	1 283 323
Amounts due from other banks	1 513 523	-	-	-	-	1 513 523
Financial assets at amortised cost	-	-	1 539 448	43 534	21 323	1 604 305
Financial assets at FVPL	-	-	21 736	-	-	21 736
Loans and advances	656 179	1 203 140	3 101 641	2 397 311	-	7 358 271
Other financial assets	453 596	-	-	-	-	453 596
	3 906 621	1 203 140	4 662 825	2 440 845	21 323	12 234 754
Liabilities						
Deposits due to other banks	43 182	-	-	-	-	43 182
Deposits from customers	5 629 745	1 897 895	1 388 312	-	-	8 915 952
Other financial liabilities	609 066	-	-	-	-	609 066
Lines of credit	-	2 698 167	-	-	-	2 698 167
	6 281 993	4 596 062	1 388 312	-	-	12 266 367
Liquidity gap	(2 375 372)	(3 392 922)	3 274 513	2 440 845	21 323	(31 613)
Cumulative liquidity gap	(2 375 372)	(5 768 294)	(2 493 781)	(52 936)	(31 613)	(31 613)

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	2 290 579	-	-	-	-	2 290 579
Amounts due from other banks	973 638	-	-	-	-	973 638
Financial assets at amortised cost	-	-	20 666	70 337	34 898	125 901
Financial assets at FVPL	-	-	3 398 285	-	-	3 398 285
Loans and advances	294 073	223 785	747 905	2 000 570	-	3 266 333
Other financial assets	235 549	-	-	-	-	235 549
	3 793 839	223 785	4 166 856	2 070 907	34 898	10 290 285
Liabilities						
Deposits due to other banks	2 988	-	-	-	-	2 988
Deposits from customers	4 336 962	456 523	913 043	-	-	5 706 528
Other financial liabilities	58 377	73 671	-	-	-	132 048
Lines of credit	-	3 564 847	-	-	-	3 564 847
	4 398 327	4 095 041	913 043	-	-	9 406 411
Liquidity gap	(604 488)	(3 871 256)	3 253 813	2 070 907	34 898	883 874
Cumulative liquidity gap	(604 488)	(4 475 744)	(1 221 931)	848 976	883 874	883 874

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 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

Contractual maturities of undiscounted cash flows of financial instruments (continued)

Liabilities						
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

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 2021			
Facility commitments approved but not drawn down	252 792	-	252 792
Financial guarantees	2 500	3 200	5 700
	255 292	3 200	258 492
Restated as at 31 December 2020			
Facility commitments approved but not drawn down	700 689	-	700 689
Financial guarantees	1 205	-	1 205
	701 894	-	701 894

HISTORICAL COST

	1 month to 3 months ZWL'000	3 months to 1-year ZWL'000	Total ZWL'000
As at 31 December 2021			
Facility commitments approved but not drawn down	252 792	-	252 792
Financial guarantees	2 500	3 200	5 700
	255 292	3 200	258 492
As at 31 December 2020			
Facility commitments approved but not drawn down	435 922	-	435 922
Financial guarantees	750	-	750
	436 672	-	436 672

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 2021

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 2021						
Assets						
Cash and bank balances	466 290	49 102	4 161	872	2 276 421	2 796 846
Financial assets at fair value through profit and loss	21 736	-	-	-	-	21 736
Liabilities						
Deposits from customers	(1 097 005)	(41 917)	(2 768)	(58 066)	(7 716 196)	(8 915 952)
Deposits due to other banks	(43 182)	-	-	-	-	(43 182)
Lines of credit	(2 698 167)	-	-	-	-	(2 698 167)
Net currency position	(3 350 328)	7 185	1 393	(57 194)	(5 439 775)	(8 838 719)
As at 31 December 2020						
Assets						
Cash and bank balances	1 044 530	33 809	6 024	1 093	2 178 760	3 264 216
Financial assets at fair value through profit and loss	3 398 285	-	-	-	-	3 398 285
Liabilities						
Deposits due to other Banks	(2 988)	-	-	-	-	(2 988)
Deposits from customers	(1 850 488)	(27 592)	(1 091)	(17 469)	(3 809 888)	(5 706 528)
Lines of credit	(3 564 847)	-	-	-	-	(3 564 847)
Net currency position	(975 508)	6 217	4 933	(16 376)	(1 631 128)	(2 611 862)

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 2021						
Assets						
Cash and bank balances	466 290	49 102	4 161	872	2 276 421	2 796 846
Financial assets at fair value through profit and loss	21 736	-	-	-	-	21 736
Liabilities						
Deposits due to other banks	(43 182)	-	-	-	-	(43 182)
Deposits from customers	(1 097 005)	(41 917)	(2 768)	(58 066)	(7 716 196)	(8 915 952)
Lines of credit	(2 698 167)	-	-	-	-	(2 698 167)
Net currency position	(3 350 328)	7 185	1 393	(57 194)	(5 439 775)	(8 838 719)
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 due to other banks	(1 859)	-	-	-	-	(1 859)
Deposits from customers	(1 151 251)	(17 166)	(679)	(10 868)	(2 370 259)	(3 550 223)
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)

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 2021						
Foreign and exchange gain/ (loss)	(1 265 766)	26 377	2 725	(3 074)	(2 949 870)	(4 189 608)
% increase or decrease in exchange rates	5%	5%	5%	5%	5%	
Increase or decrease in profit or loss and equity	(63 288)	1 319	136	(154)	(147 494)	(209 481)
Inflation Adjusted as at 31 December 2020						
Foreign and exchange gain/ (loss)	8 882	288	51	10	339	9 570
increase or decrease in exchange rates	5%	5%	5%	5%	5%	
Increase or decrease in profit or loss and equity	444	14	3	-	17	479
Historical Cost as at 31 December 2021						
Foreign and exchange gain/ (loss)	(1 265 766)	26 377	2 725	(3 074)	(2 949 870)	(4 189 608)
% increase or decrease in exchange rates	5%	5%	5%	5%	5%	-
Increase or decrease in profit or loss and equity	(63 288)	1 319	136	(154)	(147 494)	(209 481)
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

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 2021							
Assets							
Cash and bank balances	1 283 323	-	-	-	-	-	1 283 323
Amounts due from other banks	1 513 523	-	-	-	-	-	1 513 523
Financial assets at amortised cost	-	-	1 539 448	43 534	21 323	-	1 604 305
Financial assets at FVPL	-	-	-	-	-	21 736	21 736
Loans and advances	656 179	1 203 140	3 101 641	2 397 311	-	-	7 358 271
Other financial assets	-	-	-	-	-	455 117	455 117
Total assets	3 453 025	1 203 140	4 641 089	2 440 845	21 323	476 853	12 236 275
Liabilities							
Deposits due to other banks	43 182	-	-	-	-	-	43 182
Deposits from customers	5 629 745	1 897 895	1 388 312	-	-	-	8 915 952
Lines of credit	-	2 698 167	-	-	-	-	2 698 167
Other financial liabilities	-	-	-	-	-	609 066	609 066
Total equity and liabilities	5 672 927	4 596 062	1 388 312	-	-	609 066	12 266 367
Interest rate repricing gap	(2 219 902)	(3 392 922)	3 252 777	2 440 845	21 323	(132 213)	(30 092)
Cumulative repricing gap	(2 219 902)	(5 612 824)	(2 360 047)	80 798	102 121	(30 092)	(30 092)

INFLATION ADJUSTED

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Non-interest bearing	
As at 31 December 2020							
Assets							
Cash and bank balances	2 290 579	-	-	-	-	-	2 290 579
Amounts due from other banks	973 638	-	-	-	-	-	973 638
Financial assets at amortised cost	-	-	20 666	70 337	34 897	-	125 900
Financial assets at FVPL	-	-	-	-	-	3 398 285	3 398 285
Loans and advances	294 074	223 785	747 906	2 000 570	-	-	3 266 335
Other financial assets	-	-	-	-	-	235 549	235 549
Total assets	3 558 291	223 785	768 572	2 070 907	34 897	3 633 834	10 290 286
Liabilities							
Deposits due to other banks	2 988	-	-	-	-	-	2 988
Deposits from customers	4 336 962	456 523	913 043	-	-	-	5 706 528
Lines of credit	-	3 564 847	-	-	-	-	3 564 847
Other financial liabilities	-	-	-	-	-	132 047	132 047
Total equity and liabilities	4 339 950	4 021 370	913 043	-	-	132 047	9 406 410
Interest rate repricing gap	(781 659)	(3 797 585)	(144 471)	2 070 907	34 897	3 501 787	883 876
Cumulative repricing gap	(781 659)	(4 579 244)	(4 723 715)	(2 652 808)	(2 617 911)	883 876	883 876

HISTORICAL COST

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Non-interest bearing	
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 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

Sensitivity analysis

The following table presents 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 2021			
Interest income			
Interest income on loans and advances	2 357 934	5%	117 897
Interest income on Financial assets at amortised cost - ZAMCO TBs	8 374	5%	419
Interest income on Financial assets at amortised cost - CTBs	1 855	5%	93
Interest income on fixed deposits	4 797	5%	229
Interest income on bonds and debentures	8	5%	-
Total increase/(decrease) in profit or loss and equity			118 638

Sensitivity analysis (continued)

	% 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	(394 161)	5%	(19 708)
Interest expense on retail and savings accounts	(1 571)	5%	(79)
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	(209)	5%	(10)
Interest expense on Reserve Bank of Zimbabwe	-	5%	-
Total increase or decrease in profit or loss and equity			(19 797)

	% 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 2021			
Interest income			
Interest income on loans and advances	1 906 812	5%	95 341
Interest income on Financial assets at amortised cost - ZAMCO TBs	6 820	5%	341
Interest income on Financial assets at amortised cost - CTBs	1 865	5%	93
Interest income on fixed deposits	4 571	5%	229
Interest income on bonds and debentures	6	5%	0
Total increase or decrease in profit or loss and equity			96 004

	% 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	(325 383)	5%	(16 269)
Interest expense on retail and savings accounts	(1 229)	5%	(61)
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	(172)	5%	(9)
Total increase/(decrease) in profit or loss and equity			(16 399)

	% Increase or decrease in interest ZWL' 000	rates	Increase or decrease in profit or loss and equity ZWL' 000
Interest Income			
Inflation adjusted as at 31 December 2020			
Interest income			
Interest income on loans and advances	26 907	5%	1 345
Interest income on Financial assets at amortised cost - ZAMCO TBs	-	5%	-
Interest income on Financial assets at amortised cost - CTBs	5 864	5%	293
Interest income on fixed deposits	237	5%	11
Interest income on bonds and debentures	900	5%	45
Total increase/(decrease) in profit or loss and equity			1 694
Interest expense			
Interest expense on fixed deposits	(5 825)	5%	(291)
Interest expense on retail and savings accounts	(246)	5%	(12)
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	(4 767)	5%	(238)
Interest expense on Reserve Bank of Zimbabwe ("Aftrades")	(865)	5%	(43)
Total increase/(decrease) in profit or loss and equity			(584)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Sensitivity analysis (continued)

	% 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	16 740	5%	837
Interest income on financial assets at amortised cost - ZAMCO TBs	-	5%	-
Interest income on Financial assets at amortised cost - CTBs	3 648	5%	182
Interest income on fixed deposits	148	5%	7
Interest income on bonds and debentures	560	5%	28
Total increase or decrease in profit or loss and equity			1 054
Interest expense			
Interest expense on fixed deposits	(3 624)	5%	(181)
Interest expense on retail and savings accounts	(153)	5%	(8)
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	(2 966)	5%	(148)
Interest expense on Reserve Bank of Zimbabwe ("Aftrades")	(538)	5%	(27)
Total increase or decrease in profit or loss and equity			(364)

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	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Share capital	751 798	751 798	12 108	12 108
Shareholder capital contribution	1 670 304	1 670 304	152 035	152 035
Share premium	4 227 581	4 227 581	68 087	68 087
IFRS adjustment on capitalization TBs	4 181	4 181	776	776
(Accumulated loss)/ Retained earnings	(3 560 162)	(4 838 080)	1 887 268	370 435
Tier 1 capital*	3 093 702	1 815 784	2 120 274	603 441
Revaluation reserve	417 416	1 200 414	865 870	244 165
General provisions	106 599	19 060	194 278	51 204
Tier 2 capital**	524 015	1 219 474	1 060 148	295 369
Market risk capital	54 847	23 291	88 678	33 301
Operational risk capital	153 218	18 469	294 328	84 410
Tier 3 capital	208 065	41 760	383 006	117 711
Total capital	3 825 782	3 077 018	3 563 428	1 016 521
Total risk weighted assets	18 078 300	14 132 953	18 454 572	6 049 468

Capital adequacy ratio (continued)

Capital adequacy ratio	21.16%	21.78%	19.33%	16.80%
Tier 1	17.11 %	12.85%	11.50%	9.97%
Tier 2	2.90 %	8.63%	5.75 %	4.88%
Tier 3	1.15 %	0.30%	2.08%	1.95%

* Tier 1 capital requirement should be a minimum of US$ 30 million based on closing December 2021. This converts to tier 1 capital requirement of ZWL 3 259 980 000 as at 31 December 2021.

The Bank's tier 1 capital was ZWL 2 120 295 000 as at 31 December 2021 resulting in a shortfall of ZWL 1 139 685 000.
The Reserve Bank of Zimbabwe granted the Bank extension of 12 months to comply by December 2022 to allow consummation of capital raising initiatives which are currently underway.

*Tier 2 capital should not exceed 50% 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:

AFC COMMERCIAL BANK 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 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 in experienced. 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 12months.

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	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Financial assets				
Cash and bank balances	1 283 323	2 290 579	1 283 323	1 425 046
Amounts due from other banks	1 513 523	973 639	1 513 523	605 733
Financial assets at amortized cost	1 604 305	125 901	1 604 305	78 327
Loans and advances to customers- gross	7 358 271	3 266 334	7 358 271	2 032 096
Other financial assets	455 117	235 533	453 596	146 543
	12 214 539	6 891 986	12 213 018	4 287 745
Financial liabilities				
Deposits due to other banks	43 182	2 988	43 182	1 859
Deposits from customers	8 915 952	5 706 529	8 915 952	3 550 223
Other financial liabilities	486 336	132 047	486 336	82 151
Lines of credit	2 698 167	3 564 847	2 698 167	2 217 811
	12 143 637	9 406 411	12 143 637	5 852 044

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 assets carried at fair value.

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 2021				
Fair Value Hierarchy of non-financial assets carried at fair value				
Land	-	-	663 945	663 945
Buildings	-	-	2 875 943	2 875 943
Investment properties	-	-	199 097	199 097
Non-financial assets at fair value	-	-	3 738 985	3 738 985
Fair Value Hierarchy of financial assets carried at fair value				
Financial assets at FVPL	-	-	21 736	21 736
Inflation Adjusted				
As at 31 December 2020				
Fair Value Hierarchy of non-financial assets carried at fair value				
Land	-	-	487 204	487 204
Buildings	-	-	1 791 933	1 791 933
Investment properties	-	-	109 772	109 772
Non-financial assets at fair value	-	-	2 388 909	2 388 909
Fair Value Hierarchy of financial assets carried at fair value				
Financial assets at FVPL	-	-	3 398 285	3 398 285
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

6. CASH AND BANK BALANCES

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Cash on hand	340 347	1 157 827	340 347	720 323
RBZ Current Account	800 165	1 045 805	800 165	650 630
RBZ Statutory Reserves	142 811	86 947	142 811	54 093
Amounts due from other banks	1 513 523	973 639	1 513 523	605 733
	2 796 846	3 264 218	2 796 846	2 030 779

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

AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2021

AFC COMMERCIAL BANK

Integrity. Diligence. Innovation

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

7. FINANCIAL ASSETS

7.1 Financial assets at amortised cost

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Treasury bills (TBs)	382 870	107 368	382 870	66 797
Deferred facility fees on ZAMCO TBs	188	497	188	309
Savings bonds	-	118	-	73
Fixed deposit placements	1 221 252	17 918	1 221 252	11 148
Expected credit losses	(5)	-	(5)	-
	1 604 305	125 901	1 604 305	78 327

Reconciliation of financial assets at amortised cost

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL '000	2020 ZWL '000
As at 1 January	125 900	568 247	78 327	78 809
Additions - ZAMCO treasury bills	317 662	-	317 662	-
Expected credit losses	(5)		(5)	
ZAMCO deferred fees recognised during the year	-	(497)	-	(309)
Additions - Fixed deposit placements	1 221 252	17 682	1 221 252	11 000
Maturities	(58 573)	(457 630)	(11 000)	(9 928)
Accrued interest	3 123	238	3 123	148
Interest payments received	(5 054)	(2 239)	(5 054)	(1 393)
As at 31 December	1 604 305	125 901	1 604 305	78 327
Maturity analysis				
Due within 3 months to 1 year	1 539 448	20 666	1 539 448	12 847
Due between 1 year and 5 years	43 534	70 337	43 534	43 759
Due between 5 years and 10 years	21 323	27 276	21 323	16 969
Due between 10 years and 15 years	-	7 622	-	4 752
	1 604 305	125 901	1 604 305	78 327

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.

7.3 Financial assets at fair value through profit and loss

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL '000	2020 ZWL '000	2021 ZWL '000	2020 ZWL '000
	21 736	22 118	21 736	13 761
Investment in unquoted shares	31 942	17 535	23 584	2 432
Fair value(loss)/gain- unquoted shares	(10 206)	4 583	(1 848)	11 328
	-	3 376 166	-	2 100 426
Statutory asset	3 376 165	2 927 164	2 100 426	2 185 277
Reclassification to Statutory asset	(3 376 165)	-	(2 100 426)	-
Exchange gains / (losses)	-	449 002	-	(84 851)
	21 736	3 398 284	21 736	2 114 187

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.

As at the date of this report the Bank had received US$ 12.1 million 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	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Loans	6 573 837	2 653 178	6 573 837	1 650 631
Overdrafts	784 434	613 157	784 434	381 465
Gross loans and advances	7 358 271	3 266 335	7 358 271	2 032 096
Allowance for expected credit losses	(200 256)	(80 174)	(200 256)	(49 879)
Suspended interest	(101 699)	(21 404)	(101 699)	(13 316)
Net loans and advances	7 056 316	3 164 757	7 056 316	1 968 901
8.1 Maturity analysis				
Due within 1 month	656 179	294 074	656 179	182 953
Due between 1 month and 3 months	1 203 140	223 785	1 203 140	139 224
Due between 3 months and 1 year	3 101 641	747 906	3 101 641	465 297
Due between 1 year and 5 years	2 397 311	2 000 570	2 397 311	1 244 622
	7 358 271	3 266 335	7 358 271	2 032 096

8.2 Non-performing loans

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Included in the loans and advances are the following:				
Gross non-performing loans	22 226	85 923	22 226	53 456
Expected credit losses on non-performing loans and advances	(2 085)	(2 729)	(2 085)	(1 698)
Suspended interest on non-performing loans and advances	(5 155)	(21 404)	(5 155)	(13 316)
Net non-performing loans	14 986	61 790	14 986	38 442

8.3 Sectoral analysis of loans and advances

INFLATION ADJUSTED

	2021 ZWL'000	2021 %	2020 ZWL'000	2020 %
Individuals	2 822 827	38.36	1 113 879	34.10
Agriculture	3 781 733	51.39	1 887 785	57.80
Manufacturing	392 285	5.33	173 157	5.30
Communication	1 880	0.03	56	-
Construction	10 648	0.15	4 927	0.15
Transport	9 746	0.13	298	0.01
Services	80 866	1.10	29 475	0.90
Mining	178 832	2.43	3 015	0.09
Distribution	79 454	1.08	53 743	1.65
	7 358 271	100	3 266 335	100

HISTORICAL COST

	2021 ZWL'000	2021 %	2020 ZWL'000	2020 %
Individuals	2 822 827	38.36	692 976	34.1
Agriculture	3 781 733	51.39	1 174 454	57.8
Manufacturing	392 285	5.33	107 727	5.3
Communication	1 880	0.03	40	0.0
Construction	10648	0.15	3 066	0.2
Transport	9 746	0.13	185	0.0
Services	80 866	1.10	18 337	0.9
Mining	178 832	2.43	1 876	0.1
Distribution	79 454	1.08	33 435	1.6
	7 358 271	100	2 032 096	100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

8.4 Movement in expected credit losses

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Carrying amount as at 1 January	85 924	91 493	53 456	12 689
Expected credit losses for the year	493 107	213 500	418 574	98 769
Amounts written off during the year as uncollectible	(374 360)	(219 069)	(267 359)	(58 002)
Carrying amount as at 31 December	204 671	85 924	204 671	53 456
The expected credit losses consists of the following:				
Loans and advances	200 256	80 174	200 256	49 879
Sundry debtors	4 410	5 750	4 410	3 577
Financial assets at amortised cost	5	-	5	-
	204 671	85 924	204 671	53 456

9. OTHER ASSETS

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Equipment in transit*	38 117	-	25 896	-
Rent receivable	6 755	6 286	6 755	3 912
Prepayments*	111 149	91 507	90 857	38 238
Consumables*	44 302	111 150	34 332	30 975
Sundry debtors	34 669	40 183	34 668	24 998
Security deposits	292 542	189 080	292 542	117 633
RBZ Receivable**	60 710	-	60 710	-
Exchange gain on RBZ Receivable	7 206	-	7 206	-
AFC Holdings Transitory Account	54 691	-	54 691	-
AFC Leasing Company Transitory Account	33	-	33	-
AMA Agrobills Deferred Fees	1 400	-	1 400	-
Expected credit loss	(4 410)	(5 750)	(4 410)	(3 577)
	647 164	432 456	604 680	212 179

*consists of non-monetary items
**Relates to outstanding bids from the Central Bank Auction Market

9.1. STATUTORY ASSET

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Statutory assets	1 569 849	-	1 569 849	-
Opening Balance	-	-	-	-
Reclassification from financial assets	3 376 165	-	2 100 426	-
Reclassification from cash	50 606	-	31 482	-
Receipts	(1 121 750)	-	(1 121 750)	-
Exchange (loss)/gain	(678 646)	-	616 216	-
Impairment loss	(56 525)	-	(56 525)	-
	1 569 849	-	1 569 849	-

In line with the Monetary Policy Statement issued on 20 February 2019 and Exchange Control Circular No.8 of 2019, the Bank registered with the RBZ a total foreign currency liability of US$ 27.07 million. A corresponding equivalent amount in ZW$ was transferred to the RBZ at a rate of 1:1.

Since registration of the blocked funds, the Bank has been able to recover US$ 4.6 million from the RBZ. In the prior year the amount receivable from the RBZ was accounted for as a financial asset, however, in the current year due to changes in the terms of recovery of the asset from the RBZ, the financial asset was derecognised and a statutory asset was recognised.

At 31 December 2021, the Bank recognised a foreign currency denominated statutory asset of ZWL1.6 billion with respect to the funds transferred to the RBZ. Statutory assets are assets that arise from legislation, supporting regulations, or similar, and are settled in cash or through another financial asset. The statutory asset is measured at cost less accumulated impairments. At the time of preparing the financial statements, there was uncertainty with respect to the timing of recoverability of the RBZ asset receivable. The recoverable amount was based on the expected value in use of the asset which was discounted at the incremental borrowing rate.

10. INVESTMENT PROPERTIES

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Carrying amount as at 1 January	109 772	115 014	68 293	15 951
Fair value (loss) / gain	89 325	(5 242)	130 804	52 342
Carrying amount as at 31 December	199 097	109 772	199 097	68 293

The fair value of the Bank's investment properties at 31 December 2021 has been arrived at on the basis of a valuation carried out by Dawn Property Consultancy, 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 ZWL4 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 2020	289 362	1 861 642	84 723	78 900	-	86 151	161 655	120 452	2 682 885
Revaluation surplus	197 842	(159 173)	-	-		-	-	-	38 669
Additions	-	8 050	664	208 996	2 026	19 797	54 909	-	294 442
Capitalisation	-	-	-	-	976 038	-	-	-	976 038
Reclassification	-	119 449	-	-	-	1 003	-	(120 452)	-
Disposals - cost	-	-	(12 151)	(34 733)	-	(3 280)	(14 410)	-	(64 574)
Disposals - accumulated depreciation	-	-	9 872	34 572	-	2 503	12 493	-	59 440
Depreciation charge	-	(38 035)	(38 159)	(62 760)	(12 293)	(18 674)	(44 862)	-	(214 783)
Carrying amount as at 31 December 2020	487 204	1 791 933	44 949	224 975	965 771	87 500	169 785	-	3 772 117
Revaluation surplus	176 741	1 110 849	-	-	-	-	-	-	1 287 590
Additions	-	9 111	54 758	59 818	-	23 100	298 357	29 712	474 856
Dividend in specie	-	-	-	-	(965 771)	-	-	-	(965 771)
Disposal	-	-	(16 930)	(3 153)	-	(231)	(4 462)	-	(24 776)
Disposals – accumulated depreciation	-	-	16 929	3 129	-	203	4 241	-	24 502
Depreciation charge	-	(35 951)	(4 534)	(55 752)	-	(21 125)	(56 715)	-	174 077
Carrying amount as at 31 December 2021	663 945	2 875 942	95 172	229 017	-	89 447	411 206	29 712	4 394 441
As at 31 December 2020									
Cost or revalued amount	487 204	1 791 933	193 325	425 354	978 065	132 303	361 434	-	4 369 618
Accumulated depreciation	-	-	(148 376)	(200 379)	(12 294)	(44 803)	(191 649)	-	(597 501)
Carrying amount	487 204	1 791 933	44 949	224 975	965 771	87 500	169 785	-	3 772 117
As at 31 December 2021									
Cost or revalued amount	663 945	2 875 942	231 153	482 019	-	155 173	655 329	29 712	5 093 273
Accumulated depreciation	-	-	(135 981)	(253 002)	-	(65 726)	(244 123)	-	(698 832)
Carrying amount	663 945	2 875 942	95 172	229 017	-	89 447	411 206	29 712	4 394 441

Best to **save** while you have it! **Be smart about money**

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 2020	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
Re classification	-	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
Revaluation surplus	360 838	1 784 798	-	-	-	-	-		2 145 637
Additions	-	6 731	47 269	45 287	-	19 148	273 832	29 712	421 979
Dividend in specie*	-	-	-	-	(557 383)	-	-	-	(557 383)
Disposals – cost	-	-	(273)	(51)	-	(4)	(72)	-	(400)
Disposals – accumulated depreciation	-	-	273	51	-	4	70	-	398
Depreciation charge		(30 409)	(5 222)	(33 019)	-	(2 856)	(13 972)	-	(85 478)
Carrying amount as at 31 December 2021	663 945	2 875 943	45 942	126 098	-	25 681	284 219	29 712	4 051 540
As at 31 December 2020									
Cost or revalued amount	303 106	1 114 823	7 423	121 302	564 293	11 359	29 239	-	2 151 545
Accumulated depreciation	-	-	(3 528)	(7 472)	(6 910)	(1 970)	(4 878)	-	(24 758)
Carrying amount	303 106	1 114 823	3 895	113 830	557 383	9 389	24 361	-	2 126 787
As at 31 December 2021									
Cost or revalued amount	663 945	2 875 943	54 420	166 539	-	30 504	303 000	29 712	4 124 063
Accumulated depreciation	-	-	(8 478)	(40 441)	-	(4 823)	(18 781)	-	(72 525)
Carrying amount as at 31 December 2021	663 945	2 875 943	45 942	126 098	-	25 681	284 219	29 712	4 051 540

***Dividend in specie**

Dividend in specie is arising from value of machinery which was transferred to AFC Holdings on 1 January 2021

PROPERTY AND EQUIPMENT (CONTINUED)

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

	Fixtures & fittings		Furniture		Land & buildings	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Cost	30 534	11 385	13 689	2 983	29 388	22 657
Accumulated depreciation	(4 807)	(1 935)	(2 612)	(659)	(3 025)	(2 437)
Carrying amount	25 727	9 450	11 077	2 424	26 363	20 220

The fair value of the Bank's property and equipment at 31 December 2021 has been arrived at on the basis of a valuation carried out by Dawn 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 2020	568 741	15 877	584 618
Additions	138 870	3 114	141 984
Reclassification from work-in-progress	(588 289)	585 059	(3 229)
Amortisation charge	-	(162 214)	(162 214)
Carrying amount as at 1 January 2021	119 322	441 837	561 159
Additions	67 753	8 527	76 279
Amortisation charge	-	(41 428)	(41 428)
Carrying amount as at 31 December 2021	187 075	408 936	596 011
Cost	119 322	814 032	933 354
Accumulated amortisation	-	(372 195)	(372 195)
Carrying amount as at 31 December 2020	119 322	441 837	561 159
Cost	187 075	822 558	1 009 633
Accumulated amortisation	-	(413 622)	(413 622)
Carrying amount as at 31 December 2021	187 075	408 936	596 011

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

AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

AFC COMMERCIAL BANK
Integrity. Diligence. Innovation

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

12. INTANGIBLE ASSETS (CONTINUED)

	HISTORICAL COST		
	Work in Progress ZWL '000	Computer Software ZWL '000	Total ZWL '000
Carrying amount as at 1 January 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 01January 2021	59 736	27 307	87 043
Additions	53 003	7 809	60 812
Amortisation charge	-	(7 031)	(7 031)
Carrying amount as at 31 December 2021	112 739	28 085	140 824
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
Cost	112 739	45 195	157 934
Accumulated amortisation	-	(17 110)	(17 110)
Carrying amount as at 31 December 2021	112 739	28 085	140 824

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	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Balance at 1 January	102 505	60 810	22 424	1 939
Additions	31 923	69 132	26 169	25 079
Depreciation	(39 959)	(27 437)	(11 331)	(4 594)
Asset retirement	(247)	-	(5)	-
Right-of-use at 31 December	94 222	102 505	37 262	22 424
Cost	175 845	144 335	53 358	27 194
Accumulated amortisation	(81 623)	(41 830)	(16 096)	(4 770)
	94 222	102 505	37 262	22 424

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	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Balance at 1 January	38 413	14 486	23 898	2 009
Additions and re-assessment	27 620	41 644	27 620	25 908
Liability retirement	(6)	-	(6)	-
Exchange losses	7 930	-	7 930	-
Interest expense	10 485	8 147	8 523	3 661
Repayments	(35 612)	(25 863)	(19 135)	(7 680)
Balance at 31 December	48 830	38 413	48 830	23 898
Maturity analysis				
Due within 1 year	93 667	19 463	93 667	9 207
Due between 2 years and 5 years	40 268	35 025	40 268	14 691
	133 935	54 488	133 935	23 898

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	
Authorised share capital	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Ordinary shares of ZWL1.00 each	1 124 337	1 124 337	18 108	18 108
Issued and fully Ordinary shares of ZWL1.00 each	751 798	751 798	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	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Shareholder capital contribution awaiting allotment	1 670 303	1 554 871	152 035	88 035
Received during the year	-	115 432	-	64 000
	1 670 303	1 670 303	152 035	152 035

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	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Term deposits held with other banks	43 182	2 988	43 182	1 859
Maturity analysis				
Due within 1month	43 182	2 988	43 182	1 859

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	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Demand deposits	5 536 377	4 470 030	5 536 377	2 780 956
Savings accounts	588 267	285 291	588 267	177 489
Term deposits	2 791 308	952 185	2 791 308	592 386
Deferred Agro-bills arrangement fees	(13 091)	(977)	(13 091)	(608)
	8 902 861	5 706 529	8 902 861	3 550 223
Maturity analysis				
Due within 1 month	5 528 248	4 336 962	5 528 248	2 698 170
Due between 1 month and 3 months	587 403	456 522	587 403	284 018
Due between 3 months and 1 year	2 787 210	913 045	2 787 210	568 035
	8 902 861	5 706 529	8 902 861	3 550 223

18. OTHER LIABILITIES

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Provision for leave pay (note 18.1.1)	42 464	15 425	42 464	9 596
Accrued expenses	73 679	40 993	73 679	25 503
Sundry creditors	81 697	17 384	81 697	10 815
Current tax liability	84 486	16 644	84 486	10 355
Audit fees	4 000	7 861	4 000	4 891
Medical aid, Pension, Standards and Manpower levies	203	-	203	-
Withholding and other taxes	176 674	96 164	176 674	59 827
Unclaimed deposits	-	161	-	100
Provision for long service awards (note 18.1.2)	18 555	8 941	18 555	5 562
Provision for bonus (note 18.1.3)	47 763	28 588	47 763	17 785
Zimbabwe Asset Management (ZAMCO) collections payable	3 985	14 738	3 985	9 169
AFC- Land and Agricultural Bank	39 582	-	39 582	-
AFC- Insurance Company	35 978	-	35 978	-
AFC- Leasing Company	-	1 118	-	696
	609 066	248 017	609 066	154 299

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

18. OTHER LIABILITIES(CONTINUED)

18.1.1 Provision for leave pay

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
As at 1 January	15 425	2 458	9 596	951
Provision for leave pay charge	50 335	32 676	34 387	9 045
Provision for leave pay utilized	(23 296)	(19 709)	(1 519)	(400)
As at 31 December	42 464	15 425	42 464	9 596

18.1.2 Provision for long service award

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
As at 1 January	8 941	1 419	5 562	882
Provision for long service charge	16 534	12 484	15 955	7 767
Provision for long service utilized	(6 920)	(4 962)	(2 962)	(3 087)
As at 31 December	18 555	8 941	18 555	5 562

18.1.3 Provision for bonus

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
As at 1 January	28 588	6 121	17 785	849
Provision for bonus charge	73 003	40 953	56 616	25 478
Provision for bonus utilized	(53 828)	(18 486)	(26 638)	(8 542)
As at 31 December	47 763	28 588	47 763	17 785

19. DEFERRED INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Deferred income	124 171	62 039	96 226	38 597
Maturity analysis				
Due within 1 month	13 230	5 584	8 660	3 474
Due between 1 month and 3 months	19 110	8 065	12 509	5 018
Due between 3 months and 1 year	13 230	5 584	8 661	3 473
Due between 1 year and 5 years	78 601	42 806	66 396	26 632
	124 171	62 039	96 226	38 597
19.1 Movement in deferred income				
As at 1 January	62 039	291 251	38 597	7 198
Impact of inflation adjustment	4 502	(279 681)	-	-
Income deferred during the year	76 929	62 040	76 928	38 597
Income realised during the year	(19 299)	(11 571)	(19 299)	(7 198)
As at 31 December	124 171	62 039	96 226	38 597

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	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	200 ZWL'000
Industrial Development Corporation of South Africa ("IDCSA")	2 698 167	3 564 846	2 698 167	2 217 811
Total	2 698 167	3 564 846	2 698 167	2 217 811
Maturity analysis				
Due between 1 month and 3 months	2 698 167	3 564 846	2 698 167	2 217 811
	2 698 167	3 564 846	2 698 167	2 217 811
Analysis of lines of credit				
Carrying amount as at 1 January	3 564 846	3 135 610	2 217 811	434 871
Interest accrued during the year:	252 890	7 090	211 503	2 191
IDC advisory services	60 710	-	60 710	-
Industrial Development Corporation of South Africa ("IDCSA")	192 180	7 090	150 793	2 191

20. LINES OF CREDIT (CONTINUED)

Re-measurement of IDC Legacy debt	(707 768)	423 753	(680 654)	1 781 749
Deferred upfront and raising fees movement	-	-	-	-
Cash flows made during the year	(411 801)	(1 607)	(411 801)	(1 000)
Capital repayments	(269 198)	-	(269 198)	-
Interest repayments	(142 603)	(1 607)	(142 603)	(1 000)
Carrying amount as at 31 December	2 698 167	3 564 846	2 698 167	2 217 811

In line with the Monetary Policy Statement issued on 20 February 2019 and Exchange Control Circular No.8 of 2019, the Bank registered with the RBZ a total foreign currency liability of US$ 27.07 million. A corresponding equivalent amount in ZW$ was transferred to the RBZ at a rate of 1:1.

During the current year, the Bank was unable to make some of the scheduled loan repayments. At year-end, the total overdue installments and accrued interest amounted to US$24.2 million (2020:US$27.1million).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.

Subsequent to year end, after consulting RBZ the Bank engaged IDC South Africa with a view to restructuring the loan. In principle IDC South Africa agreed and offered the Bank a discount of paying USD 14 million by 31st March 2022 as final settlement. The Bank managed to settle the USD 14 million and currently waiting for settlement confirmation letter from IDC South Africa.

21.TAXATION

21.1 Income tax expense

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Current tax	695 111	276 658	610 275	56 020
Deferred tax	(326 061)	316 146	(127 513)	127 893
Movement in temporary differences	(369 050)	(592 804)	(482 762)	(183 913)
Income tax expense	(369 050)	(592 804)	(482 762)	(183 913)
Tax rate reconciliation				
Accounting profit	1 646 968	384 111	1 999 591	569 059
Notional taxation on income for the year at a statutory rate of 24.72% (2020 24.72%)	407 130	95 028	494 299	140 841
Tax effect of non-taxable/non-deductible items:				
Expenses not deductible for tax purposes	1 050 481	452 597	1 050 480	14 137
Assessed loss not claimed	-	52 513	-	32 925
Exempt income	(8 675)	(6 577)	(8 675)	(4 092)
Other tax adjustments	(1 079 886)	(757)	(1 053 342)	102
	369 050	592 804	482 762	183 913

21.2 Deferred tax

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Property and equipment	683 171	799 078	291 939	127 353
Deferred tax on revaluation	283 439	68 125	459 244	224 348
Unrealised exchange gains	72 435	262 276	(74 927)	112 545
Provisions	(63 400)	(111 212)	83 988	(35 733)
Deferred tax liability as at 31 December	975 645	1 018 267	760 244	428 513
Net deferred tax liability	975 645	1 018 267	760 244	428 513

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:

Net carrying amount as at 1 January	1 018 267	731 577	428 513	76 270
(Credit)/charge to profit or loss	(326 061)	316 146	(127 513)	127 893
Tax charge relating to components of other comprehensive income	283 439	(29 456)	459 244	224 350
Net deferred tax liability	975 645	1 018 267	760 244	428 513

22. INTEREST AND SIMILAR INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Interest income on loans and advances to customers	2 357 934	659 684	1 906 812	285 523
Interest income on financial assets at amortized cost	10 236	13 663	8 681	4 138
Interest income on ZAMCO treasury bills	8 374	10 558	6 820	2 271
Interest income on capitalisation treasury bills	1 855	2 925	1 855	1 820
Interest income on bonds and debentures	7	180	6	47
Amortisation of deferred facility fees on ZAMCO treasury bills	(80)	(425)	(116)	(138)
Interest income on fixed deposits	4 797	15 052	4 571	3 788
Management and establishment fees	520 537	161 788	418 540	68 042
	2 893 424	849 762	2 338 488	361 353

23. INTEREST EXPENSE & SIMILAR CHARGES

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Interest expense on fixed deposits	394 161	193 829	325 383	77 517
Amortisation of Agro bills arrangement fees	14 729	3 353	12 516	1 248
Interest expense on retail and savings accounts	1 571	1 779	1 228	563
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	190 205	316	149 269	197
	600 666	199 277	488 396	79 525

24. FEE AND COMMISSION INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Fee income	1 532 254	878 154	1 194 574	351 385
Commission income	722 576	337 244	554 014	144 879
	2 254 830	1 215 398	1 748 588	496 264

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	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Rental income	30 716	16 322	24 085	7 579
Foreign exchange gain	706 714	208 014	679 110	170 069
Combine harvester revenue	-	47 059	-	27 232
Profit on disposal of property and equipment	1 064	-	1 446	-
Unrealised exchange gains	320 023	594 852	277 020	442 400
RBZ Agency commission	2 710	3 956	1 893	1 263
Sundry income	4 644	19 862	3 124	9 039
Bad debt recoveries	224	746	191	400
	1 066 095	890 811	986 869	657 982

26. OPERATING EXPENSES

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Employee benefit expenses (note 26.1)	1 234 333	758 845	979 216	308 931
Directors' fees	9 964	8 717	8 209	3 858
Audit fees	12 898	16 999	8 852	6 875
Security expenses	82 420	51 903	66 414	23 396
Repairs and maintenance costs	110 312	72 227	88 469	35 777
Printing and stationery	123 355	52 927	106 160	21 575
Software license fees	194 193	131 443	151 777	48 708
Consultancy charges	7 489	15 904	5 591	7 732
Insurance	37 345	24 185	30 567	10 572
Motor vehicle fuel	73 054	55 017	58 498	25 314
Subsistence and travel	43 973	53 452	35 330	26 379
Advertising and subscriptions	166 738	88 995	130 491	37 013
Telecommunication and postage charges	92 048	70 147	74 734	33 842
Networking and data charges	87 956	34 517	73 941	15 127
Hire of services	110 987	78 047	85 812	35 979
Equipment hiring charges	2 946	3 110	2 258	1 421
Bank charges and cash in transit charges	65 105	56 477	54 789	27 087
Office cleaning expenses	17 849	12 973	14 105	4 449
Electricity and water charges	32 963	14 738	26 671	5 773
Rent and rates	33 843	20 643	26 269	9 639
Legal expenses	2 038	4 790	1 924	1 438
Public relations expenses	34 605	2 558	30 730	1 495
Depreciation of property and equipment (note 11)	174 077	214 783	85 478	17 266
Depreciation right of use assets	39 959	27 437	11 331	4 594
Amortisation of intangible assets (note 12)	41 428	162 213	7 031	6 816
Periodicals and entertainment	2 347	1 173	1 806	448
Other operating expenses	2 637	1 596	4 489	828
IMTT tax	40 985	20 889	30 362	10 385
Covid expenses	35 785	22 250	28 406	10 940
Impairment of assets	56 525	-	56 525	-
VISA Transaction expenses	12 564	5 420	9 780	3 221
Loss on disposal of property and equipment	-	5 064	-	3
Bad debts and AA Loan Written-off	442	413	323	184
	2 983 163	2 089 852	2 296 338	747 065

26.1 Employee benefit expenses

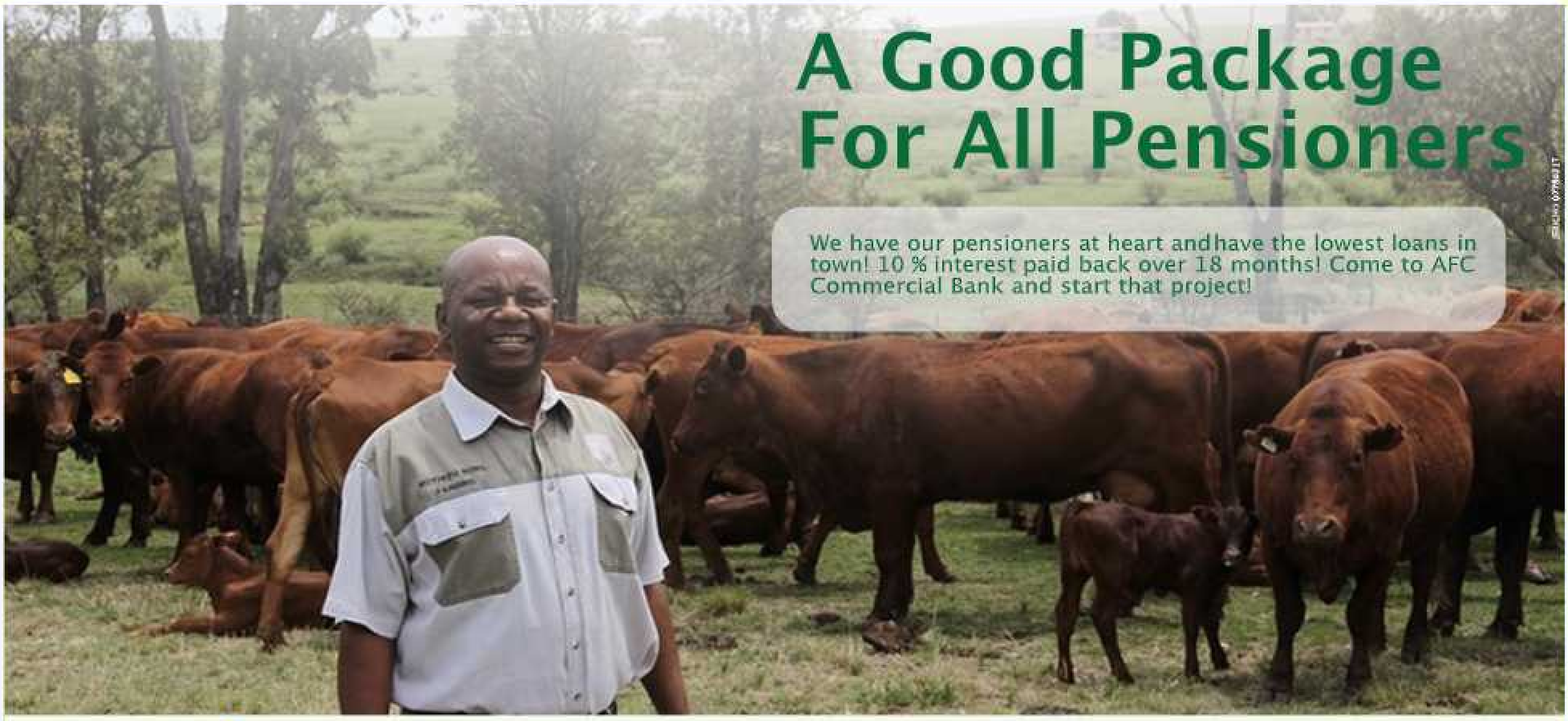
	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Salaries and wages	503 773	261 978	392 259	87 163
Pension costs (note 29)	53 838	29 279	42 349	10 017
Staff bonus	73 005	71 993	56 616	25 479
Covid allowance	103 099	87 537	83 485	48 023
Fuel allowance	7 295	3 046	5 725	2 029
National Social Security Authority Scheme Costs	5 008	1 925	4 197	890
Medical aid expenses	92 187	59 428	72 876	26 279
School fees allowances	24 151	11 635	18 711	5 023
Government training levy	14 454	8 272	11 527	3 327
Retention allowances	111 144	91 619	92 830	49 033
Gratuities	16 535	18 137	15 955	7 767
Housing and other allowances	49 524	9 493	40 695	3 710
Workmen's compensation	4 746	2 768	3 725	984
Training expenses	15 945	21 612	13 562	8 195
Staff refreshments expenses	100 148	26 162	82 714	14 894
Staff uniforms	4 025	15 544	2 978	4 771
Staff commission	781	585	740	266
Movement in provision for leave pay (note 19.1)	50 335	32 676	34 387	9 045
Recruitment costs	312	2 188	228	1 199
Group accident insurance	35	1 349	27	486
Sports and recreation	3 993	1 619	3 630	351
	1 234 333	758 845	979 216	308 931

The average number of persons employed by the Bank during the year was 510 (2020:485)

27. COMMITMENTS AND CONTINGENCIES

27. 1 Loan facility commitments

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Facility commitments approved but not drawn down	252 792	700 688	252 792	435 922
Maturity analysis				
Due between 1 month and 3 months	252 792	700 688	252 792	435 922



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	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Guarantees	5 700	1 206	5 700	750
Maturity analysis				
Due within 1 month	-	-	-	-
Due between 1 month and 3 months	2 500	1206	2 500	750
Due between 3 months and 1 year	3 200	-	3 200	-
Due between 1 year and 5 years	-	-	-	-
	5 700	1 206	5 700	750

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	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Pension costs	53 838	29 279	42 349	10 017
National Social Security Authority scheme	5 008	1 925	4 197	893
	58 846	31 204	46 546	10 910

29. RELATED PARTIES

The Ministry of Finance and the Ministry of Agriculture who each hold 50% of the AFC Holdings Bank's shares control the Bank jointly. Other related parties are those entities who share common shareholders with the Bank.

29.1 Deposits from related parties

	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
National Aids Council	364 699	35 552	364 699	22 118
Agricultural Marketing Authority	6 368	2 591	6 368	1 612
Ministry of Agriculture	-	17 219	-	17 219
Reserve Bank of Zimbabwe	1 130 979	253 570	1 130 979	157 754
Grain Marketing Board	197 893	-	197 893	-
Tobacco Industry and Marketing	-	8 143	-	5 066
Industrial Development Corporation of Zimbabwe	439 362	71 528	439 362	44 500
Tobacco Research Board	3 283	4 912	3 283	3 056
National Building Society	105 340	-	105 340	-
Zimbabwe Revenue Authority	59 438	-	59 438	-
Infrastructural Development Bank of Zimbabwe	30 832	-	30 832	-
Zimbabwe Consolidated Diamond Company	90 496	-	90 496	-
AFC-Land and Development Bank	244 070	-	244 070	-
AFC-Insurance Company	35 978	-	35 978	-
	2 708 738	393 515	2 708 738	251 325

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

29.2 Amounts due from related parties

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
AFC Holdings	54 691	-	54 691	-
AFC Leasing	33	-	33	-
	54 724	-	54 724	-

29.1 Commission income

	2021 ZWL '000	2020 ZWL '000	2021 ZWL '000	2020 ZWL '000
Reserve Bank of Zimbabwe	2 712	3 955	1 892	1 263

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	
	2021 ZWL'000	2020 ZWL'000	2021 ZWL'000	2020 ZWL'000
Directors' fees	9 964	8 717	8 209	3 858
Short-term employee benefits	1 91 328	68 879	151 784	42 852
	201 292	77 596	159 993	46 710

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.

AUDITOR'S REPORT

The abridged inflation adjusted financial statements for the year ended 31 December 2021 have been audited by the Bank's external auditor, Deloitte & Touche, who issued a qualified opinion in respect of the following matters;

- Recognition and measurement of the financial asset resulting from the foreign liability funding gap (Legacy debt) in the prior year; and
- Processing of financial data using information technology systems and impact on suspense accounts

The audit opinion also includes key audit matters in respect of the following matters;

- Valuation of Investment property and freehold land and buildings (included in property, plant and equipment)
- Valuation of expected credit loss on financial assets; and
- Valuation of statutory asset receivable from the Reserve Bank of Zimbabwe

The audit report is available for inspection at the AFC Commercial Bank's registered offices.

Directors: Mr. G.T Matemachani (Chairman), Mr. B . Ngara (Vice Chairman), Dr J. Mutambara, Ms. M.A. Washaya, Ms. P. Mandaza,Mr. A.F Hodges, Mr. C.C. Sibanda, Mrs S. Mrewa, Mr M. Mudzungairi, Mr K. Chitando (Managing Director),Mr T. Ruvingo (Acting Director Finance), Mr D. Ngwenya (Executive Director Retail Banking)