



UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2022



JERICHO 0778126A

CHAIRMAN'S STATEMENT

I am honoured to present to you the AFC Commercial Bank financial performance for the half year ended 30 June 2022.

Economic Overview

The business and macroeconomic environment remains difficult against the background of amplified currency volatility, rising inflation and foreign currency shortages. This is compounded by exogenous shocks, including the mid-season dry spell and the ongoing Russia – Ukraine War which has had cascading effects on the local and regional economies particularly through rising international oil and grain prices.

The economy is projected to record positive growth of 4.6% in 2022, a markedly lower growth compared to 2021. The agricultural sector which recorded a huge growth of 34% in 2021 is projected to decline by 5% this year. Economic growth will thus be driven mainly by the mining sector which is projected to record a growth of 9.5% underpinned by firming international mineral prices, and the construction sector.

The annual headline inflation has continued on an upward trend over the past six months, reflecting the pass through effects of the widening parallel market premium. Month on month inflation rose from 5.3% in January to 7.0% in February, 15.5% in April, 21% in May and 30.1% in June 2022. The annual headline inflation increased from 60.9% in January to 191.1% in June and 256.9% in July 2022. In response to surging inflation, the Government announced a number of measures including further tightening of monetary policy, refinements to the Foreign Currency Auction system and introduction of the Gold Coin, anticipated to stabilise the currency and inflation. Monetary Authorities have also heightened surveillance of the banking system to reduce arbitrage tendencies. The Bank continues to monitor the policy changes, adapting its strategy to ensure regulatory compliance and business continuity.

Broad money supply growth continued to underpin exchange rate depreciation and the parallel market premium. Annual broad money growth was 238.3% in May 2022 compared to 385.5% in May 2021. Significantly, reflecting Authorities tightening measures, reserve money has marginally increased to ZW\$30 billion by end of June 2022, representing a 23.2% annual increase.

Sustained power outages, foreign currency challenges and high costs, are exerting operational pressures on business, and hence the Bank has strengthened credit granting and credit administration to minimise non-performing loans.

Bank Restructuring

The Bank has completed the restructuring and re-organisation process in line with the new strategy, supporting business growth and profitability. The new structure will position the Bank for elevated customer service delivery and focused business growth.

Business Continuity and Cost Containment

In light of the Covid19 Pandemic, the Bank has sustained the Business Continuity Plan which was incepted at the outbreak of the pandemic over two years ago. This has had the effect of increasing the costs to the Bank related to pandemic preventive measures. As a result, cost containment has remained central to the Bank's business growth strategy, given the parallel market driven cost pressures. Expenditure was mostly limited to mission critical requirements.

Environmental and Social Governance

The Bank, now part of the AFC Holdings Group continues to engage in Environmental and Social Governance (ESG) initiatives, supporting the communities in which we operate. Over the past 18 months, the Bank has made significant contributions, with a particular focus on Covid19 interventions. The Bank continues to support schools through the Schools Deposit Promotion Programme, both at Provincial and National level.

Governance

The Bank remains committed to the highest Corporate Governance standards, in addition to judicious adherence to all regulatory requirements. The Bank has Board Committees constituted in line with the requirements of the Banking Act [Chapter 24:20]. Ms M. Washaya resigned from the Board with effect from 31 March 2022. On behalf of Management and the entire Board, I extend my sincere gratitude to Ms Washaya for her sterling contribution to the success of the Bank and we wish her the best in her future endeavours. Processes are underway to appoint a new Board Member and ensure that the Board is fully Constituted.

As of June 2022 the Bank's capitalisation level was below the minimum regulatory threshold. There are a number of initiatives currently ongoing at shareholder level to ensure that the Bank meets the capitalisation deadline of December 2022. To that end the Board has taken note of the continuing engagements with AFC Holdings Group as well as Government, whilst internally management pursues organic growth. I am optimistic that the combined efforts by all stakeholders will result in a positive outcome.

Business Growth Outlook

Beyond the near term, Agriculture and Mining remain strong pillars for economic growth, particularly with Government making significant progress on dams and irrigation infrastructure rehabilitation, as part of agriculture climate proofing initiatives. Management have made significant strides in the spaces of restructuring the bank as well as digitalisation. That, together with efforts on the ground to grow our customer base and deposit levels should begin to yield results in the short to medium term.

Appreciation

I would like to convey my gratitude to the Government as 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 of commitment which has underpinned the Bank's growth, profitability and rebranding.

G. Matemachani, Board Chairman
25 August 2022

MANAGING DIRECTOR'S REPORT

Financial Results

The period under review was characterised by disruptive effects of the macroeconomic environment largely driven by currency volatility and hyper-inflationary pressures. Foreign exchange rates volatility and the existence of an alternative market drove operating costs for the Bank, as price indexing to United States dollars became rampant. Despite these challenges, the Bank managed to display resilience with operating performance remaining positive.

The Bank has been making efforts to increase its foreign currency business in line with market trends and will continue to institute strategies to grow and hedge its balance sheet in both local and foreign currency.

Inflation Adjusted Results

The Bank achieved inflation adjusted profit after tax of ZWL567 million declining by 56% from prior year comparative period. The decline was largely driven by a rise in operating costs and a net monetary loss adjustment.

The cost to income ratio for the half year ended 30 June 2022 was 53% compared to a benchmark of 70% and reducing from 67% for comparative prior year period whilst the staff cost to income ratio for the half year ended 30 June 2022 was 26% against a benchmark of 30%.

Loans and advances closed 30 June 2022 at ZWL13.8 billion. The major drivers for the increase were business loans and consumer loans. The Bank envisages sustained growth in its lending operations targeting the mining, manufacturing and agriculture sectors. The agriculture sector continues to dominate the Bank's loan book, accounting for about 55% of loans and advances. The loan to deposit ratio was 80% as at 30 June 2022 compared to 83% as at 31 December 2021. The Non-Performing Loans (NPL) ratio was 0.39% as at 30 June 2022.

Total deposits closed 30 June 2022 at ZWL18 billion and the Bank closed the period with a liquidity ratio of 30%, which was in line with the RBZ minimum liquidity requirement.

Historical Results

The Bank achieved a historical profit after tax of ZWL1.5 billion increasing by 207% from prior year comparative period. This was mainly due to growth in net interest income and fees and commissions.

The Bank's Tier 1 capital was ZWL3.7 billion in historical cost translating to about US\$9.8 million against regulatory minimum of an equivalent of US\$30 million. The Bank was granted an extension to ensure compliance with minimum required capital by 31 December 2022. The Bank's capital adequacy ratio closed the half year at 23.9% compared to the regulatory minimum of 12.00%.

Rebranding

The Bank has since embarked on a comprehensive rebranding exercise covering all service delivery touch points and elevated brand visibility initiatives, including staff training in order to enhance customer experience. The priority is to carry our customers along our transformational journey with the least disruption to service whilst we build on brand consistency, standardisation and uniformity across all customer delivery channels. The rebranding process will be sustained over the coming years.

Human Resources

AFC Commercial bank is an equal opportunity employer that is committed to the creation of a conducive environment in which employee productivity is optimised. The Bank attaches importance and value to talent acquisition, development and retention, which are critical in sustaining its ability to serve customers and stakeholders. In this regard, continuous skills development and training is done so that at any point in time the Bank is sufficiently resourced to deliver its strategic goals and objectives.

Corporate Governance

The Bank remains committed to the adherence to all applicable laws, regulations, standards and international best practices. The Bank continues to pay attention to compliance with Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) and regulatory requirements. For the half year ended 30 June 2022, there are no material non-compliance issues to laws and regulations. The Reserve Bank of Zimbabwe granted the Bank an extension of 12 months to comply with the minimum capital requirement of US\$ 30 million.

Outlook

While 2022 has seen us face a number of challenges, it has also showcased our ability to execute. We continue to see the benefit from a new strategic direction to optimize our banking services, our operations, and deploy new digital assets. While we anticipate that households and businesses will continue to be impacted by the economic downturn, we will continue to work a lot harder to defend our revenues and preserve shareholder value in the second half.

The Bank will continue to leverage on AFC Holdings Group synergies and its subsidiaries for business growth and new business development. Management will continue to drive value preservation strategies as part of sustainability and going concern.

Appreciation

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

K. Chitando, Managing Director
25 August 2022

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 six Independent Non-Executive Directors, three Non-Executive Directors and three Executive Directors. The Board has diverse skills comprising Accountants, Economists, Agricultural experts, Investment professionals as well as Auditors.

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. Roles and functions of the Board are spelt out in the Board Charter, and these are fully compliant to the minimum regulatory requirements. Board committees were set up to assist the Board in the effective discharge of its duties and these include the 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.

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.

Name	Main Board	Audit	Loans Review	Risk and Compliance	Assets and Liabilities	Loans and Advances	Human Resources	Meetings	
								Ordered	Attended
Mr. G. Matemachani (Chairman)	3	3						3	3
Mr. B. Ngara (Vice Chairman)	3	3	3	3	2	2	4	4	
Ms. P. Mandaza	3	2	3	3	2	2			
Mr. C. C. Sibanda	3	2		2	1	2	1		1
Ms. M. A. Washaya*	2	2			1	1		3	3
Mr. A. Hodges	3	3	3	3		5	7	6	
Dr. J. Mutambara	3	2			5	5	7	7	4
Mrs. S. Mrewa	3	3		2	2	2			
Mr. M. Mudzungairi	3	3		1	1	5	5	1	1
Mr. F. Macheke**	1	1							
Mr. K. Chitando	3	3		2	2	5	5	7	7
Mr. E. Chimbera***	2	2			3	3	3	2	
Mr. D. Ngwenya****	3	3		2	2		7	7	
Mr. T. Ruvingo*****	1	1		2	2	2	2	4	4

KEY



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CORPORATE GOVERNANCE REPORT (cont'd)

Statement of Compliance

AFC Commercial Bank complies with all statutes regulating financial institutions as well as good corporate governance principles.

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 rectify the identified weaknesses.

By Order of the Board

Mrs. R. Mutetwa, Company Secretary
25 August 2022

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

Note	INFLATION ADJUSTED		HISTORICAL COST*		
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021	
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	
ASSETS					
Cash and bank balances	6	4 078 849	6 122 784	4 078 849	2 796 846
Financial assets at amortised cost	7.1	973 349	3 512 103	973 349	1 604 305
Financial assets at fair value through profit and loss	7.3	67 667	47 584	67 667	21 736
Loans and advances	8	13 815 751	15 447 506	13 815 751	7 056 316
Other assets	9	2 083 396	1 416 755	1 643 386	604 680
Statutory assets	9.1	890 162	3 436 673	890 162	1 569 849
Investment properties	10	671 075	435 858	671 075	199 097
Property and equipment	11	9 637 146	9 620 197	4 196 239	4 051 540
Intangible assets	12	1 349 090	1 304 771	214 234	140 824
Right-of-use assets	13.1	209 704	206 268	69 487	37 262
Total assets		33 776 189	41 550 499	26 620 199	18 082 455
EQUITY AND LIABILITIES					
Share capital	14.2	1 645 818	1 645 818	12 108	12 108
Shareholder capital contribution awaiting allotment	15	3 656 585	3 656 585	152 035	152 035
Share premium		9 254 911	9 254 911	68 087	68 087
Revaluation reserve		5 036 130	5 036 130	2 799 595	2 799 595
Non-distributable reserve		411 730	411 730	4 788	4 788
Accumulated (loss)/profit		(7 226 626)	(7 793 814)	3 421 529	1 887 266
Total equity		12 778 548	12 211 360	6 458 142	4 923 879
LIABILITIES					
Deposits due to other banks	16	-	94 534	-	43 182
Deposits from customers	17	17 997 105	19 489 914	17 997 105	8 902 861
Lease liability	13.2	184 836	106 897	184 836	48 830
Other liabilities	18	1 085 440	1 333 352	1 085 440	609 066
Deferred income	19	98 590	271 830	98 590	96 226
Lines of credit	20	-	5 906 757	-	2 698 167
Deferred tax liability	21.2	1 631 670	2 135 855	796 086	760 244
Total liabilities		20 997 641	29 339 139	20 162 057	13 158 576
Total equity and liabilities		33 776 189	41 550 499	26 620 199	18 082 455

G. Matemachani, Board Chairman
25 August 2022

K. Chitando, Managing Director
25 August 2022

*The historic amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 - Financial Reporting for Hyperinflationary Economies.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2022

Note	INFLATION ADJUSTED		HISTORICAL COST*		
	JUNE 2022	JUNE 2021	JUNE 2022	JUNE 2021	
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	
Interest and similar income	22	3 612 276	2 626 626	2 362 059	848 415
Interest expense and similar charges	23	(717 490)	(318 789)	(453 395)	(103 111)
Net interest income		2 894 786	2 307 837	1 908 664	745 304
Fee and commission income	24	2 619 141	2 501 181	1 759 705	801 469
Other operating income	25	3 164 571	198 399	974 089	64 474
Fair value gain/ (loss) investment properties	10	235 217	(41 192)	471 978	-
Fair value gain investment in unquoted equities	7.3	20 083	1 749	45 931	600
Operating income		8 933 798	4 967 974	5 160 367	1 611 847
Impairment of loans and advances	8.4	(430 308)	(323 690)	(291 914)	(103 832)
Operating expenses	26	(4 694 638)	(3 319 717)	(2 886 477)	(954 537)
Net monetary adjustment		(3 185 870)	89 410	-	-
Profit before tax		622 982	1 413 977	1 981 976	553 478
Income tax charge	21.1	(55 794)	(437 988)	(447 713)	(53 773)
Profit for the period		567 188	975 989	1 534 263	499 705
Total comprehensive income for the period		567 188	975 989	1 534 263	499 705

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STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2022

	INFLATION ADJUSTED						Total
	Share Capital	Share capital contribution awaiting allotment	Share Premium	Revaluation reserve	Non Distributable reserve	Accumulated Profit	
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Carrying amount as at 1 January 2021	1 645 818	3 656 585	9 254 911	2 837 868	2 587 931	(10 591 400)	9 391 713
Total comprehensive income for the period	-	-	-	-	-	975 989	975 989
Dividend in Specie	-	-	-	-	(2 176 201)	-	(2 176 201)
Balances as at 30 June 2021	1 645 818	3 656 585	9 254 911	2 837 868	411 730	(9 615 411)	8 191 501
Total comprehensive income for the period	-	-	-	-	-	1 821 597	1 821 597
Revaluation of property and equipment net of tax	-	-	-	2 198 262	-	-	2 198 262
Transactions with owners:							
Dividend paid	-	-	-	-	-	(419 588)	(419 588)
Dividend re-invested	-	-	-	-	-	419 588	419 588
Carrying amount as at 31 December 2021	1 645 818	3 656 585	9 254 911	5 036 130	411 730	(7 793 814)	12 211 360
Total comprehensive income for the period	-	-	-	-	-	567 188	567 188
Carrying amount as at 30 June 2022	1 645 818	3 656 585	9 254 911	5 036 130	411 730	(7 226 626)	12 778 548
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	-	-	-	-	-	499 705	499 705
Dividend in Specie	-	-	-	-	(573 065)	-	(573 065)
Balances as at 30 June 2021	12 108	152 035	68 087	1 113 202	4 788	870 140	2 220 360
Total comprehensive income for the period	-	-	-	-	-	1 017 126	1 017 126
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	-	-	-	-	-	1 534 263	1 534 263
Carrying amount as at 30 June 2022	12 108	152 035	68 087	2 799 595	4 788	3 421 529	6 458 142

*The historic amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 - Financial Reporting for Hyperinflationary Economies.

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UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2022



STATEMENT OF CASH FLOW FOR THE HALF YEAR ENDED 30 JUNE 2022

Note	INFLATION ADJUSTED		HISTORICAL COST*	
	JUNE 2022	JUNE 2021	JUNE 2022	JUNE 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Cash flows from operating activities				
Profit before income tax	622 982	1 413 977	1 981 976	553 478
Adjusted for non-cash items:				
Expected credit losses	8.4	430 308	323 690	291 914
Bad debts written off	26	1 427	735	719
Depreciation of property and equipment	11	321 003	261 252	91 713
Depreciation of right of use assets	13.1	60 954	42 250	12 416
Amortisation charge	12	46 814	178 174	4 085
Net monetary adjustment		(119 129)	252 059	-
Unrealised exchange (gain)/losses	25	(1 773 729)	286 239	(389 766)
Deferred income movement		(76 508)	(10 292)	(76 508)
Provision for bonus, leave pay and long service awards	26.1	291 910	222 614	174 366
Fair value gain investment in unquoted equities	7.3	(20 083)	(1 749)	(45 931)
Fair value (gain)/loss – investment properties	10	(235 217)	41 192	(471 978)
Net gain on derecognition of IDC SA** debt	25	(414 514)	-	(414 514)
Loss (profit) on disposal of property and equipment	25	12 706	(3 440)	(68)
Interest expense on lines of credit		-	3 184	-
Interest income on treasury bills, bonds and debentures	22	(15 206)	(6 464)	(9 474)
Income tax paid		(337 966)	(452 566)	(273 377)
Operating cash (out)/in flows before working capital changes		(1 204 248)	2 550 855	875 573
Decrease/(increase) in financial assets		2 553 960	(625 463)	640 430
Decrease/(increase) in loans and advances to customers		1 200 020	(7 282 764)	(7 052 066)
Increase in other assets		(666 644)	(53 213)	(1 038 708)
(Decrease)/increase in deposits due to other banks		(94 534)	15 217	(43 182)
(Decrease)/increase in deposits from customers		(1 492 810)	(3 653 749)	9 094 244
(Decrease)/increase in other liabilities		(678 317)	474 034	163 512
(Decrease)/increase in deferred income		(96 733)	95 676	78 872
Net cash (utilised)/ generated from operations		(479 306)	(1 171 910)	2 718 675
Cash flows from investing activities				
Proceeds from disposal of property and equipment		12 579	3 443	4 201
Purchases of property & equipment	11	(363 234)	(168 561)	(240 543)
Purchases of intangible assets	12	(91 133)	(75 669)	(77 494)
Receipts for statutory asset		174 971	-	174 971
Net cash utilised in investing activities		(266 817)	(240 787)	(138 865)
Cash flows from financing activities				
Interest expense of lease liability	13.2	(18 749)	(19 829)	(18 749)
Interest paid on lines of credit		-	(3 645)	-
Capital repayment on lines of credit		(1 279 058)	-	(1 279 058)
Net cash utilised from financing activities		(1 297 807)	(23 474)	(1 297 807)
Net (decrease)/ increase in cash and cash equivalents		(2 043 930)	(1 436 170)	1 282 003
Cash and cash equivalents at the beginning		6 122 779	5 920 992	2 796 846
Cash and cash equivalents at 30 June	6	4 078 849	4 484 822	4 078 849

*The historic amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies.

** Industrial Development Corporation of South Africa

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 Ruvungo 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2022

Dates	Indices	Conversion Factors
June 2022	8 707.35	1.0000
December 2021	3 977.50	2.1892
June 2021	2 986.40	2.9156

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2022

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	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Cash and bank balances	1 491 375	2 809 417	1 491 375	1 283 323
Amounts due from other banks	2 587 474	3 313 365	2 587 474	1 513 523
Financial assets at amortised cost	973 354	3 512 113	973 354	1 604 310
Financial assets at fair value through profit or loss	67 667	47 584	67 667	21 736
Loans and advances to customers- gross	14 412 265	16 108 536	14 412 265	7 358 271
Other financial assets	1 253 486	996 330	1 253 486	453 596
Maximum credit risk exposure	20 785 621	26 787 345	20 785 621	12 234 759

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	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Loans and advances	14 172 539	185 602	54 124	14 412 265	16 108 536
Financial assets at amortised cost	973 354	-	-	973 354	3 512 113
ZAMCO buy-back portfolio*	-	-	2 061	2 061	4 595
Rent receivable	7 044	-	-	7 044	14 788
Financial assets at FVPL	67 667	-	-	67 667	47 584
Commitments and guarantees**	-	-	-	-	565 884
	2 374 734	-	-	2 374 734	-
Total	17 595 338	185 602	56 185	17 837 125	20 253 500

*ZAMCO portfolio is off statement of financial position

**Commitments and guarantees are assessed for impairment as at 30 June 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	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Loans and advances	14 172 539	185 602	54 124	14 412 265	7 358 271
Financial assets at amortised cost	973 354	-	-	973 354	1 604 310
ZAMCO buy-back portfolio*	-	-	2061	2 061	2 099
Rent receivable	7 044	-	-	7 044	6 755
Financial assets at FVPL	67 667	-	-	67 667	21 736
Commitments and guarantees**	-	-	-	-	258 492
	2 374 734	-	-	2 374 734	-
Total	17 595 338	185 602	56 185	17 837 125	9 251 663

*ZAMCO portfolio is off statement of financial position

**Commitments and guarantees are assessed for impairment as at 30 June 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.

UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2022

Analysis of loans and advances portfolio

	INFLATION ADJUSTED				
	Stage 1	Stage 2	Stage 3	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Corporate lending					
Performing	8 187 238	-	-	8 187 238	6 482 556
Special mention	-	22 275	-	22 275	-
Total corporate lending	8 187 238	22 275	-	8 209 513	6 482 556
Agriculture lending					
Performing	1 388 743	-	-	1 388 743	2 297 453
Special mention	-	88 001	-	88 001	69
Non-performing	-	-	1 229	1 229	436
Total agriculture lending	1 388 743	88 001	1 229	1 447 973	2 297 958
Retail lending					
Performing	345 102	-	-	345 102	1 960 852
Special mention	-	9 748	-	9 748	57 523
Non-performing	-	-	2 970	2 970	22 334
Total retail lending	345 102	9 748	2 970	357 820	2 040 709
Consumer lending					
Performing	4 251 456	-	-	4 251 456	5 221 629
Special mention	-	65 577	-	65 577	44 394
Non-performing	-	-	49 926	49 926	21 290
Total retail lending	4 251 456	65 577	49 926	4 366 959	5 287 313
Total loans and advances	14 172 539	185 601	54 125	14 412 265	16 108 536

	HISTORICAL COST				
	Stage 1	Stage 2	Stage 3	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Corporate lending					
Performing	8 187 238	-	-	8 187 238	2 961 188
Special mention	-	22 275	-	22 275	-
Total corporate lending	8 187 238	22 275	-	8 209 513	2 961 188
Agriculture lending					
Performing	1 388 743	-	-	1 388 743	1 049 461
Special mention	-	88 001	-	88 001	32
Non-performing	-	-	1 229	1 229	199
Total agriculture lending	1 388 743	88 001	1 229	1 447 973	1 049 692
Retail lending					
Performing	345 102	-	-	345 102	895 704
Special mention	-	9 748	-	9 748	26 276
Non-performing	-	-	2 970	2 970	10 202
Total retail lending	345 102	9 748	2 970	357 820	932 182
Consumer lending					
Performing	4 251 456	-	-	4 251 456	2 385 205
Special mention	-	65 577	-	65 577	20 279
Non-performing	-	-	49 926	49 926	9 725
Total consumer lending	4 251 456	65 577	49 926	4 366 959	2 415 209
Total loans and advances	14 172 539	185 601	54 125	14 412 265	7 358 271

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

	INFLATION ADJUSTED			
	Stage 1	Stage 2	Stage 3	JUNE 2022
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Loans and advances	188 880	39 304	42 874	271 058
Financial assets at amortised cost	5	-	-	5
ZAMCO buy-back portfolio	-	-	33	33
Sundry debtors	4 377	-	-	4 377
Total	193 262	39 304	42 907	275 473

*Financial assets (including Treasury bills) assessed for impairment at 30 June 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	Stage 2	Stage 3	JUNE 2022
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Corporate lending				
Performing	115 310	-	-	115 310
Special mention	-	7 275	-	7 275
Total corporate lending	115 310	7 275	-	122 585
Agriculture				
Performing	22 255	-	-	22 255
Special mention	-	17 744	-	17 744
Non-performing	-	-	1 196	1 196
Total agriculture lending	22 255	17 744	1 196	41 195
Retail and SMEs lending				
Performing	5 636	-	-	5 636
Special mention	-	2 553	-	2 553
Non-performing	-	-	2 970	2 970
Total corporate lending	5 636	2 553	2 970	11 159
Consumer lending				
Performing	45 678	-	-	45 678
Special mention	-	11 732	-	11 732
Non-performing	-	-	38 709	38 709
Total consumer lending	45 678	11 732	38 709	96 119
Total	188 879	39 304	42 875	271 058

Credit quality of financial assets

	INFLATION ADJUSTED AND HISTORICAL COST						
	Neither Past nor Impaired	Past due but not impaired	Individually impaired loans	Total past due	Total exposure	Collateral held	Expected Credit losses
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
As at 30 June 2022							
Cash and bank balances	1 491 375	-	-	-	1 491 375	-	-
Amounts due from other banks	2 587 474	-	-	-	2 587 474	-	-
Financial assets at amortised cost	973 354	-	-	-	973 354	-	5
Financial assets at FVPL	67 667	-	-	-	67 667	-	-
Other financial assets	1 253 486	-	-	-	1 253 486	-	4 377
ZAMCO buy-back portfolio	-	-	2 061	-	2 061	-	33
Loans and advances	14 172 539	185 601	54 125	239 726	14 412 265	956 910	271 058
Corporate	8 187 238	22 275	-	22 275	8 209 513	733 772	122 585
Agriculture	1 388 743	88 001	1 229	89 230	1 477 973	128 041	41 195
Retail	345 102	9 748	2 970	12 718	357 820	95 097	11 159
Consumer	4 251 456	65 577	49 926	115 503	4 366 959	-	96 119
Total	20 545 895	185 601	56 186	239 726	20 787 682	956 910	275 473
INFLATION ADJUSTED							
As at 31 December 2021							
Cash and bank balances	2 809 419	-	-	-	2 809 419	-	-
Amounts due from other banks	3 313 365	-	-	-	3 313 365	-	-
Financial assets at amortised cost	3 512 103	-	-	-	3 512 103	-	11
Financial assets at FVPL	47 584	-	-	-	47 584	-	-
Other financial assets	882 182	-	-	-	882 182	-	9 654
ZAMCO buy-back portfolio	-	-	4 595	4 595	4 595	-	63
Loans and advances	15 962 490	101 987	44 062	146 049	16 108 536	2 094 843	438 332
Corporate	6 482 556	-	-	-	6 482 556	1 606 355	25 585
Agriculture	2 297 453	70	436	506	2 297 958	280 304	189 447
Retail	1 960 852	57 523	22 334	79 857	2 040 709	208 184	136 070
Consumer	5 221 629	44 394	21 292	65 686	5 287 313	-	87 230
Total	26 527 143	101 987	48 657	146 049	26 677 784	2 094 843	448 060

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2022

Credit quality of financial assets

	HISTORICAL COST						
	Neither Past nor Impaired	Past due but not	Individually impaired	Total past due	Total exposure	Collateral held	Expected
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	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	1 604 310	-	-	-	1 604 310	-	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	12 117 425	46 587	22 226	66 714	12 186 237	956 910	204 671

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.

	Credit rating	INFLATION ADJUSTED		HISTORICAL COST	
		JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
		ZWL '000	ZWL '000	ZWL '000	ZWL '000
Cash and bank balances		1 491 375	2 809 419	1 491 375	1 283 323
Amounts due from other banks		2 587 474	3 313 365	2 587 474	1 513 523
Financial assets at amortized cost		973 354	3 512 113	973 354	1 604 310
Financial assets at fair value through profit or loss		67 667	47 584	67 667	21 736
Loans and advances to customers-gross	A	14 412 265	16 108 536	14 412 265	7 358 271
Other financial assets		1 253 486	996 330	1 253 486	453 596
Maximum credit risk exposure		20 785 621	26 787 347	20 785 621	12 234 759

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

Financial assets that are past due or impaired

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

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Due between 1 month and 2 months	65 577	44 394	65 577	20 279
Due between 2 months and 3 months	120 024	57 593	120 024	26 308
Total	185 601	101 987	185 601	46 587
Individually impaired financial assets				
Gross individually impaired loans	56 185	48 657	56 185	22 226
(Expected credit losses)	(42 907)	(4 564)	(42 907)	(2 085)
Net individually impaired loans	13 278	44 093	13 278	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;



UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2022

Analysis of loans to deposit ratio	JUNE 2022	DEC 2021
As at 30 June 2022	79.90%	83%
Maximum ratio for the year	80.30%	89%
Minimum ratio for the year	70.60%	58%
Average ratio for the year	76.02%	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 COST					
	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Total
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
As at 30 June 2022						
Assets						
Cash and bank balances	1 491 375	-	-	-	-	1 491 375
Amounts due from other banks	2 587 474	-	-	-	-	2 587 474
Financial assets at amortised cost	-	-	683 073	47 846	242 435	973 354
Financial assets at FVPL	-	-	67 667	-	-	67 667
Loans and advances	1 441 788	2 240 375	5 999 450	4 730 652	-	14 412 265
Other financial assets	1 253 486	-	-	-	-	1 253 486
	6 774 123	2 240 375	6 750 190	4 778 498	242 435	20 785 621
Liabilities						
Deposits from customers	14 501 904	1 897 895	1 600 045	-	-	17 999 844
Other financial liabilities	1 085 440	-	-	-	-	1 085 440
	15 587 344	1 897 895	1 600 045	-	-	19 085 284
Liquidity gap	(8 813 221)	342 480	5 150 145	4 778 498	242 435	1 700 337
Cumulative liquidity gap	(8 813 221)	(8 470 741)	(3 320 596)	1 457 902	1 700 337	1 700 337

INFLATION ADJUSTED

As at 31 December 2021

	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Total
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Assets						
Cash and bank balances	2 809 419	-	-	-	-	2 809 419
Amounts due from other banks	3 313 365	-	-	-	-	3 313 365
Financial assets at amortised cost	-	-	3 370 120	95 303	46 690	3 512 113
Financial assets at FVPL	-	-	47 584	-	-	47 584
Loans and advances	1 436 490	2 633 883	6 790 032	5 248 131	-	16 108 536
Other financial assets	993 001	-	-	-	-	993 001
	8 552 275	2 633 883	10 207 736	5 343 434	46 690	26 784 018
Liabilities						
Due to other banks	94 534	-	-	-	-	94 534
Deposits from customers	12 324 491	4 154 822	3 039 259	-	-	19 518 572
Other financial liabilities	1 333 352	-	-	-	-	1 333 352
Lines of credit	-	5 906 757	-	-	-	5 906 757
	13 752 377	10 061 579	3 039 259	-	-	26 853 215
Liquidity gap	(5 200 102)	(7 427 696)	7 168 477	5 343 434	46 690	(69 197)
Cumulative liquidity gap	(5 200 102)	(12 627 798)	(5 459 321)	(115 887)	(69 197)	(69 197)

HISTORICAL COST

As at 31 December 2021

	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Total
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
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	21 328	1 604 310
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	21 328	12 234 759
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	21 328	(31 608)
Cumulative liquidity gap	(2 375 372)	(5 768 294)	(2 493 781)	(52 936)	(31 608)	(31 608)

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	3 months to 1 year	Total
	ZWL '000	ZWL '000	ZWL '000
As at 30 June 2022			
Facility commitments approved but not drawn down	2 358 759	-	2 358 759
Financial guarantees	2 450	13 525	15 975
	2 361 209	13 525	2 374 734

As at 31 December 2021

Facility commitments approved but not drawn down	553 506	-	553 506
Financial guarantees	5 473	7 005	12 478
	558 979	7 005	565 984

HISTORICAL COST

As at 30 June 2022

Facility commitments approved but not drawn down	2 358 759	-	2 358 759
Financial guarantees	2 450	13 525	15 975
	2 361 209	13 525	2 374 734

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	ZAR	EUR	BWP	Other	Total
	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent
As at 30 June 2022						
Assets						
Cash and bank balances	425 122	28 860	18 187	3 875	3 602 805	4 078 849
Financial assets at FVPL	67 667	-	-	-	-	67 667
Liabilities						
Deposits from customers	(3 387 480)	(136 188)	(3 184)	(16 031)	(14 456 962)	(17 999 845)
Net currency position	(2 894 691)	(107 328)	15 003	(12 156)	(10 854 157)	(13 853 329)
As at 31 December 2021						
Assets						
Cash and bank balances	1 020 790	107 493	9 109	1 909	4 983 483	6 122 784
Financial assets at fair value through profit and loss	47 584	-	-	-	-	47 584
Liabilities						
Deposits from other banks	(94 534)	-	-	-	-	(94 534)
Deposits from customers	(2 401 535)	(91 764)	(6 060)	(127 117)	(16 892 098)	(19 518 574)
Lines of credit	(5 906 757)	-	-	-	-	(5 906 757)
Net currency position	(7 334 452)	15 729	3 049	(125 208)	(11 908 615)	(19 349 497)



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2022

	HISTORICAL COST					
	USD	ZAR	EUR	BWP	Other	Total
	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent
As at 30 June 2022						
Assets						
Cash and bank balances	425 122	28 860	18 187	3 875	3 602 805	4 078 849
Financial assets at FVPL	67 667	-	-	-	-	67 667
Liabilities						
Deposits from customers	(3 387 480)	(136 188)	(3 184)	(16 031)	(14 456 962)	(17 999 845)
Net currency position	(2 894 691)	(107 328)	15 003	(12 156)	(10 854 157)	(13 853 329)
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)	(7 716 196)	(8 915 952)
Lines of credit	(2 698 167)	-	-	-	-	(2 698 167)
Net currency position	(3 350 328)	7 185	1 393	(57 194)	(5 439 775)	(8 838 719)

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	1 to 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Non interest bearing	Total
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
As at 30 June 2022							
Assets							
Cash and bank balances	1 491 375	-	-	-	-	-	1 491 375
Amounts due from other banks	2 587 474	-	-	-	-	-	2 587 474
Financial assets at amortised cost	-	-	683 073	47 846	242 435	-	973 354
Financial assets at FVPL	-	-	-	-	-	67 667	67 667
Loans and advances	1 441 788	2 240 375	5 999 450	4 730 652	-	-	14 412 265
Other financial assets	-	-	-	-	-	1 253 486	1 253 486
Total assets	5 520 637	2 240 375	6 682 523	4 778 498	242 435	1 321 153	20 785 621
Liabilities							
Deposits from customers	14 501 904	1 897 895	1 600 045	-	-	-	17 999 844
Other financial liabilities	-	-	-	-	-	1 085 440	1 085 440
Total equity and liabilities	14 501 904	1 897 895	1 600 045	-	-	1 085 440	19 085 284
Interest rate repricing gap	(8 981 267)	342 480	5 082 478	4 778 498	242 435	235 714	1 700 337
Cumulative repricing gap	(8 981 267)	(8 638 787)	(3 556 309)	1 222 189	1 464 624	1 700 337	1 700 337

INFLATION ADJUSTED

	INFLATION ADJUSTED						
	USD	ZAR	EUR	BWP	Other	Total	
	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	
As at 31 December 2021							
Assets							
Cash and bank balances	2 809 419	-	-	-	-	2 809 419	
Amounts due from other banks	3 313 365	-	-	-	-	3 313 365	
Financial assets at amortised cost	-	-	3 370 120	95 303	46 690	3 512 113	
Financial assets at FVPL	-	-	-	-	-	47 584	
Loans and advances	1 436 490	2 633 883	6 790 032	5 248 131	-	16 108 536	
Other financial assets	-	-	-	-	-	996 330	
Total assets	7 559 274	2 633 883	10 160 152	5 343 434	46 690	1 043 914	
Liabilities							
Deposits due to other banks	94 534	-	-	-	-	94 534	
Deposits from customers	12 324 491	4 154 852	3 039 259	-	-	19 518 602	
Lines of credit	-	5 906 757	-	-	-	5 906 757	
Other financial liabilities	-	-	-	-	-	1 085 440	
Total equity and liabilities	12 419 025	10 061 609	3 039 259	-	-	1 333 352	
Interest rate repricing gap	(4 859 752)	(7 427 726)	7 120 893	5 343 434	46 690	(289 438)	
Cumulative repricing gap	(4 859 751)	(12 287 477)	(5 166 584)	176 850	223 540	(65 898)	

HISTORICAL COST

	HISTORICAL COST						
	USD	ZAR	EUR	BWP	Other	Total	
	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	
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	21 328	1 604 310	
Financial assets at FVPL	-	-	-	-	-	21 736	
Loans and advances	656 179	1 203 140	3 101 641	2 397 311	-	7 358 271	
Other financial assets	-	-	-	-	-	455 117	
Total assets	3 453 025	1 203 140	4 641 089	2 440 845	21 328	476 853	
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	
Total equity and liabilities	5 672 927	4 596 062	1 388 312	-	-	609 066	
Interest rate repricing gap	(2 219 902)	(3 392 922)	3 252 777	2 440 845	21 328	(132 213)	
Cumulative repricing gap	(2 219 902)	(5 612 824)	(2 360 047)	80 798	102 126	(30 087)	

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 Exchange Rates

The Bank used the interbank exchange rates to convert foreign currency transactions and balances in the financial results. The interbank exchange 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	ZAR	EUR	BWP	Other	Total
	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent	ZWL '000 equivalent
As at 30 June 2022						
Foreign and exchange (loss)/ gain	(4 668 235)	174 311	2 624	(10 459)	(236)	(4 501 995)
% increase or decrease in exchange rates	5%	5%	5%	5%	5%	
Increase or decrease in profit or loss and equity	(233 412)	8 716	131	(523)	(12)	(225 100)
As at 31 December 2021						
Foreign and exchange (loss)/ gain	(2 770 982)	51 176	5 965	(6 730)	(6 457 779)	(9 178 350)
% increase or decrease in exchange rates	5%	5%	5%	5%	5%	
Increase or decrease in profit or loss and equity	(138 548)	2 559	298	(337)	(322 891)	(458 820)
HISTORICAL COST						
As at 30 June 2022						
Foreign and exchange (loss)/ gain	(4 668 235)	174 311	2 624	(10 459)	(236)	(4 501 995)
% increase or decrease in exchange rates	5%	5%	5%	5%	5%	
Increase or decrease in profit or loss and equity	(233 412)	8 716	131	(523)	(12)	(225 100)
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 30 June 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.

UNAUDITED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 30 JUNE 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 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	Rates	Increase or decrease in profit or loss and equity
	ZWL '000		ZWL '000
INFLATION ADJUSTED			
As at 30 June 2022			
Interest income			
Interest income on loans and advances	1 928 627	5%	96 431
Interest income on Financial assets at amortised cost - ZAMCO TBs	7 619	5%	381
Interest income on Financial assets at amortised cost - CTBs	1 855	5%	93
Interest income on fixed deposits	69 308	5%	3 465
Total increase or decrease in profit or loss and equity			100 370
Interest expense			
Interest expense on fixed deposits	(443 285)	5%	(22 164)
Interest expense on retail and savings accounts	(89)	5%	(4)
Interest expense on Industrial Development Corporation of South Africa	332	5%	17
Total increase or decrease in profit or loss and equity			(22 151)
HISTORICAL COST			
As at 30 June 2022			
Interest income			
Interest income on loans and advances	1 928 627	5%	96 431
Interest income on Financial assets at amortised cost - ZAMCO TBs	7 619	5%	381
Interest income on Financial assets at amortised cost - CTBs	1 855	5%	93
Interest income on fixed deposits	69 308	5%	3 465
Total increase or decrease in profit or loss and equity			100 370
Interest expense			
Interest expense on fixed deposits	(443 285)	5%	(22 164)
Interest expense on retail and savings accounts	(89)	5%	(4)
Interest expense on Industrial Development Corporation of South Africa	332	5%	17
Total increase or decrease in profit or loss and equity			(22 151)
INFLATION ADJUSTED			
As at 30 June 2021			
Interest income			
Interest income on loans and advances	2 123 961	5%	106 198
Interest income on Financial assets at amortised cost - CTBs	1 041	5%	52
Interest income on Financial assets at amortised cost - ZAMCO TBs	5 408	5%	270
Interest income on fixed deposits	1 472	5%	74
Interest income on bonds and debentures	12	5%	1
Total increase or decrease in profit or loss and equity			106 595
Interest expense			
Interest expense on fixed deposits	308 546	5%	15 427
Interest expense on retail and savings accounts	2 452	5%	123
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	61	5%	3
Total increase or decrease in profit or loss and equity			15 553
HISTORICAL COST			
As at 30 June 2021			
Interest income			
Interest income on loans and advances	686 112	5%	34 306
Interest income on Financial assets at amortised cost - ZAMCO TBs	207	5%	10
Interest income on Financial assets at amortised cost - CTBs	1 855	5%	93
Interest income on fixed deposits	473	5%	24
Interest income on bonds and debentures	4	5%	0
Total increase or decrease in profit or loss and equity			34 433
Interest expense			
Interest expense on fixed deposits	99 753	5%	4 988
Interest expense on retail and savings accounts	793	5%	40
Total increase or decrease in profit or loss and equity			5 028

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	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Share capital	1 645 818	1 645 818	12 108	12 108
Shareholder capital contribution	3 656 585	3 656 585	152 035	152 035
Share premium	9 254 911	9 254 911	68 087	68 087
IFRS adjustment on capitalisation TBs	-	9 153	-	776
Accumulated (loss)/ profit	(7 226 626)	(7 793 814)	3 421 529	1 887 268
Tier 1 capital*	7 330 688	6 772 653	3 653 759	2 120 274
Revaluation reserve	1 598 696	913 796	1 598 696	865 870
General provisions	228 184	233 364	228 184	194 278
Tier 2 capital**	1 826 880	1 147 160	1 826 880	1 060 148
Market risk capital	2 572	120 070	2 572	88 678
Operational risk capital	530 911	335 421	530 911	294 328
Tier 3 capital	533 483	455 491	533 483	383 006
Total capital	9 691 051	8 375 304	6 014 122	3 563 428
Total risk weighted assets	40 564 543	39 576 544	29 209 890	18 454 572
Capital adequacy ratio	23.93%	21.16%	20.59%	19.33%
Tier 1	18.10%	17.11%	12.51%	11.50%
Tier 2	4.50%	2.90%	6.25%	5.75%
Tier 3	1.33%	1.15%	1.83%	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 41.9million (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.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 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.

4.3 External Credit Rating

The Bank subscribes to an internationally recognised rating agency, Global Credit Rating Group (GCR). The rating for 2021 was as follows:

Long Term Issuer	BBB-
Short Term Issuer	A3

The rating expires in October 2022

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	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
Financial assets	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Cash and bank balances	1 491 375	2 809 419	1 491 375	1 283 323
Amounts due from other banks	2 587 474	3 313 365	2 587 474	1 513 523
Financial assets at amortized cost	973 354	3 512 113	973 354	1 604 310
Gross loans and advances to customer	14 412 265	16 108 536	14 412 265	7 358 271
Other financial assets	1 253 486	996 330	1 253 486	453 596
	20 717 954	26 739 763	20 717 954	12 213 023

Financial liabilities

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Deposits due to other banks	-	94 534	-	43 182
Deposits from customers	17 199 844	19 518 517	17 199 844	8 915 952
Other financial liabilities	1 085 440	1 064 674	1 085 440	486 336
Lines of credit	-	5 906 757	-	2 698 167
Total capital	18 285 284	26 584 482	18 285 284	12 143 637

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	Total
	Level 1	Level 2	Level 3	
30 June 2022	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Fair Value Hierarchy of non-financial assets carried at fair value				
Land	-	-	663 945	663 945
Buildings	-	-	2 851 495	2 851 495
Investment Properties	-	-	671 075	671 075
Non-financial assets at fair value			4 186 515	4 186 515
Fair Value Hierarchy of financial assets carried at fair value				
Financial assets at FVPL	-	-	67 667	67 667
INFLATION ADJUSTED				
31 December 2021				
Fair Value Hierarchy of non-financial assets carried at fair value				
Land	-	-	663 945	663 945
Buildings	-	-	2 851 495	2 851 495
Investment Properties	-	-	435 858	435 858
Non-financial assets at fair value	-	-	3 951 298	3 951 298
Fair Value Hierarchy of financial assets carried at fair value				
Financial assets at FVPL	-	-	47 584	47 584
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	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Financial assets				
Cash on hand	871 698	745 079	871 698	340 347
RBZ Current Account	327 874	1 751 702	327 874	800 165
RBZ Statutory Reserves	291 803	312 638	291 803	142 811
Amounts due from other banks	2 587 474	3 313 365	2 587 474	1 513 523
	4 078 849	6 122 784	4 078 849	2 796 846

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



UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2022

7. FINANCIAL ASSETS

7.1 Financial assets at amortised cost

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Treasury bills (TBs)	752 321	838 169	752 321	382 870
Deferred facility fees on ZAMCO TBs	159	412	159	188
Fixed deposit placements	220 874	2 673 533	220 874	1 221 252
(Expected credit losses)	(5)	(11)	(5)	(5)
	973 349	3 512 103	973 349	1 604 305

Reconciliation of financial assets at amortised cost

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
As at 1 January	3 512 103	171 471	1 604 305	78 327
Additions - ZAMCO treasury bills	306 774	695 417	306 774	317 662
(Expected credit losses)	(5)	(11)	(5)	(5)
ZAMCO deferred fees recognised during the year	159	-	159	-
Additions - Fixed deposit placements	220 873	2 755 551	220 873	1 221 252
Maturities	(3 075 512)	(128 226)	(1 167 709)	(11 000)
Accrued interest	9 474	6 837	9 474	3 123
Interest payments received	(522)	11 064	(522)	(5 054)
As at end of period	973 349	3 512 103	973 349	1 604 305

Maturity analysis

	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Due within 3 months to 1 year	683 073	3 370 120	683 073	1 539 448
Due between 1 year and 5 years	47 846	95 303	47 846	43 534
Due between 5 years and 10 years	9 734	46 680	9 734	21 323
Due between 10 years and 15 years	232 696	-	232 696	-
	973 349	3 512 103	973 349	1 604 305

7.2. Capitalisation Treasury Bills (CTBs)

On 26 May 2015, treasury bills with a maturity value of ZWL30 million were issued to the Bank as part of the recapitalisation by the shareholder. The treasury bills were issued at a coupon rate of 0.15% per annum maturing in ten years. Subsequent to year-end of 2015, the treasury bills were recalled and reissued on 26 February 2016 at a coupon rate of 1% per annum maturing in 10 years from the date of issue. Interest on the treasury bills is payable semi-annually. The Bank received additional CTBs in December 2016 with a face value of ZWL510 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 41.9 million as at 30 June 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.

7.2.1. ZAMCO Treasury Bills

Treasury bills were received as settlement for certain non-performing loans. The treasury bills were issued at coupon rates ranging between 2% to 5% per annum and maturing between 2 years and 15 years. The appropriate discounting of the treasury bills was applied in determining the fair value at initial recognition. The ZAMCO TBs were discounted and recorded at a carrying amount of ZWL 26.9 million as at 30 June 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.

7.3. Financial assets at fair value through profit and loss

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Investment in unquoted shares	47 584	69 927	21 736	23 584
Fair value gain (loss) unquoted shares	20 083	(22 343)	45 931	(1 848)
	67 667	47 584	67 667	21 736
Embedded derivative (IDC legacy debt)	-	7 391 013	-	2 100 426
Reclassification to Statutory asset	-	(7 391 013)	-	(2 100 426)
	67 667	47 584	67 667	21 736

The Bank undertook an investment in SWIFT shares of 24 shares worth ZWL 67 667 000 as at 30 June 2022 (ZWL 21 736 000 as at 31 December 2021). These shares are unquoted, and the fair value is based on SWIFT confirmation

8. LOANS AND ADVANCES

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Loans	12 545 979	14 391 273	12 545 979	6 573 837
Overdrafts	1 866 286	1 717 263	1 866 286	784 434
	14 412 265	16 108 536	14 412 265	7 358 271
Allowance for expected credit losses*	(271 091)	(438 394)	(271 091)	(200 256)
Suspended interest	(325 423)	(222 636)	(325 423)	(101 699)
Net loans and advances	13 815 751	15 447 506	13 815 751	7 056 316

*includes ZAMCO portfolio ECL note 4.1.1.1

8.1. Maturity analysis

	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Due within 1 month	1 285 224	1 436 490	1 285 224	656 179
Due between 1 month and 3 months	2 356 528	2 633 883	2 356 528	1 203 140
Due between 3 months and 1 year	6 075 024	6 790 032	6 075 024	3 101 641
Due between 1 year and 5 years	4 695 489	5 248 131	4 695 489	2 397 311
	14 412 265	16 108 536	14 412 265	7 358 271

8.2. Non-performing loans

Financial assets

	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Included in the loans and advances are the following:				
Gross individually impaired loans	56 185	48 657	56 185	22 226
(Expected credit losses)	(42 907)	(4 564)	(42 907)	(2 085)
Net individually impaired loans	13 278	44 093	13 278	20 141

8.3. Sectoral analysis of loans and advances

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	%	ZWL '000	%
Individuals	4 727 223	32.90	6 179 659	38.36
Agriculture	7 926 746	55.00	8 278 872	51.39
Manufacturing	533 254	3.70	858 780	5.33
Communication	3 014	0.02	4 116	0.03
Construction	20 311	0.14	23 310	0.15
Transport	144 123	1.00	21 336	0.13
Services	221 683	1.54	177 030	1.10
Mining	763 850	5.20	391 494	2.43
Distribution	72 061	0.50	173 939	1.08
	14 412 265	100	16 108 536	100

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	%	ZWL '000	%
Individuals	4 727 223	32.90	2 822 827	38.36
Agriculture	7 926 746	55.00	3 781 733	51.39
Manufacturing	533 254	3.70	392 285	5.33
Communication	3 014	0.02	1 880	0.03
Construction	20 311	0.14	10 648	0.15
Transport	144 123	1.00	9 746	0.13
Services	221 683	1.54	80 866	1.10
Mining	763 850	5.20	178 832	2.43
Distribution	72 061	0.50	79 454	1.08
	14 412 265	100	7 358 271	100

8.4. Movement in allowance for expected credit losses

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Carrying amount as at 1 January	448 060	117 024	204 671	53 456
Expected credit losses for the period	430 308	916 331	291 914	418 574
Amounts written off during the period as uncollectible	(602 895)	(585 295)	(221 112)	(267 359)
Carrying amount as at end of period	275 473	448 060	275 473	204 671
The expected credit losses consist of the following:				
Loans and advances	271 091	438 395	271 091	200 256
Sundry debtors	4 377	9 654	4 377	4 410
Financial assets at amortised cost	5	11	5	5
	275 473	448 060	275 473	204 671

9. OTHER ASSETS

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Equipment in transit*	129 565	83 444	72 016	25 896
Rent receivable	7 044	14 789	7 044	6 755
Prepayments*	547 746	243 325	225 518	90 857
Consumables*	156 975	96 985	96 742	34 332
Sundry debtor	777 599	75 896	777 599	34 668
Security deposit	468 844	640 425	468 844	292 542
RBZ Receivable	-	132 905	-	60 710
Exchange gain on RBZ Receivable	-	15 775	-	7 206
AMA-Agrobills	-	3 065	-	1 400
AFC-Holdings	-	119 728	-	54 691
AFC Leasing	-	72	-	33
Expected credit losses	(4 377)	(9 654)	(4 377)	(4 410)
	2 083 396	1 416 755	1 643 386	604 680

*consists of non-monetary items

UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2022

9.1. STATUTORY ASSET

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Statutory asset	890 162	3 436 673	890 162	1 569 849
Opening balance 1 Jan	3 436 673	-	1 569 849	-
Reclassifications	-	7 501 796	-	2 131 908
Receipts	(174 971)	(2 455 706)	(174 973)	(1 121 750)
Exchange (loss)/gain	(834 150)	(1 485 674)	1 032 676	616 216
Impairment loss	(1 537 390)	(123 743)	(1 537 390)	(56 525)
	890 162	3 436 673	890 162	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 expected to be received from RBZ is ZWL 890 162 000.

10. INVESTMENT PROPERTIES

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Carrying amount as at 1 January	435 858	240 310	199 097	68 293
Fair valuation gain	235 217	195 548	471 978	130 804
Carrying amount as at end of period	671 075	435 858	671 075	199 097

The fair value of the Bank's investment property at 30 June 2022 has been arrived at on the basis of a director's valuation. 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.

As at 30 June 2022 The valuation of investment properties involved the use of significant judgements and estimations, as described below:

Calculation inputs for valuations are based on past market data. This contains rents, capitalisation rates, and transaction prices for comparable properties. There is currently no such market data available to determine ZW\$ values. In order to compute ZW\$ property values, management has adopted the strategy of converting USD valuation inputs at the current Inter-Bank Foreign Exchange Auction Rate. This approach, however, presents a multitude of risks to the users of the valuation reports. These are detailed below:

Overstating the property values

Rent revenue and capitalisation rate are the two primary inputs used in the valuation of non-residential investment property. There are no documented patterns for ZW\$ rents, and there is no readily accessible market evidence of ZW\$ transactions to allow examination of the yields. It's doubtful that changes in the rent in ZW\$ will coincide with what happens on the interbank foreign exchange market. Additionally, because the ZW\$ is not a completely convertible currency, the risk associated with it will be priced into the property market and reflected in capitalization rates. Therefore, it is possible that the ZW\$ property values obtained through a direct conversion of USD valuation inputs are excessive.

Property sub-sectors will respond differently to the new currency

It is not appropriate to use a single conversion rate to several property sub-sectors. Using a single conversion rate for several property sub-sectors ignores the fact that each will react to the reintroduced ZW\$ differently. Non-residential real estate is probably going to trail the economic cycle quite a bit. Residential real estate, which is more emotionally motivated, is likely to react favorably sooner.

Ignoring market dynamics (supply and demand)

It is not a true depiction of market dynamics to convert USD valuation inputs to ZW\$ property values using a conversion rate. The dangers involved in trading currencies are not comparable to those involved in trading properties. Both markets view and value their distinct risks in quite different ways. Therefore, it is doubtful that changes in property values will closely follow those in the Inter-Bank Foreign Exchange Rate.

11. PROPERTY AND EQUIPMENT

	INFLATION ADJUSTED							Total
	Land	Buildings	Motor Vehicles	Computer Equipment	Machinery	Fixtures and fittings	Office Equipment & Furniture	
	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Carrying amount as at 1 Jan 2021	1 066 574	3 922 854	98 401	492 508	2 114 242	191 552	371 688	8 257 819
Revaluation surplus	386 917	2 431 843	-	-	-	-	-	2 818 760
Additions	-	19 946	119 874	130 953	-	50 571	653 155	1 039 544
Dividend in Specie	-	-	-	-	(2 114 242)	-	-	(2 114 242)
Disposals – cost	-	-	(37 063)	(6 903)	-	(505)	(9 767)	(54 238)
Disposals – accumulated depreciation	-	-	37 062	6 850	-	444	9 283	53 638
Depreciation charge	-	(78 703)	(9 925)	(122 051)	-	(46 247)	(124 158)	(381 084)
Carrying amount as at 31 December 2021	1 453 491	6 295 940	208 349	501 357	-	195 815	900 201	9 620 197
Additions	-	12 944	-	100 928	-	37 305	212 057	363 234
Disposal	-	-	-	(14 987)	-	(247)	(22 783)	(38 017)
Disposals – accumulated depreciation	-	-	-	7 874	-	216	4 645	12 735
Depreciation charge	-	(63 062)	(52 605)	(70 290)	-	(27 028)	(108 018)	(321 003)
30 June 2022	1 453 491	6 245 822	155 744	524 882	-	206 061	986 102	9 637 146

As at 31 December 2021
Cost or revalued amount
Accumulated depreciation
Carrying amount

As at 30 June 2021
Cost or revalued amount
Accumulated depreciation
Carrying amount

	HISTORICAL COST							Total
	Land	Buildings	Motor Vehicles	Computer Equipment	Machinery	Fixtures and fittings	Office Equipment & Furniture	
	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	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	4 051 540
Additions	-	6 925	-	75 535	-	22 777	135 306	240 543
Disposal	-	-	-	(4 020)	-	(2)	(1 850)	(5 872)
Disposals accumulated depreciation	-	-	-	1 161	-	2	578	1 741
Depreciation charge	-	(31 373)	(6 038)	(22 719)	-	(3 433)	(28 150)	(91 713)
30 June 2022	663 945	2 851 495	39 904	176 055	-	45 025	390 103	4 196 239
As at 31 December 2021 Cost or revalued amount Accumulated depreciation Carrying amount	663 945	2 875 943	45 942	126 098	-	25 681	284 219	4 051 540
As at 30 June 2021 Cost or revalued amount Accumulated depreciation Carrying amount	663 945	2 882 868	45 942	126 098	-	25 681	284 219	4 051 540

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

	Fixtures & fittings		Furniture		Land & buildings	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Cost	165 840	30 534	36 466	13 689	36 313	29 388
Accumulated depreciation	(17 245)	(4 807)	(5 347)	(2 612)	(3 388)	(3 025)
Carrying amount	148 595	25 727	31 119	11 077	32 925	26 363

12. INTANGIBLE ASSETS

	INFLATION ADJUSTED			HISTORICAL COST		
	Work in Progress	Computer Software	Total	Work in progress	Computer Software	Total
	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Carrying amount as at 01 January 2021	261 216	967 260	1 228 476	59 736	27 307	87 043
Additions	148 324	18 663	166 987	53 003	7 809	60 812
Amortisation charges	-	(90 692)	(90 692)	-	(7 031)	(7 031)
31 December 2021	409 540	895 231	1 304 771	112 739	28 085	140 824
Additions	91 133	-	91 133	77 495	-	77 495
Amortisation charge	-	(46 814)	(46 814)	-	(4 085)	(4 085)
30 June 2022	500 673	848 417	1 349 090	190 234	24 000	214 234
Cost	409 540	1 800 722	2 210 262	112 739	45 195	157 934
Accumulated amortisation	-	(905 491)	(902 491)	-	(17 110)	(17 110)
31 December 2021	409 540	895 231	1 304 771	112 739	28 085	140 824
Cost	500 673	1 800 722	2 301 395	190 234	45 195	235 430
Accumulated amortisation	-	(952 305)	(952 305)	-	(21 196)	(21 196)
30 June 2022	500 673	848 417	1 349 090	190 234	24 000	214 234

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2022

13. LEASES

13.1 Right of use asset

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Balance at 1 January	206 268	224 401	37 262	22 424
Additions	64 390	69 885	44 641	26 174
Asset retirement	-	(541)	-	(5)
Depreciation	(60 954)	(87 477)	(12 416)	(11 331)
Right-of-use at end of period	209 704	206 268	69 487	37 262
Cost	449 345	384 955	97 999	53 358
Accumulated depreciation	(239 641)	(178 687)	(28 512)	(16 096)
	209 704	206 268	69 487	37 262

13.2. Lease liability

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Balance at 1 January	106 897	84 093	48 830	23 898
Additions and re-assessment	25 892	60 465	25 892	27 620
Liability retirement	-	(13)	-	(6)
Exchange losses	108 940	17 360	108 940	7 930
Interest expense	18 749	22 953	18 749	8 523
Repayments	(75 642)	(77 961)	(17 575)	(19 135)
Balance at end of period	184 836	106 897	184 836	48 830
Maturity analysis				
Due within 1 year	120 660	203 053	120 660	93 667
Due between 2 years and 5 years	169 216	88 154	169 216	40 268
	289 876	291 207	289 876	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 30 June 2022.

14. SHARE CAPITAL

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
14.1 Authorised share capital				
Ordinary shares of ZWL1.00 each	2 461 370	2 461 369	18 108	18 108
14.2 Issued and fully paid				
Ordinary shares of ZWL1.00 each	1 645 818	1 645 818	12 108	12 108

15. SHAREHOLDER CAPITAL CONTRIBUTION

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	JUNE 2021	JUNE 2022	JUNE 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Shareholder capital contribution awaiting allotment	3 656 585	3 656 585	152 035	152 035

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

16. DEPOSITS DUE TO OTHER BANKS

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Term deposits held with other banks	-	94 534	-	43 182
Maturity analysis				
Due within 1 month	-	94 534	-	43 182

17. DEPOSITS FROM CUSTOMERS

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Demand deposits	14 501 904	12 120 094	14 501 904	5 536 377
Savings accounts	1 167 126	1 287 819	1 167 126	588 267
Term deposits	2 330 814	6 110 659	2 330 814	2 791 308
Deferred Agro-bills arrangement fees	(2 739)	(28 658)	(2 739)	(13 091)
	17 997 105	19 489 914	17 997 105	8 902 861
Maturity analysis				
Due within 1 month	14 501 904	12 102 298	14 501 904	5 528 248
Due between 1 month and 3 months	1 897 895	1 285 928	1 897 895	587 403
Due between 3 months and 1 year	1 600 045	6 130 346	1 600 045	2 800 301
	17 999 844	19 518 572	17 999 844	8 915 952

18. OTHER LIABILITIES

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Provision for leave pay	96 811	92 961	96 811	42 464
Accrued expenses	266 935	161 296	266 935	73 679
Sundry creditors	7 048	178 849	7 048	81 697
Current tax liability	138 495	184 955	138 495	84 486
Audit fees	1 402	8 757	1 402	4 000
Medical aid, Pension, Standards	1 147	444	1 147	203
Withholding and other taxes	478 589	386 770	478 589	176 674
Provision for long service	8 995	40 620	8 995	18 555
Provision for bonus	80 643	104 562	80 643	47 763
ZAMCO Collections Payable	4 269	8 724	4 269	3 985
AFC- Land and Development Bank	7	86 652	7	39 582
AFC- Insurance Company	-	78 762	-	35 978
AFC Holdings Limited	1 099	-	1 099	-
	1 085 440	1 333 352	1 085 440	609 066

19. DEFERRED INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Deferred income	98 590	271 830	98 590	96 226
Maturity analysis				
Due within 1 month	8 873	28 963	8 873	8 660
Due between 1 month and 3 months	12 817	41 834	12 817	12 509
Due between 3 months and 1 year	8 873	28 963	8 873	8 661
Due between 1 year and 5 years	68 027	172 070	68 027	66 396
	98 590	271 830	98 590	96 226

19.1. Movement in deferred income

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
As at 1 January	271 832	140 926	96 226	38 597
Income deferred during the year	78 872	174 742	78 872	76 928
Income realised during the period	(252 114)	(43 838)	(76 508)	(19 299)
As at end of period	98 590	271 830	98 590	96 226

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

20. LINES OF CREDIT

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
IDCSA	-	5 906 757	-	2 698 167
Maturity analysis				
Due between 1 month and 3 months	-	5 906 757	-	2 698 167
Analysis of lines of credit				
Carrying amount as at 1 January	5 906 757	7 804 068	2 698 167	2 217 811
Interest accrued during the period	(67 916)	553 620	(67 916)	211 503
IDCSA	-	420 715	-	150 793
IDCSA advisory services	(67 916)	132 905	(67 916)	60 710
Re-measurement of IDCSA Legacy debt to fair value	(2 607 879)	(1 549 427)	600 711	680 654
Gain on de-recognition of IDCSA Legacy debt	(1 951 904)	-	(1 951 904)	-
Cash flows made during the period	(1 279 058)	(901 504)	(1 279 058)	(411 801)
Capital repayments	(1 279 058)	(589 321)	(1 279 058)	(269 198)
Interest repayments	-	(312 183)	-	(142 603)
Carrying amount as at end of period	-	5 906 757	-	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 14million by 31st 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.



UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2022



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2022

21. TAXATION

21.1 Income tax expense

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	JUNE 2021	JUNE 2022	JUNE 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Current tax	468 827	1 274 411	411 871	(240 308)
Deferred tax	(413 033)	(836 423)	35 842	186 535
Movement in temporary differences	(55 794)	(437 988)	(447 713)	(53 773)
Income tax charge	(55 794)	(437 988)	(447 713)	(53 773)
Tax rate reconciliation				
Notional taxation on income for the year at a statutory rate of 24.72%	154 001	359 717	489 945	136 985
Expenses not deductible for tax purposes	883 401	116 570	812 487	367 962
Exempt income	(9 474)	(6 012)	(9 474)	(2 062)
Other tax adjustments	(972,134)	(32 287)	(845 245)	(449 112)
	55 794	437 988	447 713	53 773

21.2 . Deferred tax

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Property and equipment	2 356 963	1 495 581	813 580	291 939
Valuation gain on investment property	-	-	104 043	-
Deferred tax on revaluation	-	620 497	-	459 244
Unrealised exchange gains/(losses)	(540 338)	158 571	38 688	(74 927)
Provisions	(184 955)	(138 792)	(160 225)	83 988
Deferred tax liability as at 31 December	1 631 670	2 135 857	796 086	760 244
Net deferred tax liability	1 631 670	2 135 857	796 086	760 244

21.2 . Deferred tax

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

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Net carrying amount as at 1 January	2 135 857	2 229 164	760 244	428 513
Charge to profit or loss	(504 187)	(713 806)	35 842	(127 513)
Tax charge/(credit) relating to components of other comprehensive income	-	620 499	-	459 244
Net deferred tax liability	1 631 670	2 135 857	796 086	760 244

22 . INTEREST AND SIMILAR INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	JUNE 2021	JUNE 2022	JUNE 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Interest income on loans and advances to customers	2 939 288	2 123 961	1 928 627	686 112
Interest income on financial assets at amortized cost	15 206	6 464	9 474	2 066
Interest income on ZAMCO treasury bills	13 350	1 041	7 619	207
Interest income on capitalisation treasury bills	1 856	5 410	1 855	1 855
Interest income on bonds and debentures	-	13	-	4
Amortisation of deferred facility fees on ZAMCO treasury bills	(47)	(152)	(29)	(58)
Interest income on fixed deposits	112 586	1 472	69 308	473
Management and establishment fees	545 243	494 881	354 679	159 822
	3 612 276	2 626 626	2 362 059	848 415

23 . INTEREST EXPENSE AND SIMILAR CHARGES

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	JUNE 2021	JUNE 2022	JUNE 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Interest expense on fixed deposits	700 131	308 546	443 285	99 753
Amortisation of Agro bills arrangement fees	17 540	7 729	10 352	2 565
Interest expense on retail and savings accounts	150	2 452	89	793
Interest expense IDCSA	(331)	62	(331)	-
	717 490	318 789	453 395	103 111

24 . FEE AND COMMISSION INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	JUNE 2021	JUNE 2022	JUNE 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Fee income	1 734 608	1 765 149	1 171 407	567 533
Commission income	884 533	736 032	588 298	233 936
	2 619 141	2 501 181	1 759 705	801 469

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

25. OTHER OPERATING INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	JUNE 2021	JUNE 2022	JUNE 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Rental income	42 802	35 544	27 296	11 379
Foreign revaluation profit	924 407	435 997	128 247	147 612
(Loss)/ profit on disposal of property and equipment	(12 706)	3 440	68	1 202
Unrealised exchange gains/(losses)	1 773 729	(286 239)	389 766	(98 174)
Net gain on derecognition of Idc line of credit	414 514	-	414 514	-
RBZ Agency commission	19 588	5 534	12 403	1 733
Sundry income	1 788	3 980	1 433	673
Bad debt recoveries	449	143	362	49
	3 164 571	198 399	974 089	64 474

26. OPERATING EXPENSES

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	JUNE 2021	JUNE 2022	JUNE 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Employee benefit expenses	2 275 755	1 357 830	1 418 752	435 184
Directors' fees	28 115	8 575	18 786	2 725
Audit fees	13 774	21 768	8 578	6 959
Security expenses	100 788	78 255	66 928	25 263
Repairs & maintenance costs	154 118	109 278	98 404	35 416
Printing and stationery	94 233	99 927	59 094	31 891
Software license fees	204 934	235 985	130 840	76 014
Consultancy charges	4 451	9 744	3 860	3 006
Insurance	99 170	37 959	71 272	12 363
Motor vehicle fuel	87 800	78 725	58 084	25 368
Subsistence and travel	70 947	48 085	48 048	15 390
Advertising & subscriptions	121 172	209 992	87 366	67 327
Telecommunication charges	173 827	91 271	109 419	29 260
Networking and data charges	115 896	70 546	87 332	22 806
Hire of service	119 309	136 781	85 029	43 422
Equipment hiring charges	6 925	4 091	5 095	1 325
Bank and cash in transit	79 910	43 839	55 955	14 178
Office cleaning expenses	25 106	19 299	16 376	6 165
Electricity and water charges	21 658	33 087	15 320	10 748
Rent and rates	49 297	44 796	32 501	14 290
Legal expenses	1 870	700	1 124	230
Public relations expenses	14 551	1 502	9 853	515
Depreciation of P&E* (note 11)	321 003	261 252	91 713	35 009
Depreciation ROU** (note 13.1)	60 954	42 250	12 416	5 423
Amortisation (note 12)	46 814	178 174	4 085	3 361
Periodicals and entertainment	3 298	3 222	2 359	1 043
Other operating expenses	4 561	3 647	3 604	1 214
IMTT tax	78 629	49 959	48 785	16 249
Covid expenses	13 399	30 562	8 539	9 763
VISA Transaction expenses	10 740	7 881	9 025	2 403
Bad debts written-off	1 427	735	719	227
Management fees	290 207	-	217 216	-
	4 694 638	3 319 717	2 886 477	954 537

*Property and equipment

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27. COMMITMENTS AND CONTINGENCIES

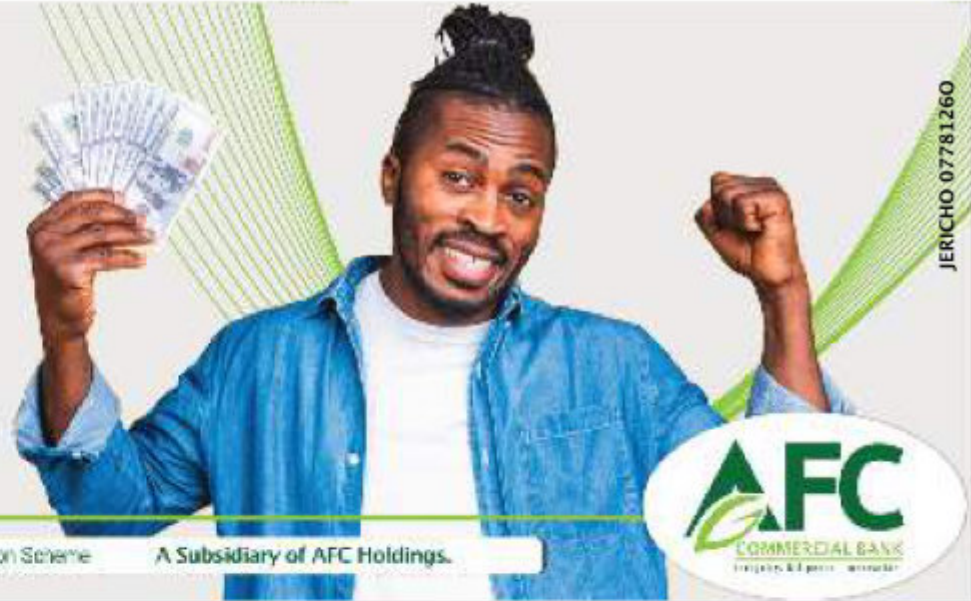
27.1. Loan facility commitments

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Facility commitments approved but not drawn down	2 358 759	553 506	2 358 759	252 792
Maturity analysis				
Due between 1 month and 3 months	2 358 759	553 506	2 358 759	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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2022

27.2. Financial guarantees

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Guarantees	15 975	12 478	15 975	5 700
Maturity analysis				
Due between 1 month and 3 months	2 450	5 473	2 450	2 500
Due between 3 months and 1 year	13 525	7 005	13 525	3 200
	15 975	12 478	15 975	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.

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

The amounts recognised in the statement of profit and loss as contributions by the Bank to the plans during the year are as follows:

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	JUNE 2021	JUNE 2022	JUNE 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Pension costs	119 610	64 424	72 671	20 634
National Social Security Authority scheme	14 530	2 239	10 368	715
	134 140	66 663	83 039	21 349

29. RELATED PARTIES

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

29.1. Deposit from related parties

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
National Aids Council	509 106	798 390	509 106	364 699
Agricultural Marketing Authority	2 255	13 941	2 255	6 368
National Social Security Authority	28 206	-	28 206	-
Reserve Bank of Zimbabwe	627 630	2 475 910	627 630	1 130 979
Grain Marketing Board	-	433 222	-	197 893
POSB	235 288	-	235 288	-
Industrial Development Corporation of Zimbabwe	159 045	961 840	159 045	439 362
Tobacco Research Board	54 009	7 187	54 009	3 283
National Building Society	65 053	230 608	65 053	105 340
Zimbabwe Revenue Authority	66 105	130 120	66 105	59 438
Infrastructural Development Bank of Zimbabwe	-	67 497	-	30 832
Zimbabwe Consolidated Diamond Company	-	198 111	-	90 496
AFC- Land and Development Bank	30 381	534 312	30 381	244 070
AFC- Insurance Company	20 055	78 762	20 055	35 978
AFC-Holdings Limited	15 183	-	15 183	-
AFC Leasing Company	14 734	-	14 734	-
	1 827 050	5 929 899	1 827 050	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	
	JUNE 2022	DEC 2021	JUNE 2022	DEC 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
AFC- Holdings Limited	-	119 728	-	54 691
AFC Leasing Company	-	72	-	33
Infrastructure Development Bank of Zimbabwe	155 818	-	155 818	-
National Building Society	65 055	-	65 055	-
	220 873	119 800	220 873	54 724

29.3. Commission income

	INFLATION ADJUSTED		HISTORICAL COST	
	JUNE 2022	JUNE 2021	JUNE 2022	JUNE 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Reserve Bank of Zimbabwe	19 588	5 534	12 403	1 733

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	
	JUNE 2022	JUNE 2021	JUNE 2022	JUNE 2021
	ZWL '000	ZWL '000	ZWL '000	ZWL '000
Directors' fees	28 115	8 575	18 786	54 691
Short-term employee benefits	294 271	118 051	214 028	40 489
	322 386	126 626	232 814	43 214

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.



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