AFC COMMERCIAL BANK

Integrity. Diligence. Innovation

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AUDITED ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

AUDITED ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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CHAIRMAN'S STATEMENT

I am honoured to present to you the AFC Commercial Bank Chairman's report for the year ended 31 December 2022.

Economic overview
The business environment improved moderately in the second half of the year, following measures implemented to stabilise the currency in July and August. Inflation remained high during the year, in the main reflecting currency volatility and compounded by exogenous factors, including the Russia – Ukraine war impact on energy and international oil prices. Sustained power outages and foreign currency shortages exerted operational pressures on business.

The economy is estimated to have recorded real GDP growth of 4.0% in 2022, powered mainly by mining sector growth, infrastructure development and retail trade.

The annual headline inflation continued on an upward trend in the first half of the year, from 60.9% in January to 285.1% in August before decelerating to 243.9% in December 2022. Month on month inflation peaked at 30.7% in June before decelerating to 1.8% and 2.4% in November and December respectively.

In response to rising inflation during the year, the Government implemented several mutually reinforcing measures, including further monetary policy tightening, refinements to the Foreign Currency Auction system and introduction of the Gold Coin. These measures curtailed currency depreciation, facilitating inflation deceleration in the second half of the year.

Monetary authorities also heightened surveillance of the banking system to reduce arbitrage tendencies. The Bank continues to adhere to regulatory and policy pronouncements adapting its strategy to ensure compliance, business growth and continuity.

Broad money supply growth continued to underpin exchange rate depreciation and parallel market premium. The exchange rate depreciated by about 530% during the year, thus increasing the local currency equivalent for foreign currency balances.

Business continuity and cost containment
The Bank sustained the implementation of Business Continuity Plan as part of measures to improve business growth, even as the threat of the Covid19 pandemic resurgence receded during the year. Cost containment remained central to the Bank's business growth strategy, given the parallel market driven cost pressures.

Corporate social responsibility
The Bank, now part of the AFC Holdings Group continues to engage in Corporate Social Responsibility (CSR) supporting the communities in which it operates. During the year, the Bank made significant contributions to communities, supporting schools as well as Covid19 interventions in communities.

Capitalisation
I am pleased to advise that following the much needed capital injection by our shareholder, the Bank ended the year adequately capitalised with a Tier 1 capital of the equivalent of US$ 39.8 million, exceeding the minimum capital requirement of US$ 30 million for Tier 1 banks as prescribed by the Reserve Bank of Zimbabwe (RBZ).

Business growth outlook
The Bank believes that Government will continue to implement business and macro policy measures as necessary to bring the economy on a sustainable growth path. Prospects for recovery and growth are good, particularly beyond the near term. Agriculture and mining will remain growth pillars for the economy, in particular with Government making headway in climate proofing agriculture, through dams and irrigation rehabilitation.

The Bank will expand value preservation strategies to ensure sustainability, business growth and profitability. The Bank will expand support to exporters across all sectors of the economy, while targeting new frontiers through digitalisation. The future of banking is ICT based new products, innovations and delivery channels.

Appreciation
I would like to convey my gratitude to the shareholder, AFC Holdings, regulatory authorities, stakeholders and clients for their unwavering support, which continues to keep the Bank on a strong growth path. I extend my gratitude to my fellow board members, management and staff, for the high level commitment which has underpinned the Bank's growth, profitability in the current environment.

B. Ngara, Acting Board Chairman
27 March 2023

CORPORATE GOVERNANCE REPORT

Main board
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 chairman of the board is an independent non-executive director. The board is currently comprised of five independent non-executive directors and three executive directors . The board has diverse skills comprising accountants, economists, agricultural experts and investment professionals.

Board decisions are made in board meetings which are held every quarter and on an as per need basis. The board of directors oversees compliance with corporate governance principles and the roles and functions of the board are spelt out in the Board Charter. Board committees were set up to assist the board in the effective discharge of its duties and these include the following:

Assets and Liabilities Committee - The Asset and Liabilities Committee is responsible for liquidity risk management and establishing the level of tolerance for liquidity risk.

Audit Committee -The Audit Committee reviews the financial condition of the Bank, its internal controls, performance and findings of the internal auditors and recommends appropriate remedial action regularly.

Human Resources Committee - The Human Resources Committee is responsible for the Human Resource Policies and practices that enable the Bank to attain its strategic goals.

Loans and Advances Committee - The Loans and Advances Committee is ultimately responsible for providing overall strategic direction to the Bank through approving and reviewing the credit risk strategy and credit risk policies.

Loans Review Committee - The Loans Review Committee ensures the conformity of the loan portfolio and lending function to sound lending policy documented, approved and adopted by the Board.

Risk and Compliance Committee - The Risk and Compliance Committee is responsible for ensuring quality, integrity and reliability of the Bank's risk management framework, and approves major risk management policies and procedures.

*Chairpersons for all these Board Committees are independent, non-executive directors.

MANAGING DIRECTOR'S REPORT

Introduction
The macro environment remains difficult against the background of high inflation, foreign currency shortages and currency volatility. It is pleasing to note that within this context, the Bank achieved growth in profitability for the year ended 31 December 2022. I am humbled by how we rose and performed as a team to overcome some of the numerous challenges we faced in the past trading period.

Financial performance review
Notwithstanding that 2022 was another challenging year, the Bank has improved in financial performance, posting a profit before tax of ZWL 7.7 billion in inflation adjusted terms, 36% above ZWL 5.7 billion recorded in 2021. The Bank benefited from improved performance of both funded and non-funded business.

Total income for the Bank was up 60% to ZWL31.4 billion in inflation adjusted terms mainly due to revenue growth across all income streams. Net interest income increased by 71% to ZWL13.5 billion on the back of increased lending and improved net interest margin, while net fee and commission income was up 9% to ZWL 8.5 billion, largely due to the Bank's digitalization transformation that supported increased volume of transactions by customers.

Through various cost containment measures implemented during the period under review, the Bank's cost to income ratio for the year 2022 was 56% whilst the staff cost to income ratio for the year was 23% against a benchmark of 30%.

At 31 December 2022, The Bank's total assets were ZWL102.2 billion in inflation adjusted terms, 57% ahead of ZWL 65.2 billion recorded during the prior comparable period. This growth was largely driven by revaluation of property, growth in loans and advances and capital injection by shareholder in the form of land.

Loans and advances
Loans and advances increased on the backdrop of improved economic activity and exports. The Bank grew its gross loans and advances to ZWL 26.5 billion representing an increase of 5% from December 2021. The individuals loans accounted for 41% of loans and advances.

The NPL ration closed the year at 9.47%. This was mainly due to the Bank's significant exposure to some tobacco merchants who were in default at year end. However, significant progress has been made in terms of recovery and the NPL ratio will go down in the short term.

Deposits
Total deposits grew to ZWL 49.8 billion from ZWL 30.6 billion in December 2021 reflecting an increase of 63%. The Bank closed the year with a liquidity ratio of 53%, which was above the RBZ minimum liquidity requirement of 30%.

Capitalisation
Total shareholders' funds closed the year at ZWL 45 billion increasing by 134% mainly due to capital injection received and revaluation of land and buildings done as at 31 December 2022. The Bank's Tier 1 capital was ZWL27.2 billion in historical terms translating to US$39.8 million against the regulatory minimum of an equivalent of US$30 million. The Bank appreciates the continued shareholder support through capitalisation.

The Bank's capital adequacy ratio closed the year at 38.29% compared to the regulatory minimum of 12.00%.

AFC Commercial Bank transformation journey
The Bank is implementing a transformation strategy covering all aspects of its operations - business strategy design, disciplined strategy execution, business processes and organizational restructuring. The transformation journey implies the need for transformation of the bank's processes to embed efficiency and customer service excellence. 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.

Industrial relations, staff health and welfare
It takes people for us to deliver on our mandate, and our number one priority remains the health and safety of our employees and their families. We have a compliment of five hundred and thirty staff members working in forty-five branch locations in and around the country and it is our obligation to provide a safe and positive work environment for them.

Regulatory compliance
During the year ended 31 December 2022, the Bank was generally compliant to regulatory requirements by the Reserve Bank of Zimbabwe and Government of Zimbabwe. The Bank continues to pay attention to compliance with Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) and regulatory requirements.

Outlook
We are revamping our competencies in leading edge technology, advancing digital transformation and core banking system capabilities. The new Bank architecture seeks to elevate customer experience while offering more customer touch points that speed up service delivery. The Bank will continue to leverage on AFC Holdings group synergies for business growth and new business development. Management will continue to drive value preservation strategies to ensure sustainability of earnings.

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. 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 in this together for a smart, brighter future.

K. Chitando, Managing Director
27 March 2023

There are departments that effectively deal with audit, risk, legal 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.

The main Board meeting and committee attendance during the period under review is as detailed in table.

Meetings ordered (green) / *Meetings attended* (yellow)

	Main Board		Audit		Loans Review		Risk and Compliance		Assets and Liabilities		Loans and Advances		Human Resources	
	Ordered	Attended	Ordered	Attended	Ordered	Attended	Ordered	Attended	Ordered	Attended	Ordered	Attended	Ordered	Attended
Mr. G. Matemachani	6	6												
Mr. B. Ngara	7	7	5	5			3	3					8	8
Ms. P. Mandaza	7	7	6	6	4	4			1	1				
Mr. C. C. Sibanda	6	6			3	2	2	2					3	1
Ms. M. A. Washaya	2	2					1	1			3	3	3	3
Mr. A. Hodges	6	6	5	3					7	7	11	10		
Dr. J. Mutambara	7	6	1	1					8	8	12	12	8	8
Mrs. S. Mrewa	7	7	1	1	4	4	4	4					1	1
Mr. M. Mudzungairi	6	5			1	1			7	7	5	5		
Mr. F. Macheka	5	4												
Mr. K. Chitando	7	7					4	4	8	8	12	10	8	8
Mr. E. Chimbera	2	2							3	3	3	2		
Mr. D. Ngwenya	7	6			2	2	4	3			12	11		
Mr. T. Ruvingo	5	5					4	4	5	5	9	9		

AFC COMMERCIAL BANK

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CORPORATE GOVERNANCE REPORT (cont'd)

Statement of Compliance
AFC Commercial Bank generally complies with statutes regulating financial institutions.

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

By Order of the Board

Mrs. R. Mutetwa, Company Secretary
27 March 2023

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

		INFLATION ADJUSTED		HISTORICAL COST*	
		DEC 2022	DEC 2021	DEC 2022	DEC 2021
	Note	ZWL '000	ZWL '000	ZWL '000	ZWL '000
ASSETS					
Cash and bank balances	6	10 198 228	9 614 434	10 198 228	2 796 846
Financial assets at amortised cost	7.1	15 934 440	5 514 957	15 934 440	1 604 305
Financial assets at fair value through profit and loss	7.2	128 730	74 719	128 730	21 736
Loans and advances	8	25 159 345	24 256 783	25 159 345	7 056 316
Other assets	9	6 548 275	2 224 688	6 216 974	604 680
Statutory assets	9.1	-	5 396 511	-	1 569 849
Investment properties	10	21 082 000	684 416	21 082 000	199 097
Property and equipment	11	20 619 147	15 106 325	18 627 223	4 051 540
Intangible assets	12	2 192 439	2 048 847	668 930	140 824
Right-of-use assets	13.1	350 707	323 897	94 594	37 262
Total assets		**102 213 311**	**65 245 577**	**98 110 464**	**18 082 455**
EQUITY AND LIABILITIES					
Share capital	14.2	2 584 381	2 584 381	12 108	12 108
Shareholder capital contribution awaiting allotment	15	20 961 418	5 741 832	15 371 621	152 035
Share premium		14 532 727	14 532 727	68 087	68 087
Revaluation reserve		13 190 542	7 908 092	14 808 770	2 799 595
Non-distributable reserve		646 527	646 527	4 788	4 788
Accumulated(loss)/profit		(6 959 746)	(12 238 410)	11 579 142	1 887 266
Total equity attributable to odinary shareholders		**44 955 849**	**19 175 149**	**41 844 516**	**4 923 879**
LIABILITIES					
Deposits due to other banks	16	1 715	148 442	1 715	43 182
Deposits from customers	17	49 781 504	30 604 464	49 781 504	8 902 861
Lease liability	13.2	267 858	167 858	267 858	48 830
Other liabilities	18	3 021 295	2 093 725	3 021 295	609 066
Deferred income	19	283 061	426 849	283 061	96 226
Lines of credit	20	-	9 275 216	-	2 698 167
Deferred tax liability	21.2	3 902 029	3 353 874	2 910 515	760 244
Total liabilities		**57 257 462**	**46 070 428**	**56 265 948**	**13 158 576**
Total equity and liabilities		**102 213 311**	**65 245 577**	**98 110 464**	**18 082 455**

B. Ngara, Acting Board Chairman
27 March 2023

K. Chitando, Managing Director
27 March 2023

*The historical 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.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

		INFLATION ADJUSTED		HISTORICAL COST*	
		DEC 2022	DEC 2021	DEC 2022	DEC 2021
	Note	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Interest and similar income	22	17 532 622	9 946 431	13 400 414	2 338 488
Interest expense and similar charges	23	(4 063 148)	(2 064 850)	(3 217 101)	(488 396)
Net interest income		**13 469 474**	**7 881 581**	**10 183 313**	**1 850 092**
Fee and commission income	24	8 449 072	7 751 203	5 760 838	1 748 588
Other operating income	25	4 223 152	3 664 807	2 910 798	986 869
Fair value gains investment properties	10	5 173 397	307 063	5 661 464	130 804
Fair value gains/(loss) investment in unquoted equities	7.2	54 011	(35 084)	106 994	(1 848)
Operating income		**31 369 106**	**19 569 570**	**24 623 407**	**4 714 505**
Impairment of loans and advances	8.4	(1 303 119)	(1 695 104)	(912 589)	(418 574)
Operating expenses	26	(17 692 512)	(10 254 921)	(12 022 515)	(2 296 338)
Net monetary adjustment		(4 682 010)	(1 957 932)	-	-
Profit before tax		**7 691 465**	**5 661 613**	**11 688 303**	**1 999 593**
Income tax charge	21.1	(2 412 801)	(1 268 646)	(1 996 427)	(482 762)
Profit for the year		**5 278 664**	**4 392 967**	**9 691 876**	**1 516 831**
Other comprehensive income					
Revaluation of property and equipment		5 224 008	4 426 218	13 735 658	2 145 637
Deferred tax on revaluation surplus		58 442	(974 350)	(1 726 483)	(433 814)
Other comprehensive income for the year		**5 282 450**	**3 451 868**	**12 009 175**	**1 711 823**
Total comprehensive income for the period		**10 561 114**	**7 844 835**	**21 701 051**	**3 228 654**

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STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2022

	Share Capital	Share capital contribution awaiting allotment	Share Premium	Revaluation reserve	Non Distributable reserve	Accumulated Profit/(loss)	Total
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
INFLATION ADJUSTED							
Carrying amount as at 1 January 2021	**2 584 381**	**5 741 832**	**14 532 727**	**4 456 224**	**4 063 756**	**(16 631 378)**	**14 747 542**
Total comprehensive income for the period	-	-	-	-	-	4 392 968	**4 392 968**
Revaluation of property and equipment net of tax	-	-	-	3 451 868	-	-	**3 451 868**
Transactions with owners:							
Dividend in Specie	-	-	-	-	(3 417 229)	-	**(3 417 229)**
Dividend paid	-	-	-	-	-	(658 866)	**(658 866)**
Dividend re-invested	-	-	-	-	-	658 866	**658 866**
Balances as at 31 December 2021	**2 584 381**	**5 741 832**	**14 532 727**	**7 908 092**	**646 527**	**(12 238 410)**	**19 175 149**
Balances as at 1 January 2022	2 584 381	5 741 832	14 532 727	7 908 092	646 527	(12 238 410)	**19 175 149**
Total comprehensive income for the period	-	-	-	-	-	5 278 664	**5 278 664**
Revaluation of property and equipment net of tax	-	-	-	5 282 450	-	-	**5 282 450**
Transactions with owners:							
Capital contribution	-	15 219 586	-	-	-	-	**15 219 586**
Carrying amount as at 31 December 2022	**2 584 381**	**20 961 418**	**14 532 727**	**13 190 542**	**646 527**	**(6 959 746)**	**44 955 849**
HISTORICAL COST*							
Carrying amount as at 1 January 2021	**12 108**	**152 035**	**68 087**	**1 113 202**	**577 853**	**370 435**	**2 293 720**
Total comprehensive income for the period	-	-	-	-	-	1 516 831	**1 516 831**
Transactions with owners:							
Dividend in specie	-	-	-	-	(573 065)	-	**(573 065)**
Revaluation of property and equipment net of tax	-	-	-	1 686 393	-	-	**1 686 393**
Transactions with owners:							
Dividend paid	-	-	-	-	-	(191 665)	**(191 665)**
Dividend re-invested	-	-	-	-	-	191 665	**191 665**
Carrying amount as at 31 December 2021	**12 108**	**152 035**	**68 087**	**2 799 595**	**4 788**	**1 887 266**	**4 923 879**
Total comprehensive income for the period	-	-	-	-	-	9 691 876	**9 691 876**
Revaluation of property and equipment net of tax	-	-	-	12 009 175	-	-	**12 009 175**
Transactions with owners:							
Capital contribution	-	15 219 586	-	-	-	-	**15 219 586**
Carrying amount as at 31 December 2022	**12 108**	**15 371 621**	**68 087**	**14 808 770**	**4 788**	**11 579 142**	**41 844 516**

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AUDITED ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CASH FLOWS FOR YEAR ENDED 31 DECEMBER 2022

		INFLATION ADJUSTED		HISTORICAL COST*	
	Note	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Cash flows from operating activities					
Profit before income tax		7 691 465	5 661 613	11 688 303	1 999 593
Adjusted for non-cash items:					
Expected credit losses	8.4	1 303 119	1 695 104	912 589	418 574
Bad debts written off	26	3 781	1 521	2 194	323
Depreciation of property and equipment	11	1 076 330	598 406	233 922	85 478
Amortisation charge	12 & 13.1	602 804	279 773	52 358	18 362
Impairment of assets	9.1	-	194 310	-	56 525
Net monetary adjustment		(3 124 146)	(242 998)	-	-
Unrealised exchange (gain)/losses		(380 362)	(100 112)	(1 154 166)	57 232
Deferred income movement		(370 235)	(68 838)	(39 614)	(19 300)
Provision for bonus, leave pay and long service awards		1 226 853	480 838	905 743	106 958
Fair value (gains)/losses on investment in unquoted equities	7.2	(54 011)	35 084	(106 994)	1 848
Fair value gains – investment properties	10	(5 173 397)	(307 063)	(5 661 464)	(130 804)
Loss/ (profit) on disposal of property and equipment	25	15 849	(3 656)	(3 772)	(1 446)
Interest expense on lines of credit	20	-	660 638	-	150 793
Interest income on treasury bills, bonds and debentures	22	(66 846)	(35 189)	(51 204)	(8 681)
Income tax paid		(2 216 151)	(2 099 086)	(1 922 903)	(525 790)
Operating cash (out)/in flows before working capital changes		**535 053**	**6 750 346**	**4 854 992**	**2 209 665**
Decrease in financial assets		(10 352 637)	(5 046 976)	(14 278 930)	(1 517 298)
Increase in loans and advances to customers		(2 224 480)	(15 060 308)	(19 015 343)	(5 502 258)
Increase in other assets		(4 308 569)	(722 911)	(5 612 294)	(385 294)
(Decrease)/Increase in deposits due to other banks		(146 728)	138 174	(41 467)	41 323
Increase in deposits from customers		19 177 040	10 987 708	40 878 640	5 352 638
Increase in other liabilities		46 360	469 876	1 856 750	263 325
Increase in deferred income		226 448	282 420	226 449	76 927
Cash flow from working capital changes		**2 417 434**	**(8 952 017)**	**4103 805**	**(1 670 637)**
Net cash generated from operations		**2 952 487**	**(2 201 671)**	**8 868 797**	**539 028**
Cash flows from investing activities					
Proceeds from disposal of property and equipment		4 196	4 597	7 905	1 450
Purchases of investment property	10	(4 601)	-	(1 853)	-
Purchases of property & equipment	11	(1 385 189)	(1 632 372)	(1 078 078)	(421 979)
Purchases of intangible assets	12	(610 171)	(262 214)	(536 382)	(60 812)
Receipts for statutory asset		1 147 759	3 973 067	1 498 471	1 155 768
Net cash utilised in investing activities		**(848 007)**	**2 083 078**	**(109 937)**	**674 427**
Cash flows from financing activities					
Repayment of lines of credit		(1 279 058)	(925 395)	(1 279 058)	(269 198)
Interest expense on lease liability		(241 628)	(72 437)	(78 420)	(35 588)
Interest paid on lines of credit	20	-	(490 210)	-	(142 602)
Net cash utilised in financing activities		**(1 520 686)**	**(1 488 042)**	**(1 357 478)**	**(447 388)**
Net (decrease)/ increase in cash and cash equivalents		**583 794**	**(1 606 636)**	**7 401 382**	**766 067**
Cash and cash equivalents at the beginning		9 614 434	11 221 070	2 796 846	2 030 779
Cash and cash equivalents at 31 December	6	**10 198 228**	**9 614 434**	**10 198 228**	**2 796 846**

*The historical 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

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 the Companies and Other Business Entities Act (Chapter 24:31) and provides a wide range of commercial banking and related financial services in Zimbabwe.

The financial statements have been prepared under the supervision of Mr. Temba Ruvingo CA (Z), the 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) and the Banking Act (Chapter 24:20).

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 Entities Act (Chapter 24:31) and the Banking Act (Chapter 24:20).

2.2. Functional and Presentation Currency

The financial statements are presented in Zimbabwe Dollars (ZWL), the functional currency of the Bank.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Significant 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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Dates	Indices	Conversion Factors
December 2022	13 672.91	1.0000
December 2021	3 977.50	3.4378

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

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

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

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

The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. Risk management is carried out by the Risk and Compliance Committee, under policies approved by the Board. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk and non-derivative financial instruments. The Board has overall responsibility for determining the type and level of business risks that the Bank assumes are essential in achieving corporate objectives. The Board has delegated part of its risk management responsibility to its various sub-committees namely, Audit, Human Resources, Loans and Advances, Loans Review, Assets and Liabilities and Risk and Compliance Committees. In addition, internal audit is responsible for the independent review of risk management and the control environment. The Bank's risk management strategic objectives are principally to protect the financial strength and reputation of the Bank.

4.1.1.1. Credit Risk

Definition

Credit risk is the risk that a customer or 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 that are an asset position. 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 accordingly.
- The degree of risk of default. Risk grades are subject to regular review
- Developing and maintaining the Bank's processes for measuring Expected Credit Loss (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 Past Due (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.

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

- Historical information together with forecasts and budgets prepared by the client including relevant ratios to measure the client's financial performance. Some of these indicators are already included in covenants with clients and are, therefore, measured with greater attention;
- Any publicly available information on the clients from external parties. This includes external rating grades issued by external parties, independent analysts' reports, press release or articles;
- Any macroeconomic or geographical information e.g. GDP growth relevant for the specific industry and geographical segments where the client operates; and
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance. The complexity of the rating techniques varies based on the exposure of the Bank and the complexity and size of the customer.

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

Use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income /salary levels based on records of current accounts, personal indebtedness and expected interest re-pricing.

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

Exposure at Default (EAD)
The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for stage 1, the Bank assesses the possible default events within 12 months for the calculation of ECL. For stage 2, stage 3 and Purchased or Originated Credit Impairment (JUNE 2021) financial assets. The exposure at default is considered for events over the lifetime of the instruments.

The Bank determines the EADs by modelling the range of possible exposure at various points in time, corresponding with the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Bank's models.

Loss Given Default (LGD)
For corporate banking financial instruments, LGD values are assessed by account managers and reviewed by a specialised risk committee. The credit risk assessment is based on standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g. product type, collateral type) as well as borrower characteristics. Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing the forward-looking information, the expectation is based on multiple scenarios. Under IFRS 9, LGD rates are estimated for the stage 1, stage 2, stage 3 and JUNE 2021, IFRS 9 segment of each asset class. The inputs for these LGDs are estimated and repeated for each economic scenario as appropriate.

Determining whether credit risk has increased significantly
The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency. Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

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

The Bank monitors the effectiveness of the criteria used to 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	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Cash and bank balances	5 961 928	4 411 549	5 961 928	1 283 323
Amounts due from other banks	4 236 300	5 202 885	4 236 300	1 513 523
Financial assets at amortised cost	15 934 440	5 514 957	15 934 440	1 604 305
Financial assets at fair value through profit or loss	128 730	74 719	128 730	21 736
Loans and advances to customers- gross	26 546 235	25 294 783	26 546 235	7 358 271
Other financial assets	5 100 052	1 559 281	5 100 052	453 596
Maximum credit risk exposure	**57 907 685**	**42 058 174**	**57 907 685**	**12 234 754**

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 counter-parties.

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	Stage 2	Stage 3	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Loans and advances	24 002 368	2 448 096	95 771	26 546 235	25 294 783
Financial assets at amortised cost	15 934 440	-	-	15 934 440	5 514 957
ZAMCO buy-back portfolio*	-	-	303	303	7 216
Sundry debtors	4 137 949	-	-	4 137 949	23 221
Financial assets at FVPL	128 730	-	-	128 730	74 719
Commitments and guarantees**	1 789 122	-	-	1 789 122	7 819 700
Total	**45 992 609**	**2 448 096**	**96 074**	**48 536 779**	**38 734 596**

*ZAMCO portfolio is off statement of financial position
**Commitments and guarantees are assessed for impairment as at 31 December 2022 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.

HISTORICAL COST

	Stage 1	Stage 2	Stage 3	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Loans and advances	24 002 368	2 448 096	95 771	26 546 235	7 358 271
Financial assets at amortised cost	15 934 440	-	-	15 934 440	1 604 305
ZAMCO buy-back portfolio*	-	-	303	303	2 099
Sundry debtors	4 137 949	-	-	4 137 949	6 755
Financial assets at FVPL	128 730	-	-	128 730	21 736
Commitments and guarantees**	1 789 122	-	-	1 789 122	258 492
Total	**45 992 609**	**2 448 096**	**96 074**	**48 536 779**	**9 251 658**

*ZAMCO portfolio is off statement of financial position
**Commitments and guarantees are assessed for impairment as at 31 December 2022 and having been considered to carry a low risk and can be recalled at any time, no expected credit losses have been accounted for.

Analysis of loans and advances portfolio

INFLATION ADJUSTED

	Stage 1 ZWL '000	Stage 2 ZWL '000	Stage 3 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Corporate lending					
Performing	9 014 625	-	-	9 014 625	10 179 376
Special mention	-	2 037 901	-	2 037 901	-
Total corporate lending	**9 014 625**	**2 037 901**	**-**	**11 052 526**	**10 179 376**
Agriculture lending					
Performing	3 842 543	-	-	3 842 543	3 607 626
Special mention	-	57 422	-	57 422	110
Non-performing	-	-	35 540	35 540	684
Total agriculture lending	**3 842 543**	**57 422**	**35 540**	**3 935 505**	**3 608 420**
Retail lending					
Performing	4 838 126	-	-	4 838 126	3 079 071
Special mention	-	279 771	-	279 771	90 326
Non-performing	-	-	39 168	39 168	35 070
Total retail lending	**4 838 126**	**279 771**	**39 168**	**5 157 065**	**3 204 467**
Consumer lending					
Performing	6 307 074	-	-	6 307 074	8 199 378
Special mention	-	73 002	-	73 002	69 711
Non-performing	-	-	21 063	21 063	33 431
Total consumer lending	**6 307 074**	**73 002**	**21 063**	**6 401 139**	**8 302 520**
Total loans and advances	**24 002 368**	**2 448 096**	**95 771**	**26 546 235**	**25 294 783**

HISTORICAL COST

	Stage 1 ZWL '000	Stage 2 ZWL '000	Stage 3 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Corporate lending					
Performing	9 014 625	-	-	9 014 625	2 961 188
Special mention	-	2 037 901	-	2 037 901	-
Total corporate lending	**9 014 625**	**2 037 901**	**-**	**11 052 526**	**2 961 188**
Agriculture lending					
Performing	3 842 543	-	-	3 842 543	1 049 461
Special mention	-	57 422	-	57 422	32
Non-performing	-	-	35 540	35 540	199
Total agriculture lending	**3 842 543**	**57 422**	**35 540**	**3 935 505**	**1 049 692**
Retail lending					
Performing	4 838 126	-	-	4 838 126	895 704
Special mention	-	279 771	-	279 771	26 276
Non-performing	-	-	39 168	39 168	10 202
Total retail lending	**4 838 126**	**279 771**	**39 168**	**5 157 065**	**932 182**
Consumer lending					
Performing	6 307 074	-	-	6 307 074	2 385 205
Special mention	-	73 002	-	73 002	20 279
Non-performing	-	-	21 063	21 063	9 725
Total consumer lending	**6 307 074**	**73 002**	**21 063**	**6 401 139**	**2 415 209**
Total loans and advances	**24 002 368**	**2 448 096**	**95 771**	**26 546 235**	**7 358 271**

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

INFLATION ADJUSTED

	Stage 1 ZWL '000	Stage 2 ZWL '000	Stage 3 ZWL '000	DEC 2022 ZWL '000
Loans and advances	512 070	56 614	10 899	579 583
Financial assets at amortised cost	41	-	-	41
ZAMCO buy-back portfolio	-	-	6	6
Sundry debtors	15 018	-	-	15 018
Total	**527 129**	**56 614**	**10 905**	**594 648**

*Financial assets (including Treasury bills) assessed for impairment at 31 December 2022 and, having been considered to carry a low credit risk. 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.

INFLATION ADJUSTED

	Stage 1 ZWL '000	Stage 2 ZWL '000	Stage 3 ZWL '000	DEC 2022 ZWL '000
Corporate lending				
Performing	20 127	-	-	20 127
Special mention	-	6 641	-	6 641
Total corporate lending	**20 127**	**6 641**	**-**	**26 768**
Agriculture				
Performing	244 434	-	-	244 434
Special mention	-	2 240	-	2 240
Non-performing	-	-	1 407	1 407
Total agriculture lending	**244 434**	**2 240**	**1 407**	**248 081**
Retail and SMEs lending				
Performing	182 373	-	-	182 373
Special mention	-	44 130	-	44 130
Non-performing	-	-	7 903	7 903
Total corporate lending	**182 373**	**44 130**	**7 903**	**234 406**
Consumer lending				
Performing	65 135	-	-	65 135
Special mention	-	3 604	-	3 604
Non-performing	-	-	1 589	1 589
Total consumer lending	**65 135**	**3 604**	**1 589**	**70 328**
Total	**512 069**	**56 615**	**10 899**	**579 583**

Credit quality of financial assets

INFLATION ADJUSTED AND HISTORICAL

	Neither Past nor Impaired 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
As at 31 December 2022							
Cash and bank balances	5 961 928	-	-	-	5 961 928	-	-
Amounts due from other banks	4 236 300	-	-	-	4 236 300	-	-
Financial assets at amortised cost	15 934 440	-	-	-	15 934 440	-	41
Financial assets at FVPL	128 730	-	-	-	128 730	-	-
Other financial assets	5 100 052	-	-	-	5 100 052	-	15 018
ZAMCO buy-back portfolio	-	-	303	-	303	-	6
Loans and advances	24 002 368	2 448 096	95 771	2 543 867	26 546 235	6 357 172	579 583
Corporate	9 014 625	2 037 901	-	2 037 901	11 052 526	3 953 864	26 764
Agriculture	3 842 543	57 422	35 540	92 962	3 935 505	941 092	248 082
Retail	4 838 126	279 771	39 168	318 939	5 157 065	1 462 216	234 409
Consumer	6 307 074	73 002	21 063	94 065	6 401 139	-	70 328
Total	**55 363 818**	**2 448 096**	**96 074**	**2 543 867**	**57 907 988**	**6 357 172**	**594 648**

INFLATION ADJUSTED

	Neither Past nor Impaired 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
As at 31 December 2021							
Cash and bank balances	4 411 549	-	-	-	4 411 549	-	-
Amounts due from other banks	5 202 885	-	-	-	5 202 885	-	-
Financial assets at amortised cost	5 514 957	-	-	-	5 514 957	-	17
Financial assets at FVPL	74 719	-	-	-	74 719	-	-
Other financial assets	1 385 266	-	-	-	1 385 266	-	15 160
ZAMCO buy-back portfolio	-	-	7 216	-	7 216	-	444
Loans and advances	25 065 451	160 147	69 185	229 332	25 294 783	3 289 473	687 956
Corporate	10 179 376	-	-	-	10 179 376	2 522 414	40 175
Agriculture	3 607 626	110	684	794	3 608 420	440 454	297 483
Retail	3 079 071	90 326	35 070	125 396	3 204 467	326 905	213 667
Consumer	8 199 378	69 711	33 431	103 142	8 302 520	-	136 631
Total	**41 654 827**	**160 147**	**76 401**	**229 332**	**41 891 375**	**3 289 773**	**703 577**

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Credit quality of financial assets

	HISTORICAL COST						
	Neither Past nor Impaired ZWL '000	Past due but not ZWL '000	Individually impaired ZWL '000	Total past due ZWL '000	Total exposure ZWL '000	Collateral held ZWL '000	Expected ZWL '000
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	86 538
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	-	39 846
Total	**12 117 420**	**46 587**	**22 226**	**66 714**	**12 186 233**	**956 910**	**204 671**

		INFLATION ADJUSTED		HISTORICAL COST	
		DEC 2022	DEC 2021	DEC 2022	DEC 2021
	Credit rating	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Cash and bank balances		5 961 928	4 411 549	5 961 928	1 283 323
Amounts due from other banks		4 236 300	5 202 885	4 236 300	1 513 523
Financial assets at amortized cost		15 934 440	5 514 957	15 934 440	1 604 305
Financial assets at fair value through profit or loss		128 730	74 719	128 730	21 736
Loans and advances to customers-gross	A	26 546 235	25 294 783	26 546 235	7 358 271
Other financial assets		5 100 052	1 559 281	5 100 052	453 596
Maximum credit risk exposure		**57 907 685**	**42 058 174**	**57 907 685**	**12 234 754**

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		HISTORICAL COST	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Due between 1 month and 2 months	73 002	69 711	73 002	20 279
Due between 2 months and 3 months	2 375 094	90 436	2 375 094	26 308
Total	**2 448 096**	**160 147**	**2 448 096**	**46 587**
Financial Assets in stage 3				
Gross individually impaired loans	96 073	76 404	96 073	22 226
Expected credit losses	(10 911)	(7 167)	(10 911)	(2 085)
Net individually impaired loans	**85 162**	**69 237**	**85 162**	**20 141**

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.

Credit Quality of Financial Assets
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 a 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:

- Cash collateral;
- Charges over assets financed;
- Mortgages over residential and commercial properties;
- Charges over business assets such as premises, inventory and accounts receivable;

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

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

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

No collateral was re-possessed during the current year.

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

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

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

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

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

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

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

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

Analysis of loans to deposit ratio	DEC 2022	DEC 2021
As at 31 December 2022	50%	83%
Maximum ratio for the year	80%	89%
Minimum ratio for the year	50%	58%
Average ratio for the year	71%	68%

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

	Up to 1 month ZWL '000	1 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 2022						
Assets						
Cash and bank balances	5 961 928	-	-	-	-	5 961 928
Amounts due from other banks	4 236 300	-	-	-	-	4 236 300
Financial assets at amortised cost	-	-	9 924 234	5 989 742	20 464	15 934 440
Financial assets at FVPL	-	-	128 730	-	-	128 730
Loans and advances	2 389 161	4 247 398	11 149 418	8 760 258	-	26 546 235
Other financial assets	5 100 052	-	-	-	-	5 100 052
	17 687 441	**4 247 398**	**21 202 382**	**14 750 000**	**20 464**	**57 907 685**
Liabilities						
Deposits due to other banks	1 715	-	-	-	-	1 715
Deposits from customers	35 737 160	3 484 705	10 559 639	-	-	49 781 504
Other financial liabilities	3 021 295	-	-	-	-	3 021 295
	38 760 170	**3 484 705**	**10 559 639**	**-**	**-**	**52 804 514**
Liquidity gap	**(21 072 729)**	**762 693**	**10 642 743**	**14 750 000**	**20 464**	**5 103 171**
Cumulative liquidity gap	**(21 072 729)**	**(20 310 036)**	**(9 667 293)**	**5 082 707**	**5 103 171**	**5 103 171**

INFLATION ADJUSTED

	Up to 1 month ZWL '000	1 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	4 411 549	-	-	-	-	4 411 549
Amounts due from other banks	5 202 885	-	-	-	-	5 202 885
Financial assets at amortised cost	-	-	5 292 005	149 652	73 300	5 514 957
Financial assets at FVPL	-	-	74 719	-	-	74 719
Loans and advances	2 255 680	4 135 913	10 662 197	8 240 993	-	25 294 783
Other financial assets	1 564 510	-	-	-	-	1 564 510
	13 434 624	**4 135 913**	**16 028 921**	**8 390 645**	**73 300**	**42 063 403**
Liabilities						
Due to other banks	148 442	-	-	-	-	148 442
Deposits from customers	19 352 804	6 524 202	4 727 460	-	-	30 604 466
Other financial liabilities	2 093 725	-	-	-	-	2 093 725
Lines of credit	-	9 275 216	-	-	-	9 275 216
	21 594 971	**15 799 418**	**4 727 460**	**-**	**-**	**42 121 849**
Liquidity gap	**(8 160 347)**	**(11 663 505)**	**11 301 461**	**8 390 645**	**73 300**	**(58 446)**
Cumulative liquidity gap	**(8 160 347)**	**(19 823 852)**	**(8 522 391)**	**(131 746)**	**(58 446)**	**(58 446)**

HISTORICAL COST

	Up to 1 month ZWL '000	1 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						
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)**

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 2022			
Facility commitments approved but not drawn down	1 769 365	-	1 769 365
Financial guarantees	14 757	5 000	19 757
	1 784 122	**5 000**	**1 789 122**
As at 31 December 2021			
Facility commitments approved but not drawn down	868 997	-	868 997
Financial guarantees	8 594	11 000	19 594
	877 591	**11 000**	**888 591**

HISTORICAL COST

	1 month to 3 months ZWL '000	3 months to 1 year ZWL '000	Total ZWL '000
As at 31 December 2022			
Facility commitments approved but not drawn down	1 769 365	-	1 769 365
Financial guarantees	14 757	5 000	19 757
	1 784 122	**5 000**	**1 789 122**
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**

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.

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.

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 2022						
Assets						
Cash and bank balances	2 483 611	275 710	40 848	6 263	7 391 796	10 198 228
Financial assets at FVPL	128 730	-	-	-	-	128 730
Liabilities						
Deposits from other banks	(1 715)	-	-	-	-	(1 715)
Deposits from customers	(11 715 451)	(826 484)	(6 835)	(9 245)	(37 223 489)	(49 781 504)
Net currency position	**(9 104 825)**	**(550 774)**	**34 013**	**(2 982)**	**(29 831 693)**	**(39 456 261)**
As at 31 December 2021						
Assets						
Cash and bank balances	1 602 918	168 793	14 304	2 998	7 825 421	9 614 434
Financial assets at fair value through profit and loss	74 719	-	-	-	-	74 719
Liabilities						
Deposits from other banks	(148 442)	-	-	-	-	(148 442)
Deposits from customers	(3 771 063)	(144 094)	(9 515)	(199 608)	(26 480 184)	(30 604 464)
Lines of credit	(9 275 216)	-	-	-	-	(9 275 216)
Net currency position	**(11 517 084)**	**24 699**	**4 789**	**(196 610)**	**(18 654 763)**	**(30 338 969)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 December2022						
Assets						
Cash and bank balances	2 483 611	275 710	40 848	6 263	7 391 796	10 198 228
Financial assets at FVPL	128 730	-	-	-	-	128 730
Liabilities						
Deposits from other bank	(1 715)					(1 715)
Deposits from customers	(11 715 451)	(826 484)	(6 835)	(9 244)	(37 223 490)	(49 781 504)
Net currency position	**(9 104 825)**	**(550 774)**	**34 013**	**(2 981)**	**(29 831 694)**	**(39 456 261)**
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 other banks	(43 182)	-	-	-	-	(43 182)
Deposits from customers	(1 097 005)	(41 917)	(2 768)	(58 066)	(7 703 105)	(8 902 861)
Lines of credit	(2 698 167)	-	-	-	-	(2 698 167)
Net currency position	**(3 350 328)**	**7 185**	**1 393**	**(57 194)**	**(5 426 684)**	**(8 825 628)**

The exposure was calculated only for monetary balances denominated in currencies other than the presentation currency of the Bank (ZWL). 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 United States Dollar.

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 was 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.

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 2022						
Foreign and exchange (loss)/ gain	2 088 991	(815)	31 052	5 181	2 865	**2 127 274**
% increase or decrease in exchange rates	5%	5%	5%	5%	5%	
Increase or decrease in profit or loss and equity	104 450	(41)	1 553	259	143	**106 364**
As at 31 December 2021						
Foreign and exchange (loss)/ gain	4 351 196	90 674	9 367	10 567	10 140 469	**14 602 273**
% increase or decrease in exchange rates	5%	5%	5%	5%	5%	
Increase or decrease in profit or loss and equity	217 560	4 534	468	528	507 023	**730 113**

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 2022						
Foreign and exchange (loss)/ gain	2 088 991	(815)	31 052	5 181	2 865	**2 127 274**
% increase or decrease in exchange rates	5%	5%	5%	5%	5%	
Increase or decrease in profit or loss and equity	104 450	(41)	1 553	259	143	**106 364**
As at 31 December 2021						
Foreign and exchange (loss)/ gain	(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)**

There were no off-statement of financial position exposures that were denominated in foreign currency as at 31 December 2022 (2021: US $nil).

4.1.1.4. 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 Bank uses the following interest rate risk management measurement and monitoring methods:

- 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.

Interest rate repricing and gap analysis

INFLATION ADJUSTED AND HISTORICAL COST

	Up to 1 month ZWL '000	1 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 2022							
Assets							
Cash and bank balances	5 961 928	-	-	-	-	-	5 961 928
Amounts due from other banks	4 236 300	-	-	-	-	-	4 236 300
Financial assets at amortised cost	-	-	9 924 234	5 989 742	20 464	-	15 934 440
Financial assets at FVPL	-	-	-	-	-	128 730	128 730
Loans and advances	2 389 161	4 247 398	11 149 418	8 760 258	-	-	26 546 235
Other financial assets	-	-	-	-	-	5 100 052	5 100 052
Total assets	**12 587 389**	**4 247 398**	**21 073 652**	**14 750 000**	**20 464**	**5 228 782**	**57 907 685**
Liabilities							
Deposits due to other banks	1 715	-	-	-	-	-	1 715
Deposits from customers	35 737 160	3 484 705	10 559 639	-	-	-	49 781 504
Other financial liabilities	-	-	-	-	-	3 021 295	3 021 295
Total equity and liabilities	**35 738 875**	**3 484 705**	**10 559 639**	**-**	**-**	**3 021 295**	**52 804 514**
Interest rate repricing gap	**(23 151 486)**	**762 693**	**10 514 013**	**14 750 000**	**20 464**	**2 207 487**	**5 103 171**
Cumulative repricing gap	**(23 151 486)**	**(22 388 793)**	**(11 874 780)**	**(2 875 220)**	**2 895 684**	**5 103 171**	**5 103 171**

INFLATION ADJUSTED

	Up to 1 month ZWL '000	1 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	4 411 549	-	-	-	-	-	4 411 549
Amounts due from other banks	5 202 885	-	-	-	-	-	5 202 885
Financial assets at amortised cost	-	-	5 292 005	149 652	73 300	-	5 514 957
Financial assets at FVPL	-	-	-	-	-	74 719	74 719
Loans and advances	2 255 680	4 135 913	10 662 197	8 240 993	-		25 294 783
Other financial assets	-	-	-	-	-	1 564 510	1 564 510
Total assets	**11 870 114**	**4 135 913**	**15 954 202**	**8 390 645**	**73 300**	**1 639 229**	**42 063 403**
Liabilities							
Deposits due to other banks	148 442						148 442
Deposits from customers	19 352 804	6 524 202	4 727 460	-	-	-	30 604 466
Lines of credit	-	9 275 216	-	-	-	-	9 275 216
Other financial liabilities	-	-	-	-	-	2 093 725	2 093 725
Total equity and liabilities	**19 501 246**	**15 799 418**	**4 727 460**	**-**	**-**	**2 093 725**	**42 121 849**
Interest rate repricing gap	**(7 631 132)**	**(11 663 505)**	**11 226 742**	**8 390 645**	**73 300**	**(454 496)**	**(58 446)**
Cumulative repricing gap	**(7 631 132)**	**(19 294 637)**	**(8 067 895)**	**322 750**	**396 050**	**(58 446)**	**(58 446)**

HISTORICAL COST

	Up to 1 month ZWL '000	1 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	-	-	-	-	-	453 596	453 596
Total assets	**3 453 025**	**1 203 140**	**4 641 089**	**2 440 845**	**21 323**	**475 332**	**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
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**	**(133 734)**	**(31 613)**
Cumulative repricing gap	**(2 219 902)**	**(5 612 824)**	**(2 360 047)**	**80 798)**	**102 121**	**(31 613)**	**(31 613)**

AUDITED ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

AFC COMMERCIAL BANK

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022**			
Interest income			
Interest income on loans and advances	15 392 059	5%	769 603
Interest income on financial assets at amortised cost - ZAMCO TBs	64 991	5%	3 250
Interest income on financial assets at amortised cost - CTBs	1 855	5%	93
Interest income on fixed deposits	477 838	5%	23 892
Total increase or decrease in profit or loss and equity			**796 838**
Interest expense			
Interest expense on fixed deposits	(4 027 239)	5%	(201 362)
Interest expense on retail and savings accounts	(5 131)	5%	(257)
Total increase or decrease in profit or loss and equity			**(201 619)**
HISTORICAL COST **As at 31 December 2022**			
Interest income			
Interest income on loans and advances	11 942 464	5%	597 123
Interest income on financial assets at amortised cost - ZAMCO TBs	49 349	5%	2 467
Interest income on financial assets at amortised cost - CTBs	1 855	5%	93
Interest income on fixed deposits	352 052	5%	17 603
Total increase or decrease in profit or loss and equity			**617 286**
Interest expense			
Interest expense on fixed deposits	(3 199 121)	5%	(159 956)
Interest expense on retail and savings accounts	(4 889)	5%	(244)
Total increase or decrease in profit or loss and equity			**(160 200)**
INFLATION ADJUSTED **As at 31 December 2021**			
Interest income			
Interest income on loans and advances	8 105 630	5%	405 282
Interest income on financial assets at amortised cost - CTBs	6 377	5%	319
Interest income on financial assets at amortised cost - ZAMCO TBs	28 785	5%	1 439
Interest income on fixed deposits	16 490	5%	825
Interest income on bonds and debentures	27	5%	1
Total increase or decrease in profit or loss and equity			**407 866**
Interest expense			
Interest expense on fixed deposits	(1 354 966)	5%	(67 748)
Interest expense on retail and savings accounts	(5 404)	5%	(270)
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	(653 848)	5%	(32 692)
Total increase or decrease in profit or loss and equity			**100 710**
HISTORICAL COST **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	1 855	5%	93
Interest income on fixed deposits	4 571	5%	229
Interest income on bonds and debentures	6	5%	-
Total increase or decrease in profit or loss and equity			**96 004**
Interest expense			
Interest expense on fixed deposits	(325 383)	5%	(16 269)
Interest expense on retail and savings accounts	(1 228)	5%	(61)
Interest expense on (IDC)	(149 269)	5%	(7 463)
Total increase or decrease in profit or loss and equity			**(23 793)**

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 shareholders 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	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Share capital	2 584 381	2 584 381	12 108	12 108
Shareholder capital contribution	20 961 418	5 741 832	15 371 621	152 035
Share premium	14 532 727	14 532 727	68 087	68 087
IFRS adjustment on capitalisation TBs	221 187	14 366	221 187	776
Accumulated (loss)/ profit	(6 959 746)	(12 238 410)	11 579 142	1 887 266
Tier 1 capital*	**31 339 967**	**10 634 896**	**27 252 145**	**2 120 272**
Revaluation reserve	13 190 544	1 434 909	13 114 003	865 870
General provisions	512 070	366 445	512 070	194 278
Tier 2 capital**	**13 702 614**	**1 801 354**	**13 626 073**	**1 060 148**
Market risk capital	497 291	188 542	497 291	88 678
Operational risk capital	1 407 257	526 702	1 407 257	294 328
Tier 3 capital	**1 904 548**	**715 244**	**1 904 548**	**383 006**
Total capital	**46 947 129**	**13 151 494**	**42 782 766**	**3 563 426**
Total risk weighted assets	**115 821 936**	**33 387 900**	**111 719 087**	**18 454 572**
Capital adequacy ratio	**40.53%**	**39.39%**	**38.29%**	**19.33%**
Tier 1	27.06%	31.85%	24.39%	11.50%
Tier 2	11.83%	5.39%	12.20%	5.75%
Tier 3	1.64%	2.14%	1.70%	2.08%

* Tier 1 capital requirement should be a minimum of US$30 million.
** 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 ZWL 41.9 million (December 2021: ZWL 41.1 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 Capitalisation Treasury Bills (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 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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.

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

Interpretation of Risk Matrix
Level of Inherent risk

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

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

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

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

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

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

Adequacy of Risk Management Systems

Overall Composite Risk
Low - would be assigned to low inherent risk areas. Minor risk areas may be assigned a low composite risk where risk management systems are acceptable or strong. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong or very strong and effectively mitigate much of the risk.

Moderate - risk management systems appropriately mitigate inherent risk. For a given minor or low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong or very strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the banking institution.

High - risk management systems do not significantly mitigate the low, moderate, high or extreme inherent risk. The activity could potentially result in a financial loss that would have a significant impact on the bank's overall condition, even in some cases where systems are considered strong.

Direction of overall composite

Increasing - based on the current information, composite risk is expected to increase in the next 12 months.

Decreasing - based on the current information, composite risk is expected to decrease in the next 12 months.

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

4.4. Off-site quarterly analysis as at 31 December 2022 by RBZ
A quarterly off-site analysis was conducted by the RBZ using the Banking Supervision Department (BSD1) return as at 31 December 2022 and was rated **"3"** that is **fair**.

4.5.External Credit Rating
The Bank subscribes to an internationally recognised rating agency, Global Credit Rating Group (GCR). The rating for 2022 was as follows:

Long Term Issuer	BBB-
Short Term Issuer	A3

Expires September 2023

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	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021
Financial assets	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Cash and bank balances	5 961 928	4 411 549	5 961 928	1 283 323
Amounts due from other banks	4 236 300	5 202 885	4 236 300	1 513 523
Financial assets at amortized cost	15 934 440	5 514 957	15 934 440	1 604 305
Gross loans and advances to customer	26 546 235	25 294 783	26 546 235	7 358 271
Other financial assets	5 100 052	1 564 510	5 100 052	453 596
	57 778 955	41 988 684	57 778 955	12 213 018

	INFLATION ADJUSTED		HISTORICAL COST	
Financial liabilities	DEC 2022	DEC 2021	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Deposits due to other banks	1 715	148 442	1 715	43 182
Deposits from customers	49 781 504	30 604 464	49 781 504	8 902 861
Other financial liabilities	3 021 295	2 093 725	3 021 295	609 066
Lines of credit	-	9 275 216	-	2 698 167
Total capital	**52 804 514**	**42 121 847**	**52 804 514**	**12 253 276**

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

	INFLATION ADJUSTED AND HISTORICAL COST			
	Market prices	Observable inputs	Significant unobservable inputs	
31 December 2022	Level 1	Level 2	Level 3	Total
Fair Value Hierarchy of non-financial assets carried at fair value	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Land	-	-	9 127 289	**9 127 289**
Buildings	-	-	8 094 211	**8 094 211**
Investment Properties	-	-	21 082 000	**21 082 000**
Non-financial assets at fair value			**38 303 500**	**38 303 500**
Fair Value Hierarchy of financial assets carried at fair value				
Financial assets at FVPL	-	-	**128 730**	**128 730**
INFLATION ADJUSTED				
31 December 2021				
Fair Value Hierarchy of non-financial assets carried at fair value				
Land	-	-	2 282 377	**2 282 377**
Buildings	-	-	9 886 336	**9 886 336**
Investment Properties	-	-	684 416	**684 416**
Non-financial assets at fair value	-	-	**12 853 129**	**12 853 129**
Fair Value Hierarchy of financial assets carried at fair value				
Financial assets at FVPL	-	-	**74 719**	**74 719**
HISTORICAL COST				
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**

6. CASH AND BANK BALANCES

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021
Financial assets	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Cash on hand	3 336 710	1 169 976	3 336 710	340 347
RBZ Current Account	355 569	2 750 646	355 569	800 165
RBZ Statutory Reserves	2 269 649	490 927	2 269 649	142 811
Amounts due from other banks	4 236 300	5 202 885	4 236 300	1 513 523
	10 198 228	**9 614 434**	**10 198 228**	**2 796 846**

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

7. FINANCIAL ASSETS

7.1 Financial assets at amortised cost

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Treasury bills (TBs)	6 957 025	1 316 154	6 957 025	382 870
Deferred facility fees on ZAMCO TBs	130	646	130	188
Fixed deposit placements	8 977 326	4 198 174	8 977 326	1 221 252
Expected credit losses	(41)	(17)	(41)	(5)
	15 934 440	**5 514 957**	**15 934 440**	**1 604 305**

Reconciliation of financial assets at amortised cost

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
As at 1 January	5 514 957	269 257	1 604 305	78 327
Additions - ZAMCO treasury bills	8 275 296	1 091 995	8 275 296	317 662
Expected credit losses	(41)	(17)	(41)	(5)
ZAMCO deferred fees recognised during the year	130	-	130	-
Additions - Fixed deposit placements	8 977 326	4 198 174	8 977 326	1 221 252
Maturities	(6 761 958)	(37 814)	(2 851 306)	(11 000)
Accrued interest	51 204	10 736	51 204	3 123
Interest payments received	(122 474)	(17 374)	(122 474)	(5 054)
As at end of period	**15 934 440**	**5 514 957**	**15 934 440**	**1 604 305**
Maturity analysis				
Due within 3 months to 1 year	9 924 195	5 292 005	9 924 195	1 539 448
Due between 1 year and 5 years	5 989 742	149 652	5 989 742	43 534
Due between 5 years and 10 years	20 503	73 300	20 503	21 323
	15 934 440	**5 514 957**	**15 934 440**	**1 604 305**

7.1.1. 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 ZWL$10 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 42.9 million as at 31 December 2022 (December 2021: ZWL41.1 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.

7.1.2. 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 21.4 million as at 31 December 2022 (December 2021: ZWL 24.1 million). The TBs have been classified as financial assets at amortised cost in terms of IFRS 9 - Financial Instruments Recognition and Measurement. Consequently, the asset is included in the statement of financial position at amortised cost, having been accounted for at fair value at initial recognition.

7.2. Financial assets at fair value through profit and loss

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Investment in unquoted shares	74 719	109 803	21 736	23 584
Fair value gain /(loss) unquoted shares	54 011	(35 084)	106 994	(1 848)
	128 730	**74 719**	**128 730**	**21 736**
Embedded derivative (IDC legacy debt)	-	(11 605 902)	-	2 100 426
Reclassification to Statutory asset	-	11 605 902	-	(2 100 426)
	128 730	**74 719**	**128 730**	**21 736**

The Bank holds an investment in SWIFT shares of 24 shares worth ZWL 128 730 000 as at 31 December 2022 (ZWL 21 736 000 as at 31 December 2021).

8. LOANS AND ADVANCES

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Loans	24 155 434	22 598 214	24 155 434	6 573 837
Overdrafts	2 390 801	2 696 569	2 390 801	784 434
Gross loans and advances	**26 546 235**	**25 294 783**	**26 546 235**	**7 358 271**
Allowance for expected credit losses*	(579 589)	(688 400)	(579 589)	(200 256)
Suspended interest	(807 301)	(349 600)	(807 301)	(101 699)
Net loans and advances	**25 159 345**	**24 256 783**	**25 159 345**	**7 056 316**

*includes ZAMCO portfolio ECL note 4.1.1.1

8. LOANS AND ADVANCES (cont'd)

8.1 . Maturity analysis	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Due within 1 month	2 389 160	2 255 680	2 389 160	656 179
Due between 1 month and 3 months	4 247 398	4 135 913	4 247 398	1 203 140
Due between 3 months and 1 year	11 149 419	10 662 197	11 149 419	3 101 641
Due between 1 year and 5 years	8 760 258	8 240 993	8 760 258	2 397 311
	26 546 235	**25 294 783**	**26 546 235**	**7 358 271**

8.2. Non-performing loans

Financial assets

Included in the loans and advances are the following:				
Gross individually impaired loans	239 725	76 404	239 725	22 226
(Expected credit losses)	(93 905)	(7 167)	(93 905)	(2 085)
Suspended interest on non performing loans and advances	(5 155)	(17 721)	(5 155)	(5 155)
Net individually impaired loans	**140 665**	**51 516**	**140 665**	**14 986**

8.3. Sectoral analysis of loans and advances

INFLATION ADJUSTED

	DEC 2022 ZWL '000	DEC 2022 %	DEC 2021 ZWL '000	DEC 2021 %
Individuals	10 927 295	41.20	9 703 747	38.36
Agriculture	7 174 606	27.00	13 000 081	51.39
Manufacturing	1 403 103	5.30	1 348 512	5.33
Communication	844	0.00	6 465	0.03
Construction	45 670	0.20	36 604	0.15
Transport	464 092	1.70	33 503	0.13
Services	2 357 755	8.80	277 985	1.10
Mining	1 952 977	7.40	614 753	2.43
Distribution	2 219 893	8.40	273 133	1.08
	26 546 235	**100**	**25 294 783**	**100**

HISTORICAL COST

	DEC 2022 ZWL '000	DEC 2022 %	DEC 2021 ZWL '000	DEC 2021 %
Individuals	10 927 295	41.20	2 822 827	38.36
Agriculture	7 174 606	27.00	3 781 733	51.39
Manufacturing	1 403 103	5.30	392 285	5.33
Communication	844	0.00	1 880	0.03
Construction	45 670	0.20	10 648	0.15
Transport	464 092	1.70	9 746	0.13
Services	2 357 755	8.80	80 866	1.10
Mining	1 952 977	7.40	178 832	2.43
Distribution	2 219 893	8.40	79 454	1.08
	26 546 235	**100**	**7 358 271**	**100**

8.4. Movement in allowance for expected credit losses

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Carrying amount as at 1 January	702 855	295 374	204 671	53 456
Expected credit losses for the period	1 303 119	1 695 104	912 589	418 574
Amounts written off during the period as uncollectible	(1 411 326)	(1 287 623)	(522 612)	(267 359)
Carrying amount as at end of year	**594 648**	**702 855**	**594 648**	**204 671**
The expected credit losses consist of the following:				
Loans and advances	579 589	688 400	579 589	200 256
Sundry debtors	15 018	14 438	15 018	4 410
Financial assets at amortised cost	41	17	41	5
	594 648	**702 855**	**594 648**	**204 671**

9. OTHER ASSETS

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Equipment in transit*	200 902	131 031	91 066	25 896
Rent receivable	40 694	23 220	40 694	6 755
Prepayments*	1 042 934	382 086	920 062	90 857
Consumables*	219 408	152 292	120 813	34 332
Sundry debtors	4 137 949	119 178	4 137 949	34 668
Security deposit	923 585	1 005 643	923 587	292 542
RBZ Receivable	-	208 696	-	60 710
Exchange gain on RBZ Receivable	-	24 771	-	7 206
AMA-Agrobills	-	4 813	-	1 400
AFC-Holdings	(2 179)	188 005	(2 179)	54 691
AFC Leasing	-	113	-	33
Expected credit losses	(15 018)	(15 160)	(15 018)	(4 410)
	6 548 275	**2 224 688**	**6 216 974**	**604 680**

*consists of non-monetary items

9.1. STATUTORY ASSET

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Statutory asset	-	5 396 511	-	1 569 849
Opening balance 1 Jan	5 396 511	-	1 569 849	-
Reclassifications	-	7 328 644	-	2 131 908
Receipts	(1 147 759)	(3 856 126)	(1 498 471)	(1 121 750)
Exchange (loss)/gain	(1 297 507)	2 118 303	1 466 012	616 216
Write-off	(2 951 245)	-	(1 537 390)	-
Impairment loss	-	(194 310)	-	(56 525)
	-	5 396 511	-	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 RBZ a total foreign currency liability of US$ 27.07 million. A corresponding equivalent amount in ZWL was transferred to the RBZ at a rate of 1:1.

At 31 December 2021, the Bank recognised a foreign currency denominated statutory asset of ZWL 1.6 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.

The balance as at this reporting date was received in full from RBZ.

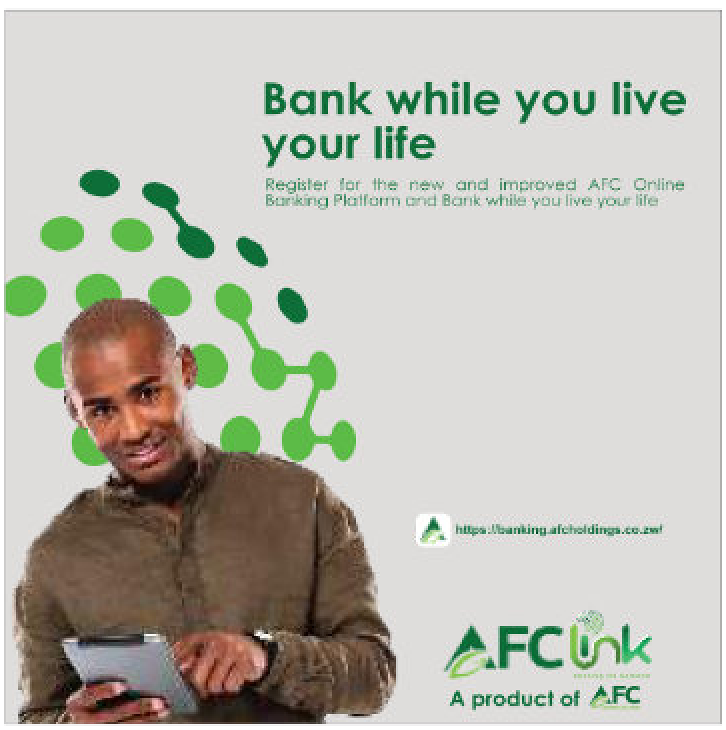
10. INVESTMENT PROPERTIES

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Carrying amount as at 1 January	684 416	377 353	199 097	68 293
Additions	4 601	-	1 853	-
Shareholder capital injection	15 219 586	-	15 219 586	-
Fair valuation gain	5 173 397	307 063	5 661 464	130 804
Carrying amount as at end of period	**21 082 000**	**684 416**	**21 082 000**	**199 097**

The fair value of the Bank's investment properties at 31 December 2022 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 ZWL 19 314 439.

Key assumptions and considerations applied in the valuation process include:

- The valuation has been prepared in ZWL on account of reducing level of inflation and increased market evidence of transactions in ZWL.
- ZWL rental rates were used in compilation of the valuation and were reasonable and reflective of the market as at the valuation date.
- That the information of costs formed the key input in the final valuation values arrived for each property valued.
- The depth of data analysis, collating and collaboration was deemed appropriate in relation to the significance of the valuation issues as presented.



11. PROPERTY AND EQUIPMENT

INFLATION ADJUSTED

	Land	Buildings	Motor Vehicles	Computer Equipment	Machinery	Fixtures and fittings	Office Equipment & Furniture	Work-in-progress	Total
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Carrying amount as at 1 Jan 2021	1674 812	6 159 948	154 516	773 371	3 319 935	300 789	583 651	-	**12 967 022**
Revaluation surplus	607 565	3 818 653	-	-	-	-	-	-	**4 426 218**
Additions	-	31 320	188 236	205 634	-	79 412	1 025 632	102 138	**1 632 372**
Dividend in Specie	-	-	-	-	(3 319 935)	-	-	-	**(3 319 935)**
Disposals – cost	-	-	(58 199)	(10 839)	-	(794)	(15 338)	-	**(85 170)**
Disposals – accumulated depreciation	-	-	58 195	10 756	-	698	14 575	-	**84 224**
Depreciation charge	-	(123 585)	(15 586)	(191 653)	-	(72 619)	(194 963)	-	**(598 406)**
Carrying amount as at 31 December 2021	**2 282 377**	**9 886 336**	**327 162**	**787 269**	-	**307 486**	**1 413 557**	**102 138**	**15 106 325**
A revaluation surplus/ impairment	6 844 912	(1 620 904)	-	-	-	-	-	-	**5 224 008**
Additions	-	26 814	181 400	225 439	-	137 096	636 859	177 581	**1 385 189**
Disposal cost	-	-	-	(23 900)	-	(396)	(22 614)	-	**(46 910)**
Disposals – accumulated depreciation	-	-	-	12 372	-	346	14 147	-	**26 865**
Depreciation charge	-	(198 035)	(90 852)	(235 503)	-	(89 292)	(462 648)	-	**(1 076 330)**
31 December 2022	**9 127 289**	**8 094 211**	**417 710**	**765 677**	-	**355 240**	**1 579 301**	**279 719**	**20 619 147**
As at 31 December 2021									
Cost or revalued amount	2 282 377	9 886 336	794 607	1 656 988	-	533 426	2 252 754	102 138	**17 508 626**
Accumulated depreciation	-	-	(467 445)	(869 719)	-	(225 940)	(839 197)	-	**(2 402 301)**
Carrying amount	**2 282 377**	**9 886 336**	**327 162**	**787 269**	-	**307 486**	**1 413 557**	**102 138**	**15 106 325**
As at 31 December 2022									
Cost or revalued amount	9 127 289	8 094 211	976 011	1 858 527	-	670 125	2 867 000	279 719	**23 872 882**
Accumulated depreciation	-	-	(558 301)	(1 092 850)	-	(314 885)	(1 287 699)	-	**(3 253 735)**
Carrying amount	**9 127 289**	**8 094 211**	**417 710**	**765 677**	-	**355 240**	**1 579 301**	**279 719**	**20 619 147**

HISTORICAL COST

	Land	Buildings	Motor Vehicles	Computer Equipment	Machinery	Fixtures and fittings	Office Equipment & Furniture	Work-in-progress	Total
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Carrying amount as at 1 January 2021	**303 106**	**1 114 823**	**3 895**	**113 830**	**557 383**	**9 389**	**24 361**	-	**2 126 787**
Revaluation surplus	360 839	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**
Revaluation surplus	8 463 344	5 272 314	-	-	-	-	-	-	**13 735 658**
Additions	-	16 367	177 108	141 378	-	97 344	468 694	177 187	**1 078 078**
Disposal	-	-	-	(4 020)	-	(2)	(1 850)	-	**(5 872)**
Disposals accumulated depreciation	-	-	-	1 161	-	2	578	-	**1 741**
Depreciation charge	-	(70 413)	(16 175)	(57 119)	-	(10 153)	(80 062)	-	**(233 922)**
31 December 2022	**9 127 289**	**8 094 211**	**206 875**	**207 498**	-	**112 872**	**671 579**	**206 899**	**18 627 223**
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)	-	**(72 523)**
Carrying amount	**663 945**	**2 875 943**	**45 942**	**126 098**	-	**25 681**	**284 219**	**29 712**	**4 051 540**
As at 31 December 2022									
Cost or revalued amount	9 127 289	8 094 211	231 529	303 897	-	127 846	769 844	206 899	**18 861 515**
Accumulated depreciation	-	-	(24 654)	(96 399)	-	(14 974)	(98 265)	-	**(234 292)**
Carrying amount	**9 127 289**	**8 094 211**	**206 875**	**207 498**	-	**112 872**	**671 579**	**206 899**	**18 627 223**

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

	Fixtures & fittings		Furniture		Land & buildings	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Cost	127 879	30 534	182 168	13 689	47 609	29 388
Accumulated depreciation	(23 989)	(4 807)	(29 937)	(2 612)	(3 977)	(3 025)
Carrying amount	**103 890**	**25 727**	**152 231**	**11 077**	**43 632**	**26 363**

12. INTANGIBLE ASSETS

	INFLATION ADJUSTED			HISTORICAL COST		
	Work in Progress ZWL '000	Computer Software ZWL '000	Total ZWL '000	Work in progress ZWL '000	Computer Software ZWL '000	Total ZWL '000
Carrying amount as at 01 January 2021	**410 184**	**1 518 862**	**1 929 046**	**59 736**	**27 307**	**87 043**
Additions	232 908	29 306	262 214	53 003	7 809	**60 812**
Amortisation charges	-	(142 413)	(142 413)	-	(7 031)	**(7 031)**
Carrying amount as at 31 December 2021	**643 092**	**1 405 755**	**2 048 847**	**112 739**	**28 085**	**140 824**
Additions	585 359	24 812	610 171	512 821	23 561	**536 382**
Amortisation charge	-	(466 579)	(466 579)	-	(8 276)	**(8 276)**
Carrying amount as at 31 December 2022	**1 228 451**	**963 988**	**2 192 439**	**625 560**	**43 370**	**668 930**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

13. LEASES

13.1 Right of use asset

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Balance at 1 January	323 897	352 374	37 262	22 424
Additions	163 035	109 739	101 414	26 174
Asset retirement	-	(854)	-	(5)
Depreciation	(136 225)	(137 362)	(44 082)	(11 331)
Right-of-use at end of period	**350 707**	**323 897**	**94 594**	**37 262**
Cost	767 520	604 486	154 772	53 358
Accumulated depreciation	(416 813)	(280 589)	(60 178)	(16 096)
	350 707	**323 897**	**94 594**	**37 262**

13.2. Lease liability

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Balance at 1 January	167 858	82 152	48 830	23 898
Additions and re-assessment	101 414	94 946	101 414	27 620
Liability retirement	-	(21)	-	(6)
Exchange losses	196 034	27 260	173 634	7 930
Interest expense	44 180	29 299	22 400	8 523
Repayments	(241 628)	(65 778)	(78 420)	(19 135)
Balance at end of period	**267 858**	**167 858**	**267 858**	**48 830**
Maturity analysis				
Due within 1 year	226 586	321 990	226 586	93 667
Due between 2 years and 5years	127 484	138 425	127 484	40 268
	354 070	**460 415**	**354 070**	**133 935**

When measuring lease liabilities for leases that were classified as operating leases, the Bank discounted lease payments using its incremental borrowing rate at 31 December 2022.

14 . SHARE CAPITAL

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021
14.1 Authorised share capital	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Ordinary shares of ZWL1.00 each	3 865 021	3 865 021	18 108	18 108
14.2 Issued and fully paid				
Ordinary shares of ZWL1.00 each	**2 584 381**	**2 584 381**	**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	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Shareholder capital contribution awaiting allotment	5 741 832	5 741 832	152 035	152 035
Received during the year	15 219 586	-	15 219 586	-
	20 961 418	**5 741 832**	**15 371 621**	**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	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Term deposits held with other banks	**1 715**	**148 442**	**1 715**	**43 182**
Maturity analysis				
Due within 1 month	**1 715**	**148 442**	**1 715**	**43 182**

17. DEPOSITS FROM CUSTOMERS

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Demand deposits	35 737 160	19 453 901	35 737 160	5 536 377
Savings accounts	2 788 920	2 019 255	2 788 920	588 267
Term deposits	11 255 424	9 176 310	11 255 424	2 791 308
Deferred Agro-bills arrangement fees	-	(45 002)	-	(13 091)
	49 781 504	**30 604 464**	**49 781 504**	**8 902 861**
Maturity analysis				
Due within 1 month	35 732 817	19 003 899	35 732 817	5 528 248
Due between 1 month and 3 months	3 489 048	2 019 255	3 489 048	587 403
Due between 3 months and 1 year	10 559 639	9 581 310	10 559 639	2 787 210
	49 781 504	**30 604 464**	**49 781 504**	**8 902 861**

18. OTHER LIABILITIES

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Provision for leave pay (note 18.1)	323 935	145 974	323 935	42 464
Accrued expenses	395 977	253 279	395 977	73 679
Sundry creditors	29 190	280 842	29 190	81 697
Current tax liability	-	290 429	-	84 486
Audit fees	6 917	13 750	6 917	4 000
Medical aid, Pension, Standards	4 835	698	4 835	203
Withholding and other taxes	2 028 783	607 334	2 028 783	176 674
Provision for long service award (note 18.2)	221 983	63 785	221 983	18 555
Provision for bonus (note18.3)	-	164 190	-	47 763
ZAMCO Collections Payable	4 372	13 699	4 372	3 985
AFC- Land and Agricultural Bank	4 041	136 067	4 041	39 582
AFC- Insurance Company	1 262	123 678	1 262	35 978
	3 021 295	**2 093 725**	**3 021 295**	**609 066**

18.1 Provision for leave pay

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
As at 1 January	145 974	29 281	42 464	9 596
Provision for leave pay charge	463 667	173 036	308 478	34 387
Provision for leave pay utilized	(285 706)	(56 343)	(27 007)	(1 519)
As at 31 December	**323 935**	**145 974**	**323 935**	**42 464**

18.2 Provision for long service award

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
As at 1 January	63 785	19 120	18 555	5 562
Provision for leave pay charge	258 155	54 847	255 243	15 955
Provision for leave pay utilized	(99 957)	(10 182)	(51 815)	(2 962)
As at 31 December	**221 983**	**63 785**	**221 983**	**18 555**

18.3 Provision for bonus

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
As at 1 January	164 190	61 138	47 763	17 785
Provision for leave pay charge	505 032	194 623	342 022	56 616
Provision for leave pay utilized	(669 222)	(91 571)	(389 785)	(26 638)
As at 31 December	**-**	**164 190**	**-**	**47 763**

19. DEFERRED INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Deferred income	**283 061**	**426 649**	**283 061**	**96 226**
Maturity analysis				
Due within 1 month	25 476	45 478	25 476	8 660
Due between 1 month and 3 months	36 798	65 691	36 798	12 509
Due between 3 months and 1 year	25 476	45 478	25 476	8 661
Due between 1 year and 5 years	195 311	270 202	195 311	66 396
	283 061	**426 849**	**283 061**	**96 226**

19.1. Movement in deferred income

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
As at 1 January	426 847	221 292	96 226	38 597
Income deferred during the year	226 449	274 395	226 449	76 929
Income realised during the period	(370 235)	(68 838)	(39 614)	(19 300)
As at end of period	**283 061**	**426 849**	**283 061**	**96 226**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

20. LINES OF CREDIT

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Industrial Development Corporation of South Africa (IDCSA)	-	9 275 216	-	2 698 167
Total	-	**9 275 216**	-	**2 698 167**
Maturity analysis				
Due between 1 month and 3 months	-	9 275 216	-	2 698 167
Analysis of lines of credit				
Carrying amount as at 1 January	9 275 216	12 254 511	2 698 167	2 217 811
Interest accrued during the period	(233 468)	869 335	(67 916)	211 503
IDCSA	-	660 638	-	150 793
IDCSA advisory services	(233 468)	208 697	(67 916)	60 710
Re-measurement of IDCSA Legacy debt to fair value	(2 607 879)	(2 433 025)	600 711	680 653
Gain on de-recognition of IDCSA Legacy debt	(1 951 904)	-	(1 951 904)	-
Cash flows made during the period	(1 279 058)	(1 415 605)	(1 279 058)	(411 800)
Capital repayments	(1 279 058)	(925 395)	(1 279 058)	(269 198)
Interest repayments	-	(490 210)	-	(142 602)
Carrying amount as at 31 December	-	**9 275 216**	-	**2 698 167**

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 ZWL was transferred to the RBZ at a rate of 1:1.

Subsequent to 2021 financial 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 31 of March 2022 as final settlement. The Bank managed to settle the USD 14 million and received the settlement confirmation letter from IDC South Africa in June 2022.

23. INTEREST EXPENSE AND SIMILAR CHARGES

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Interest expense on fixed deposits	4 027 239	1 354 966	3 199 121	325 383
Amortisation of Agro bills arrangement fees	30 778	50 632	13 091	12 516
Interest expense on retail and savings accounts	5 131	5 404	4 889	1 228
Interest expense IDCSA	-	653 848	-	149 269
	4 063 148	**2 064 850**	**3 217 101**	**488 396**

24. FEE AND COMMISSION INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Fee income	5 474 498	5 267 275	3 685 080	1 194 574
Commission income	2 974 574	2 483 928	2 075 758	554 014
	8 449 072	**7 751 203**	**5 760 838**	**1 748 588**

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

21. TAXATION

21.1 Income tax expense

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Current tax	1 806 204	2 389 513	1 572 640	610 275
Deferred tax	606 597	(1 120 867)	423 787	(127 513)
Income tax charge	**2 412 801**	**1 268 646**	**1 996 427**	**482 762**
Tax rate reconciliation				
Account profit	7 691 465	5 661 614	11 688 303	1 999 591
Notional taxation on income for the year at a statutory rate of 24.72%	1 901 330	1 399 551	2 889 348	494 299
Tax effect of non-taxable/non-deductible items:				
Expenses not deductible for tax purposes	711 385	3 611 131	711 385	1 050 480
Exempt income	(51 204)	(29 821)	(51 204)	(8 675)
Other tax adjustments	(148 710)	(3 712 215)	(1 553 102)	(1 053 342)
	2 412 801	**1 268 646**	**1 996 427**	**482 762**

21.2 . Deferred tax

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Property and equipment	2 808 458	2 348 469	339 835	291 939
Deferred tax on revaluation	(58 442)	974 350	1 726 483	433 814
Unrealised exchange gains/(losses)	915 198	249 005	711 431	(74 927)
Provisions	236 815	(217 950)	132 766	109 418
Deferred tax liability as at 31 December	**3 902 029**	**3 353 874**	**2 910 515**	**760 244**
Net deferred tax liability	**3 902 029**	**3 353 874**	**2 910 515**	**760 244**

22 . INTEREST AND SIMILAR INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Interest income on loans and advances to customers	15 392 059	8 105 630	11 942 464	1 906 812
Interest income on financial assets at amortized cost	66 846	35 189	51 204	8 681
Interest income on ZAMCO treasury bills	64 991	28 785	49 349	6 820
Interest income on capitalisation treasury bills	1 855	6 377	1 855	1 855
Interest income on bonds and debentures	-	27	-	6
Amortisation of deferred facility fees on ZAMCO treasury bills	(105)	(275)	(58)	(116)
Interest income on fixed deposits	477 838	16 490	352 052	4 571
Management and establishment fees	1 595 984	1 789 397	1 054 752	418 540
	17 532 622	**9 946 431**	**13 400 414**	**2 338 488**

25. OTHER OPERATING INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Rental income	172 004	105 588	118 072	24 085
Foreign revaluation profit	3 648 248	2 429 399	1 616 797	679 110
(Loss)/profit on disposal of property and equipment	(15 849)	3 656	3 772	1 446
Unrealised exchange gains	380 362	1 100 109	1 154 166	277 020
RBZ Agency commission	30 976	9 321	12 563	1 893
Sundry income	5 708	15 965	4 151	3 124
Bad debt recoveries	1 703	769	1 277	191
	4 223 152	**3 664 807**	**2 910 798**	**986 869**

26. OPERATING EXPENSES

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022 ZWL '000	DEC 2021 ZWL '000	DEC 2022 ZWL '000	DEC 2021 ZWL '000
Employee benefit expenses (note 26.1)	8 163 566	4 243 141	5 725 935	979 216
Directors' fees	64 155	34 253	37 344	8 209
Audit fees	46 210	44 337	31 822	8 852
Security expenses	432 820	283 326	324 013	66 414
Repairs and maintenance costs	474 553	379 209	319 395	88 469
Printing and stationery	438 837	424 045	326 947	106 160
Software license fees	792 503	667 559	575 767	151 777
Consultancy charges	45 497	25 745	42 168	5 591
Insurances	265 726	128 376	174 604	30 567
Motor vehicle fuel	374 315	251 129	280 317	58 498
Subsistence and travel	288 704	151 160	214 808	35 330
Advertising and subscriptions	596 897	573 177	467 908	130 491
Telecommunication and postage charges	536 402	316 423	361 796	74 734
Networking and data charges	335 994	302 358	229 492	73 941
Hire of services	341 070	381 527	317 047	85 812
Equipment hiring charges	21 092	10 126	15 053	2 258
Bank charges and cash in transit charges	552 677	223 802	464 030	54 789
Office cleaning expenses	93 865	61 356	67 696	14 105
Electricity and water charges	89 024	113 313	66 942	26 671
Rent and rates	195 382	116 340	142 464	26 269
Legal expenses	15 543	7 007	12 821	1 924
Public relations expenses	41 826	118 957	27 200	30 730
Depreciation of property and equipment (note 11)	1 076 330	598 406	233 922	85 478
Amortisation right of use assets	136 225	137 362	44 082	11 331
Amortisation of intangible assets (note 12)	466 579	142 413	8 276	7 031
Periodicals and entertainment	14 514	8 069	11 218	1 806
Other operating expenses	41 103	9 066	35 137	4 489
IMTT tax	291 139	140 891	203 344	30 362
Covid expenses	31 435	123 027	17 886	28 406
Impairment of assets	-	194 310	-	56 525
VISA Transaction expenses	40 442	43 190	31 599	9 780
Bad debts Written-off	3 781	1 521	2 194	323
Management fees	1 384 306	-	1 209 288	-
	17 692 512	**10 254 921**	**12 022 515**	**2 296 338**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

26. OPERATING EXPENSES (cont'd)

26.1. Employee Benefits

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Salaries and wages	3 402 642	1 731 768	2 304 250	392 259
Staff Special allowance	4 650	-	490	-
Pension costs (note 28)	413 836	145 579	285 320	42 349
Staff bonus	505 032	250 962	342 022	56 616
Covid allowance	280 351	354 414	156 447	83 485
Fuel allowance	72 205	25 076	61 066	5 725
National Social Security Authority	72 894	17 215	57 697	4 197
Medical aid expenses	524 376	316 902	390 608	72 876
School fees allowances	171 565	83 021	121 386	18 711
Government training levy	107 469	49 686	78 691	11 527
Retention allowances	806 912	382 069	605 569	92 830
Gratuities	258 155	56 840	255 243	15 955
Housing and other allowances	293 365	170 242	222 172	40 695
Workmen's compensation	42 021	16 315	30 856	3 725
Training expenses	127 113	54 812	94 380	13 562
Staff refreshments expenses	462 510	383 773	276 369	82 714
Staff uniforms charges	2 969	13 836	1 455	2 978
Staff commission	-	2 683	-	740
Movement in provision for leave pay (note 18.1)	463 667	173 036	308 478	34 387
Recruitment costs	12 776	1 072	11 605	228
Group accident insurance	4 740	110	4 173	27
Sports and recreation	134 318	13 730	117 658	3 630
	8 163 566	**4 243 141**	**5 725 935**	**979 216**

The average number of persons employed by the Bank during the year was 530 (December 2021, 510)

27. COMMITMENTS AND CONTINGENCIES

27.1. Loan facility commitments

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Facility commitments approved but not drawn down	1 769 365	868 997	1 769 365	252 792
Maturity analysis				
Due between 1 month and 3 months	**1 769 365**	**868 997**	**1 769 365**	**252 792**

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	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Guarantees	19 757	19 594	19 757	5 700
Maturity analysis				
Due between 1 month and 3 months	14 757	8 594	14 757	2 500
Due between 3 months and 1 year	5 000	11 000	5 000	3 200
	19 757	**19 594**	**19 757**	**5 700**

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.

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Pension costs	413 836	145 579	285 320	42 349
National Social Security Authority scheme	72 894	14 428	57 697	4 197
	486 730	**160 007**	**343 017**	**46 546**

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.

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
National Aids Council	2 160 424	1 253 687	2 160 424	364 699
Agricultural Marketing Authority	-	21 891	-	6 368
Reserve Bank of Zimbabwe	110 007	3 887 852	110 007	1 130 979
Grain Marketing Board	503 667	680 277	503 667	197 893
Industrial Development Corporation of Zimbabwe	-	1 510 350	-	439 362
Tobacco Research Board	4 718	11 286	4 718	3 283
National Building Society	-	362 117	-	105 340
Zimbabwe Revenue Authority	314 995	204 324	314 995	59 438
Infrastructural Development Bank of Zimbabwe	-	105 988	-	30 832
Zimbabwe Consolidated Diamond Company	-	311 089	-	90 496
National Social Security Authority	642 671	-	642 671	-
AFC- Land and Development Bank	770 575	839 015	770 575	244 070
AFC- Insurance Company	-	123 678	-	35 978
Small &Medium Enterprises Development	535 073	-	535 073	-
ZIMSEC	5 562 935	-	5 562 935	-
ZARNET	15 114	-	15 114	-
	10 620 179	**9 311 554**	**10 620 179**	**2 708 738**

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

29.2. Amounts due from related parties

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
AFC Holdings Limited	8 377	188 006	8 377	54 691
AFC Leasing Company	62 958	113	62 958	33
	71 335	**188 119**	**71 335**	**54 724**

29.3. Commission income

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Reserve Bank of Zimbabwe	30 976	9 321	12 563	1 893

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

29.4. Key management compensation

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Directors' fees	64 155	28 219	37 344	8 209
Short-term employee benefits	1 457 091	521 773	847 145	151 784
	1 521 246	**549 992**	**884 489**	**159 993**

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

29.5 Loans and advances to Directors

	INFLATION ADJUSTED		HISTORICAL COST	
	DEC 2022	DEC 2021	DEC 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Loans and advances to Directors	**90 372**	**50 189**	**90 372**	**14 600**

AUDITOR'S OPINION

The abridged financial statements should be read in conjunction with the complete set of financial statements of AFC Commercial Bank Limited for the year ended 31 December 2022, which have been audited by PKF Chartered Accountants (Zimbabwe), signed by Sydney Bvurere, PAAB Practising certificate 0209 and a qualified opinion has been issued thereon. The audit has been qualified regarding unresolved prior year trial balance mis-matches. The auditor's report for the year then ended carries key audit matters ("KAMs") outlining areas of the audit process that required significant attention of the auditor, being expected credit loss on loans and advances and valuation of investment properties and land and buildings. The auditor's report on the financial statements and the full set of financial statements, is available for inspection at the bank's registered office.