NMBZ HOLDINGS LIMITED

Holding Company of NMB Bank Limited
(Registered Commercial Bank)
Listed on the Zimbabwe Stock Exchange (ZSE)

Enquiries:

NMBZ HOLDINGS LIMITED

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CONDENSED REVIEWED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL SUMMARY

	Inflation adjusted			Historical Cost		
	30 June 2021 Reviewed	30 June 2020 Restated Reviewed	31 December 2020 Restated Audited	30 June 2021	30 June 2020	31 December 2020
Total income (ZW$)	2 142 254 827	2 580 045 252	2 570 399 943	2 088 750 262	1 461 158 296	2 760 886 768
Operating profit before impairment charge and loss on net monetary position (ZW$)	682 654 450	1 825 917 099	1 039 932 015	768 663 683	1 252 502 523	1 856 058 489
Total comprehensive income (ZW$)	245 386 189	2 050 429 138	1 243 456 780	584 874 737	1 725 623 822	2 704 776 561
Basic earnings per share (ZW$ cents)	60.71	364.30	253.59	132.60	279.81	448.72
Total deposits (ZW$)	9 184 847 394	7 218 717 415	7 558 402 602	9 184 847 394	3 493 310 688	6 262 750 864
Total gross loans and advances (ZW$)	4 942 714 327	2 974 089 544	2 959 262 732	4 942 714 327	1 439 233 342	2 451 989 687
Total shareholders' funds and shareholders' liabilities (ZW$)	4 930 563 116	5 910 834 338	4 700 135 150	3 988 476 902	2 389 080 902	3 388 155 345

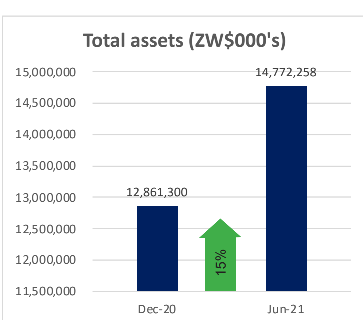
CHAIRMAN'S STATEMENT

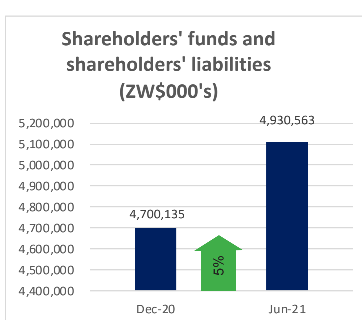
INTRODUCTION

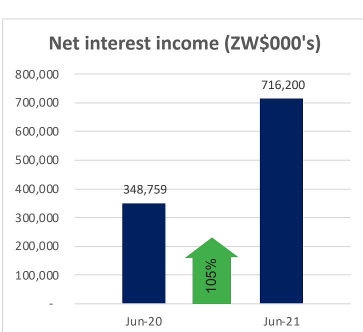
The operating environment continues to be largely dogged by the COVID-19 induced challenges, with the country experiencing a second and more intense wave of the COVID-19 infections at the start of the period under review largely arising out of the relaxation of COVID-19 restrictions during the December 2020 festive period. Resultantly, the Government of Zimbabwe has been varying the extents of the lockdown restrictions based on the intensity of the COVID-19 infections during the period under review. We are encouraged by the increased rolling out of the COVID-19 vaccination programme in the country as we believe that the roll-out of vaccination programmes both locally and internationally remains a key milestone towards the containment of the COVID-19 pandemic.

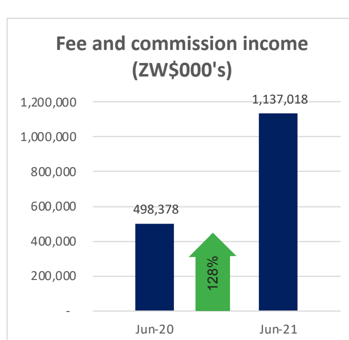
The economy has remained relatively stable following the stability of the exchange rate in the second half of 2020 after the introduction of the RBZ administered Foreign Exchange Auction system on 23 June 2020. The exchange rate stability has largely resulted in the significant easing of the country's inflation, which stood at a year-on-year rate of 106.5% in June 2021 from a peak of 837.5% recorded in July 2020. We remain hopeful that the Monetary Authorities will continue in their efforts to efficiently operate the Foreign Exchange Auction System which largely underpins the country's economic stability and provides the required impetus for economic growth.

The key inflation adjusted financial highlights of the Group as at 30 June 2021 are depicted below:









SUSTAINABILITY REPORTING

Sustainability focuses on meeting the needs of the present without compromising the ability of future generations to meet their needs. Environmental, Social and Governance (ESG) challenges impacts and transitional risks continue to grow in relevance, as does the growing number of policy and regulatory pressures targeting sustainability issues. Global risk reports show that environmental, societal and governance risks have overtaken economic and geopolitical risks in terms of both likelihood and impact.

As a Group, we understand that our goals can only be achieved by managing the impact we cause. As a responsible corporate citizen, we are intensifying efforts to embed sustainability in our strategies and operations. Our efforts rest on our commitment to the United Nations Principles for Responsible Banking and Principles for Responsible Investment. We also continue to support the United Nations Global Compact and we contribute to several of the UN Sustainable Development Goals.

As a corporate entity operating for close to 28 years, we are aware of our role in the wellbeing of our people, communities, environments and we are committed to do our part to support our customers through challenging times.

In respect of our people, we continue to enhance our strategies and efforts in areas such as diversity, equity and inclusion, talent development and employee wellness. This is done in terms of the guidelines provided by the Global Reporting Initiative that we believe will make us a stronger institution as we strive to attract, retain and develop the best talent.

The Group continued to abide by all ESG management and other related laws, regulations and best practices. Financing to both Corporate and SME customers will continue to be processed in accordance with relevant rules and regulations and as per the Banking subsidiary's "Statement of Commitment to Responsible Financing and Exclusion List".

CHAIRMAN'S STATEMENT (Continued)

FUNCTIONAL CURRENCY

As announced in the Group's financial statements for the year ended 31 December 2019, we continue to closely monitor the developments in the economic and monetary landscape. On 22 February 2019, the Reserve Bank of Zimbabwe (RBZ) issued an Exchange Control Directive, RU 28 of 2019 which established an Interbank foreign exchange market to formalize the buying and selling of foreign currency through the Banks and Bureaux de change. To operationalize this, the RBZ denominated the existing RTGS balances as RTGS dollars and initial trades between the RTGS dollar and the US$ were pegged at USD/RTGS$1:2.5. On the same date, Statutory Instrument 33 (SI 33) of 2019 was also issued and it specified that all assets and liabilities that were in USD immediately before 22 February 2019 were deemed to have been valued in RTGS$ at a rate of USD/RTGS$1:1.

On 24 June 2019, through Statutory Instrument 142 (SI 142) of 2019, the Government of Zimbabwe discontinued the multicurrency regime which had been in place since February 2009 and also introduced the Zimbabwe Dollar (ZW$), which was designated as the country's sole legal tender to be used for all local transactions and other purposes.

On 26 March 2021, the Reserve Bank of Zimbabwe in a press statement announced various interventions in response to the financial vulnerabilities caused by the COVID-19 pandemic. One of the measures announced therein was the authorization of the use of free-funds in paying for goods and services, in terms of Statutory Instrument (SI) 85 of 2020. On 24 July 2020, the Government of Zimbabwe issued Statutory Instrument (SI) 185 of 2020, which granted permission to display, quote or offer prices for all goods and services in both Zimbabwe dollars and foreign currency at the interbank exchange rate.

On 23 June 2020, the Reserve Bank of Zimbabwe introduced the Foreign Exchange Auction System, effectively abandoning the fixed foreign currency exchange rate regime which had been prevailing for the greater part of 2020. Significant trades have been recorded on the platform and significant movements in the exchange rate have been resultantly recorded.

The Directors, having assessed all these developments, concluded that the Group's functional currency remains the Zimbabwe dollar having changed from USD to RTGS dollars on 22 February 2019, which subsequently changed to Zimbabwe Dollars (ZW$) following the issuance of SI 142 of 2019 on 24 June 2019.

DIVIDEND

The Board has resolved not to declare an interim dividend as the Group seeks to strengthen its capital position to facilitate the various capacity enhancement initiatives being pursued by the Group.

DIRECTORATE

The directors of both NMBZ Holdings Limited and NMB Bank Limited boards are as follows: Mr Benedict A. Chikwanha (Board Chairman), Mr Benefit P. Washaya (Chief Executive Officer), Mr Benson Ndachena (Chief Finance Officer), Mr Charles Chikaura (Independent Non-Executive Director and Deputy Chairman), Mr James de la Fargue (Non-Executive Director), Ms Jean Maguranyanga (Independent Non-Executive Director), Mr Julius Tichelaar (Non-Executive Director), Ms Sabinah Chitehwe (Independent Non-Executive Director), Ms Christine Glover (Non-Executive Director) and Mr Givemore Taputaira (Independent Non-Executive Director).

OUTLOOK AND STRATEGY

We remain hopeful that the COVID-19 containment measures and enhanced vaccine rollout adopted by the Government of Zimbabwe will result in the curbing of the COVID-19 pandemic. As a Group, we are optimistic that no adverse effects will significantly impact the Group's performance on account of the COVID-19 pandemic.

We are hopeful that the exchange rate stability achieved so far will continue to prevail in order to create a conducive operating environment for businesses and the attraction of local and international capital in order to catapult the much needed economic growth for the country.

Our banking subsidiary will continue to strategically focus on the enhancement of its digital channels in order to further improve the customer experience as well as contribute to the financial inclusion agenda.

APPRECIATION

I remain very grateful to all our clients, shareholders, regulatory authorities and all other valued stakeholders for their unwavering support during these difficult times of the global health crisis. To my fellow Board members, management and staff, I extend my appreciation for their resilience, diligence, steadfastness and commitment which have culminated in these satisfactory results.

May I also implore and urge all our stakeholders to stay safe and continue practicing the WHO guidelines in order to minimize the spread of the deadly corona virus.

MR. B. A. CHIKWANHA
CHAIRMAN
25 August 2021

NMBZ HOLDINGS LIMITED

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CHIEF EXECUTIVE OFFICER'S STATEMENT

INTRODUCTION

The Group's interim results come at a time when our nation and the global economies are battling with the effects of the COVID-19 pandemic. The pandemic has, without a doubt, created a difficult operating environment due to the unprecedented and pervasive nature of this global crisis. I am however pleased to report that in spite of these challenges, the Group managed to achieve a satisfactory performance as a result of my team's diligence and commitment to duty.

The Group's core operating income, which excludes the effects of fair value gains on non-monetary assets, in inflation adjusted terms stood at ZW$1 968 206 698 for the six months ended 30 June 2021, indicating a 68% increase from the ZW$1 174 242 103 recorded during the same period ended 30 June 2020. During the period under review, the Group's operating income largely arose out of the Banking subsidiary' core operating activities, with core operating income (excluding fair value losses on trade investments) constituting slightly over 100% of total income. This is a significant improvement from the comparative period ended 30 June 2020 during which core operating income constituted 47% of the Group's operating income. This was largely due to the Group's strategic thrust to focus more on its core activities as opposed to focusing more on value preservation initiatives given the significant progress the Group had made towards meeting the revised regulatory capital thresholds at the close of the previous financial reporting period.

The Bank's fee and commission income increased by 128% as a result of our enhanced digital platforms and increased digital touch points in line with the Bank's digitalisation drive. Net interest income increased by 105% due to significant increases in the volumes of business recorded by the Group during the period under review. The increased business volumes also resulted in a rise in the Group's operating costs of doing business, although there were some non-recurrent one off expenditure items incurred during the period under review.

The Group is currently running with four strategic pillars namely, Broadening the group structure, Building a digital bank, Customer Value and Enhanced Shareholder value and Employee value and I am pleased to advise that we have started seeing the benefits of our strategic initiatives as signalled by our satisfactory performance during the period under review.

DIGITAL INNOVATIONS AND ENHANCEMENTS

We have continued with the Banking subsidiary's digitalisation drive which has resulted in the rolling out of more customer centric products, much to the delight of our valued customers. During the period under review, the Bank launched 5 disruptive digital products namely:

1. A Virtual Branch that allows customers to conduct cash transactions on their phone and simply walk into the branch to either drop or pick cash;
2. An automated loan application that allows customers to apply for personal loans on shortcode *241# and access near instant disbursements without the need to complete any paperwork;
3. Instant NMBLite account opening via shortcode *241#;
4. Digital account opening for the normal KYC accounts on NMBConnect allowing the customer to upload KYC documents without the need to visit the Bank; and
5. A Virtual Service Excellence Representative Assistant, named Sera.

Furthermore, the bank has completely digitized its internal operations, which has resulted in the complete elimination of paper in our internal processes. This also complemented our virtual branch, which has also completely removed the need for paper and form filling across our branch network. Notwithstanding the improved efficiencies, the elimination of paper and form filling has contributed immensely towards the fight against the spread of Covid 19 thereby safeguarding our customers and staff in the process. Through our Robotic Process Automation workstream, we have also been aggressively developing robots to perform back office functions including reconciliations. At reporting date, we had deployed approximately 22 functional robots.

As we build our digital platforms, we are also cognizant of the cyber related threats and we have been channeling significant investment towards our ICT Security systems, in particular Cyber Security to ensure our platforms and customers are protected. We have collaborated with some of the best global cyber security solution providers to ensure our systems are secured.

We have continued to transform NMB Bank Limited into a Digital Bank, without losing the excellent customer service we are known for. We therefore continue to serve businesses, high net worth customers, SMEs and the broader market segments through digitally enabled products and platforms.

The Bank also managed to roll out the zero-rated mobile banking facility which enables our customers to access the Bank's mobile banking platforms without using their own mobile data. We remain committed to continue pursuing more exciting initiatives to further enhance the Bank's customer experience as well as continue to reduce the cost of transacting for our valued customers.

CORPORATE SOCIAL INVESTMENTS

During the period under review, the Group channelled its Corporate Social Investments towards the support of disadvantaged and vulnerable groups, promotion of the Arts as well as fostering financial education and inclusion amongst the youth. Donations were made to institutions which include but are not limited to KidzCan, for treatment of children living with cancer. On the promotion of Arts, the Group was a sponsor of the 2021 NAMA Legends Edition, whose main aim was to appreciate the role Arts and Music has played in our society spanning four decades. The Group also participated in Youth Financial Education during the Global Money Week, through sharing financial nuggets. The 2021 theme for the Global Money Week was 'Take care of yourself, take care of your money'.

SUSTAINABILITY

The Group, through its Banking subsidiary remains committed to financing the education sector, agriculture, health, water, property and construction as well as supporting the Small and Medium Enterprises (SMEs), the youths, the disadvantaged, vulnerable groups in addition to supporting various environmental conservation initiatives.

With the prevailing Covid-19 pandemic, our foremost priority has been to safeguard the health and safety of our employees and customers. Our collective ability to adapt to a new and unforeseen reality has also shown us what we can achieve when we all work together. We believe that this is an important lesson to draw upon as we set out to transform our business in the transition towards a more sustainable future.

The Covid-19 crisis led us to adapt and digitize a significant range of services. Despite the challenges, we managed to continue offering uninterrupted services to our customers across all sectors and geographical areas. Our employees were also adequately equipped to perform critical tasks remotely since the onset of the pandemic. I am grateful to all my colleagues, their commitment is proof of how we value our customers and the welfare of the communities we operate in.

GROUP RESULTS

HYPERINFLATIONARY REPORTING

On 11 October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement to the effect that the Zimbabwean economy had met all conditions necessary to be classified as a hyperinflationary economy. On that basis, the Directors have prepared the accompanying financial statements using the hyper-inflationary accounting basis to achieve fair presentation at the reporting date of 30 June 2021. The following results commentary is primarily on the Group's hyperinflationary adjusted financial statements at the reporting date.

Financial performance

Profit before taxation was ZW$566 732 458 (30 June 2020 – ZW$1 745 617 359) during the period under review and this gave rise to total comprehensive income of ZW$423 625 929 (30 June 2020 – ZW$2 050 429 138). The Group did not record any revaluation gains on land and buildings and investment properties in inflation adjusted terms as we did not perform independent property valuations for the interim reporting purposes. The Group achieved a basic earnings per share of 60.71 ZW$ cents (June 2020 – 364.30 ZW$ cents) and this translated into the headline earnings per share of 61.07 ZW$ cents (30 June 2020 – 362.99 ZW$ cents).

Total income amounted to ZW$2 142 254 827 and this was 17% down from ZW$2 580 045 252 recorded during the six months ended 30 June 2020 mainly due to other income as a result of a significant reduction in fair value gains on investment properties due to the exchange rate stability during the period under review. Excluding revaluation gains, The Group's core banking income increased by 71% from ZW$1 250 899 080 recorded during the six months ended 30 June 2020 to ZW$2 144 077 300 for the period under review.

Operating expenses amounted to ZW$1 283 729 775 and these were up 89% from ZW$677 471 176 recorded during the six months ended 30 June 2021. The increased costs were a result of increased transactional volumes in line with the Bank's digital drive as well as increased administration and operational costs.

The Group recorded an impairment credit charge on financial assets measured at amortised cost amounting to ZW$81 988 552 compared to a charge of ZW$52 115 542 during the six months ended 30 June 2020 due to growth in the banking subsidiary's financial assets and a more conservative provisioning approach in light of the possible impact of Covid 19 on the operations of our borrowing customers.

The Bank's non-performing loans (NPLs) remain very low, with the NPL ratio closing the period ended 30 June 2021 at 0.63% compared to the 0.44% recorded at 31 December 2020. The low NPL ratio is largely due to aggressive collections, stricter credit underwriting standards and growth in the loan book.

CHIEF EXECUTIVE OFFICER'S STATEMENT (continued)

Financial position

The Group's total assets increased by 15% from ZW$12 861 300 266 as at 31 December 2020 to ZW$14 772 257 956 as at 30 June 2021 mainly due to a 36% increase in loans and advances and other assets and a 14% increase in cash and cash equivalents.

Gross loans and advances increased by 67% from ZW$2 959 262 732 as at 31 December 2020 to ZW$4 942 714 327 as at 30 June 2021 mainly due to increased advances during the period under review in view of the Bank's growth trajectory.

Total deposits increased by 22% from ZW$7 558 402 602 at 31 December 2020 to ZW$9 184 847 394 as at 30 June 2021 as a result of aggressive deposit mobilization and the positive impact of our digital platforms.

The Bank maintained a sound liquidity position with a liquidity ratio of 44.15% which was above the statutory minimum of 30%.

Capital

The banking subsidiary maintained adequate capital levels to cover all risks as reflected by a historical cost capital adequacy ratio of 29.41% as at 30 June 2021 (31 December 2020 – 43.78%). The ratio was well above the regulatory minimum of 12%.

The Group's shareholders' funds and shareholders' liabilities increased by 5% from ZW$4 700 135 150 as at 31 December 2020 to ZW$4 930 563 116 as at 30 June 2021 as a result of the current period's total comprehensive income.

The Bank's regulatory capital as at 30 June 2021 was ZW$2 721 948 855 in historical cost terms and was above the minimum regulatory capital of ZW$25 million. The Bank submitted its updated capitalisation plan to the RBZ in terms of the requirements for a Tier 1 bank to have a minimum Zimbabwe dollar equivalent of USD30 million by 31 December 2021. As at 30 June 2021, the Banking subsidiary's regulatory capital had exceeded the minimum of USD30 million required by 31 December 2021 on the back of the Bank's strong financial performance in the period under review.

LEGACY DEBTS

The banking subsidiary owed USD13 840 412 to various lines of credit providers as at 30 June 2021. The Bank registered these foreign debts with the Reserve Bank of Zimbabwe (RBZ) as required by the regulatory directives. During the financial period ended 31 December 2019, the Bank transferred to the RBZ the ZW$ equivalent of the foreign debts at a rate of USD/ZW$1:1. The RBZ has indicated that they will be issuing a USD denominated instrument for these debts and consequently these debts and the RBZ deposits have been accounted for at the closing exchange rate of USD/ZW$ 1:85.4234 at 30 June 2021. This effectively values the original credit lines at a rate of 1:1 on a netted off basis. The RBZ approved the line of credit balances amounting to USD13 840 412.

APPRECIATION

I wish to express my heartfelt gratitude to all our valued clients for continuing to believe in us and entrusting us with their business during these difficult times. I also wish to extend my gratitude to my fellow board members, our shareholders, regulatory authorities, management and staff for their unrelenting support.

B. P. WASHAYA
CHIEF EXECUTIVE OFFICER
25 August 2021

REVIEWER'S STATEMENT

These condensed consolidated interim financial statements have been reviewed by Ernst & Young Chartered Accountants (Zimbabwe) and a qualified review conclusion issued thereon due to non-compliance with International Accounting Standard 21, *"The Effects of Changes in Foreign Exchange Rates"* and non-compliance with International Accounting Standard 16, "*Property, Plant and Equipment*" and International Accounting Standard 40 *"Investment Properties"* in relation to the valuation of land and buildings and investment properties respectively. The reviewer's report is available for inspection at the Holding Company's registered office. The Reviewer did not issue a review report for the subsidiary. The engagement partner for this review is Mr Walter Mupanguri (PAAB Practicing Number 0367).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2021

	Note	Inflation Adjusted		Historical Cost*	
		30 June 2021 ZW$	30 June 2020 ZW$ Restated	30 June 2021 ZW$	30 June 2020 ZW$
		Reviewed Reviewed	**Reviewed** Reviewed		
Interest income	4	892 070 183	425 416 049	839 174 765	127 969 603
Interest expense		(175 870 602)	(76 656 977)	167 527 694	(22 245 160)
Net interest income		**716 199 581**	**348 759 072**	**671 647 071**	**105 724 443**
Fee and commission income	5.1	1 137 018 398	498 378 422	1 067 162 015	154 253 951
Net foreign exchange gains		71 628 617	275 125 362	66 488 985	114 112 987
Revenue		**1 924 846 596**	**1 122 262 856**	**1 805 298 071**	**374 091 381**
Other income	5.2	41 537 629	1 381 125 419	115 924 497	1 064 821 755
Operating income		**1 966 384 225**	**2 503 388 275**	**1 921 222 568**	**1 438 913 136**
Operating expenditure	6	(1 283 729 775)	(677 471 176)	(1 152 558 885)	(186 410 613)
Operating income before impairment charge and loss on monetary position		**682 654 450**	**1 825 917 099**	**768 663 683**	**1 252 502 523**
Impairment losses on financial assets measured at amortised cost		(81 988 552)	(52 115 542)	(81 988 552)	(25 219 962)
Loss on net monetary position		(33 933 440)	(28 184 198)	-	-
Profit before taxation		566 732 458	1 745 617 359	686 675 131	1 227 282 561
Taxation charge	7	(321 346 269)	(321 340 534)	(150 762 910)	(133 332 999)
Profit for the period		**245 386 189**	**1 424 276 825**	**535 912 221**	**1 093 949 562**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation gain on land and buildings, net of tax	5.3	-	626 152 313	48 962 516	631 674 260
Total comprehensive income for the period		**245 386 189**	**2 050 429 138**	**584 874 737**	**1 725 623 822**
Earnings per share (ZW$ cents)					
- Basic	9.3	60.71	364.30	132.60	279.81
- Diluted	9.3	60.71	364.30	132.60	279.81
- Headline	9.3	61.07	362.99	132.52	278.71

*The Historical Cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 "*Financial Reporting in Hyperinflationary Economies*". The Reviewer has not expressed an opinion on the Historical Cost information.

A Member of the Deposit Protection Scheme

NMBZ HOLDINGS LIMITED

Holding Company of NMB Bank Limited
(Registered Commercial Bank)
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Note	Inflation Adjusted 30 June 2021 ZW$ Reviewed	Inflation Adjusted 31 December 2020 ZW$ Restated Reviewed	Historical Cost* 30 June 2021 ZW$	Historical Cost* 31 December 2020 ZW$
SHAREHOLDERS' FUNDS					
Share capital	10.2.1	4 314 218	4 314 218	84 116	84 116
Capital reserves		913 033 774	913 033 774	19 121 607	19 121 607
Functional currency translation reserve		347 014 179	347 014 179	11 619 648	11 619 648
Revaluation reserves		806 356 018	806 356 018	1 116 228 958	1 067 266 442
Retained earnings		2 697 430 213	2 452 044 024	2 679 007 859	2 143 095 638
Total equity		**4 768 148 402**	**4 522 762 213**	**3 826 062 188**	**3 241 187 451**
Redeemable ordinary shares	11	14 335 253	17 300 962	14 335 253	14 335 253
Subordinated term loan	12	148 079 461	160 071 975	148 079 461	132 632 641
Total shareholders' funds and shareholders' liabilities		**4 930 563 116**	**4 700 135 150**	**3 988 476 902**	**3 388 155 345**
LIABILITIES					
Deposits and other liabilities	13.1	9 549 074 852	7 740 874 263	9 549 074 852	6 413 943 465
Deferred tax liabilities		287 181 579	351 251 078	133 792 476	174 727 794
Current tax liabilities		5 438 409	69 039 775	5 438 409	57 205 065
Total shareholders' funds and liabilities		**14 772 257 956**	**12 861 300 266**	**13 676 782 639**	**10 034 031 669**
ASSETS					
Cash and cash equivalents	15	2 696 109 235	2 371 085 734	2 696 109 235	1 964 637 240
Investment securities	14.1	1 117 226 214	1 305 629 864	1 117 226 214	1 081 820 457
Loans, advances and other assets	16	6 591 036 749	4 836 268 102	6 396 223 116	3 730 886 733
Trade and other investments	14.3.1	11 305 596	13 128 069	11 305 596	10 877 672
Investment properties		2 037 041 109	1 995 575 481	1 767 280 281	1 653 496 476
Intangible assets	17	25 484 446	42 855 937	8 876 949	4 133 707
Property and equipment	18	2 294 054 607	2 296 757 079	1 679 761 248	1 588 179 384
Total assets		**14 772 257 956**	**12 861 300 266**	**13 676 782 639**	**10 034 031 669**

*The Historical Cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 *"Financial Reporting in Hyperinflationary Economies"*. The Reviewer has not expressed an opinion on the Historical Cost information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2021

Inflation Adjusted

	Share Capital ZW$	Share Premium ZW$	Functional Currency Translation Reserve ZW$	Share Option Reserve ZW$	Revaluation Reserve ZW$	Retained Earnings ZW$	Total ZW$
Balances at 1 January 2020	4 314 218	913 033 774	347 014 179	1 883 634	343 343 787	1 021 401 178	2 630 990 770
Total comprehensive income for the period	-	-	-	-	626 152 313	1 424 276 825	2 050 429 138
Unwinding of share option scheme	-	-	-	(1 883 634)	-	-	(1 883 634)
Balances at 30 June 2020 – Restated	**4 314 218**	**913 033 774**	**347 014 179**	**-**	**969 496 100**	**2 445 678 003**	**4 679 536 274**
Total comprehensive income for the period	-	-	-	-	(163 140 082)	6 366 021	(156 774 061)
Balance as at 1 January 2021	**4 314 218**	**913 033 774**	**347 014 179**	**-**	**806 356 018**	**2 452 044 024**	**4 522 762 213**
Total comprehensive income for the period	-	-	-	-	-	245 386 189	245 386 189
Balances at 30 June 2021	**4 314 218**	**913 033 774**	**347 014 179**	**-**	**806 356 018**	**2 697 430 213**	**4 768 148 402**

Historical Cost*

	Share Capital ZW$	Share Premium ZW$	Functional Currency Translation Reserve ZW$	Share Option Reserve ZW$	Revaluation Reserve ZW$	Retained Earnings ZW$	Total ZW$
Balances at 1 January 2020	84 116	19 121 607	11 619 648	62 563	176 079 950	329 505 569	536 473 453
Total comprehensive income for the period	-	-	-	-	631 674 260	1 093 949 562	1 725 623 822
Unwinding of share option scheme	-	-	-	(62 563)	-	-	(62 563)
Balances at 30 June 2020	**84 116**	**19 121 607**	**11 619 648**	**-**	**807 754 210**	**1 423 455 131**	**2 262 034 712**
Total comprehensive income for the period	-	-	-	-	259 512 232	719 640 507	979 152 739
Balance as at 31 December 2020	**84 116**	**19 121 607**	**11 619 648**	**-**	**1 067 266 442**	**2 143 095 638**	**3 241 187 451**
Total comprehensive income for the period	-	-	-	-	48 962 516	535 912 221	584 874 737
Balances at 30 June 2021	**84 116**	**19 121 607**	**11 619 648**	**-**	**1 116 228 958**	**2 679 007 859**	**3 826 062 188**

*The Historical Cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 *"Financial Reporting in Hyperinflationary Economies"*. The Reviewer has not expressed an opinion on the Historical Cost information.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2021

	Inflation Adjusted 30 June 2021 ZW$ Reviewed	Inflation Adjusted 30 June 2020 ZW$ Restated Reviewed	Historical Cost* 30 June 2021 ZW$	Historical Cost* 30 June 2020 ZW$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	566 732 458	1 745 617 359	686 675 131	1 227 282 561
Non-cash items:				
- Investment properties fair value gains	-	(1 322 735 819)	(74 578 159)	(1 053 907 444)
- Depreciation(excluding right of use assets)	70 646 807	39 881 649	30 129 390	4 340 825
- Depreciation – Right of use assets	15 637 388	4 103 617	14 629 746	1 501 219
- Unrealised foreign exchange gains	(54 454 097)	(233 831 594)	(54 454 097)	(113 156 723)
- Amortisation of intangible assets	23 963 480	14 957 388	1 245 900	328 236
- Trade and other investments fair value adjustment	1 822 473	(6 410 353)	(427 924)	(5 713 640)
- Interest capitalised on subordinated term loan	13 125 326	11 281 547	11 888 882	2 888 228
- Impairment losses on financial assets measured at amortised cost	81 988 552	52 115 542	81 988 552	25 219 962
Operating cash flows before changes in operating assets and liabilities	**719 462 387**	**304 979 336**	**697 097 421**	**88 783 224**
Changes in operating assets and liabilities				
Increase/(Decrease) in deposits and other liabilities	1 626 146 160	(3 084 689 035)	2 953 076 959	561 534 790
(Increase)/Decrease in loans, advances and other assets	(1 703 535 096)	3 155 964 396	(2 601 285 150)	(410 549 859)
Net cash generated/(used) from operations	642 073 451	376 254 697	1 048 889 230	239 768 155
TAXATION				
Corporate tax paid	(319 782 811)	(25 796 681)	(259 542 903)	(9 197 573)
Net cash inflow/(outflow) from operations	**322 290 640**	**350 458 016**	**789 346 327**	**230 570 582**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of intangible assets	(6 591 989)	(6 628 804)	(5 989 142)	(1 570 139)
Acquisition of property and equipment	(63 872 120)	(176 472 326)	(60 912 585)	(19 605 609)
Proceeds on disposal of investment properties	-	542 441	-	262 500
Investment securities held to maturity	(40 716 621)	311 689 416	(35 405 757)	(22 766 165)
Acquisition of investment properties	(41 465 628)	(250 612 612)	(39 205 646)	(79 840 437)
Net cash generated/(used) in investing activities	(152 646 358)	(121 481 885)	(141 513 130)	(123 519 850)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of lease liabilities	(25 309 525)	(18 265 862)	(19 647 624)	(5 082 972)
Net cash outflow from financing activities	**(25 309 525)**	**(18 265 862)**	**(19 647 624)**	**(5 082 972)**
Net increase in cash and cash equivalents	144 334 759	210 710 270	628 185 570	101 967 759
Net foreign exchange and monetary adjustments on cash and cash equivalents	180 688 742	1 601 044 799	103 286 425	774 784 022
Cash and cash equivalents at beginning of the period	2 371 085 734	1 017 317 297	1 964 637 240	492 304 267
Cash and cash equivalents at the end of the period	**2 696 109 235**	**2 829 072 366**	**2 696 109 235**	**1 369 056 048**

*The Historical Cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 *"Financial Reporting in Hyperinflationary Economies"*. The Reviewer has not expressed an opinion on the Historical Cost information.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2021

1. REPORTING ENTITY

The Holding Company is incorporated and domiciled in Zimbabwe and is an investment holding company. Its registered office address is 64 Kwame Nkrumah Avenue, Harare. Its principal operating subsidiary is engaged in commercial and retail banking. NMB Bank Limited is a registered commercial bank and was incorporated in Zimbabwe on 16 October 1992 and commenced trading on 1 June 1993. The Bank operated as an Accepting House until 6 December 1999 when the licence was converted to that of a Commercial Bank. The Bank is exposed to the following risks in its operations: liquidity risk, credit risk, market risk, operational risk, foreign currency exchange rate risk and interest rate risk.

2. ACCOUNTING CONVENTION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2020. These condensed consolidated interim financial statements do not include all the information required for the full annual financial statements prepared in accordance with International Financial Reporting Standards.

These condensed consolidated interim financial statements were approved by the Board of Directors on 25 August 2021.

2.1 Basis of preparation

The condensed consolidated financial statements including comparatives, have been prepared under the inflation adjusted accounting basis to account for changes in the general purchasing power of the ZW$. The restatement is based on the Consumer Price Index at the statement of financial position date. The Public Accountants and Auditors Board (PAAB) issued a pronouncement on 11 October 2019 indicating the economy had become hyper-inflationary. As such, the Directors have prepared the accompanying financial statements using the hyperinflationary statements using the hyper-inflationary accounting basis. The indices are derived from the monthly inflation rates which are issued by the Zimbabwe National Statistics Agency (ZIMSTAT). As a result of the change in the Group's functional currency on 22 February 2019, the CPI indices for the prior periods are in respect of the USD functional currency which was prevailing at the time. The indices used are shown below. These condensed consolidated financial statements are reported in Zimbabwean dollars and rounded to the nearest dollar.

Dates	Indices	Conversion factor
31 December 2019	551.63	5.4139
30 June 2020	1 445.21	2.0664
31 December 2020	2 474.51	1.2069
30 June 2021	2 986.40	1.0000

The indices have been applied to the historical costs of transactions and balances as follows:

- All comparative figures as of and for the periods ended 31 December 2019, 30 June 2020, 31 December 2020 have been restated by applying the change in the index from the date of last re-measurement to 30 June 2021;
- Income statement transactions have been restated by applying the change in the index from the approximate date of the transactions to 30 June 2021;
- Gains and losses arising from the monetary assets or liability positions have been included in the income statement;
- Non-monetary assets and liabilities have been restated by applying the change in the index from the date of the transaction to 30 June 2021;
- Property and equipment and accumulated depreciation have been restated by applying the change in the index from the earlier of February 2009 and date of their purchase or re-assessment to 30 June 2021;
- Equity has been restated by applying the change in index from the date of issue to 30 June 2021;

The net impact of applying the procedures above is shown in the statement of comprehensive income as the gain or loss on net monetary position.

IAS 29 discourages the publication of historical results as a supplement to the inflation adjusted results. However, historical results have been published as additional information for the users of the Group's financial statements. The Reviewer has not expressed an opinion on the historical results.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2021

2.2 Functional and presentation currency

For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in Zimbabwe Dollars (ZW$) which is the functional currency of the Group, and the presentation currency for the consolidated financial statements. Note 2.5.6 provides further information on the determination of the Group's functional currency.

2.3 Basis of consolidation

The Group financial results incorporate the financial results of the Company and its subsidiaries. Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases. The financial results of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses; profits and losses resulting from intra-group transactions that are recognised in assets and liabilities are eliminated in full. When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost

2.4 Comparative financial information

The interim financial statements comprise consolidated statements of financial position, comprehensive income, changes in equity and cash flows. The comparative information covers a period of six months for comprehensive income and cash flows.

2.5 Use of estimates and judgements

In preparation of the Group financial statements, Directors have made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the six months ended 30 June 2021 is included in the following notes:

2.5.1 Deferred tax

Provision for deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences arising out of the initial recognition of assets or liabilities and temporary differences on initial recognition of business combinations that affect neither accounting nor taxable profit are not recognised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2.5.2 Valuation of properties

Significant judgements and estimates have been applied as detailed below for the valuation of Investment Properties and of Land and Buildings held under Property, Plant and Equipment:

Valuations rely on historical market evidence for calculation inputs. This includes transaction prices for comparable properties, rents and capitalisation rates. Such market evidence does not exist at present to calculate ZW$ values. Therefore, valuers have adopted the approach for the meanwhile of converting USD valuation inputs at the Inter-Bank Foreign Exchange Auction Rate of the day to calculate ZW$ property values.

This approach, however, presents a multitude of risks to the users of the valuation reports. These are detailed below:

Overstating the property values

The key inputs for the valuation of non-residential investment property are the rent income and the capitalisation rate. No trends for ZW$ rents have yet been established neither is there easily verifiable market evidence of ZW$ transactions to enable analysis of the yields. It is unlikely that ZW$ rent movements will mirror the activity on the Inter-Bank Foreign Exchange market. In addition, the property market will price the risk associated with the ZW$ which is not a fully convertible currency, and this will be reflected through the capitalisation rates.

Therefore, a direct conversion of USD valuation inputs likely results in overstated ZW$ property values.

Property sub-sectors will respond differently to the new currency

To use a single conversion rate for different property sub-sectors does not recognise the fact that each will respond differently to the reintroduced ZW$. Non-residential property is likely to lag behind the economic cycle quite considerably. Whereas residential property which is more sentiment driven, is likely to respond positively quicker.

Ignoring market dynamics (supply and demand)

Applying a conversion rate to USD valuation inputs to calculate ZW$ property values is not an accurate reflection of market dynamics. Risks associated with currency trading do not reflect the risks associated with property trading. The two markets perceive and price their respective risks quite differently.

It is, therefore, unlikely that property values will strictly track the movement in the Inter-Bank Foreign Exchange Rate.

2.5.3 Investment securities

The Group has Treasury Bills for which there is currently no market information to facilitate the application of fair value principles, in determining fair value disclosures.

However, in terms of IFRS 9, investment securities measured at amortised cost do not require fair value adjustments. As such none of the Group's investment securities required the application of fair value measurement principles to determine their carrying amounts.

2.5.4 Intangible assets

Intangible assets are initially recognised at cost. Subsequently the assets are measured at cost less accumulated amortisation and any impairment loss.

2.5.5 Impairment losses on financial instruments

The Bank recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are not measured at Fair Value through Profit or Loss (FVTPL):

- loans and advances to banks;
- loans and advances to customers;
- debt investment securities;
- lease receivables;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments. With the exception of purchased or originated credit-impaired (POCI) financial assets (which are considered separately below), ECLs are measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL..

2.5.6 Determination of the functional currency

The Government of Zimbabwe adopted a multi-currency regime in 2009. The British Pound, Euro, United States Dollar (USD), South African Rand (ZAR) and Botswana Pula were adopted as the multi-currency basket in February 2009. In January 2014, the Reserve Bank of Zimbabwe (RBZ) issued a Monetary Policy Statement which added the Chinese Yuan, Australian Dollar, Indian Rupee, Japanese Yen into the basket of multi-currencies. At the onset, the USD and the ZAR were the commonly used currencies, with the USD eventually gaining prominence resulting in it being designated as the functional and presentation currency by the transacting public and the Monetary Authorities, including the Group.

Between 2014 and 2016, the Zimbabwean economy experienced a massive liquidity crisis which eventually prompted the Monetary Authorities to introduce the bond notes in November 2016 whilst encouraging the public to continue using the other currencies in the multi-currency basket. The bond notes were introduced at an official fixed exchange rate of 1:1 with the USD and the Monetary Authorities specifically directed financial institutions not to open separate vault and cash accounts for the USD and the bond notes.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2021

2.5.6 Determination of the functional currency (Continued)

The introduction of the bond notes gave rise to a three (3) tier pricing system wherein sellers and service providers would quote three (3) separate prices (USD, bond notes and RTGS/electronic transfers) for their merchandise and services respectively. Significant discounts were being offered for USD payments whilst a premium would be added for prices quoted in bond notes or electronic settlement via the Real Time Gross Settlement System (RTGS). These developments triggered a debate around the functional currency of Zimbabwe. It should be noted that the Group never participated in the three tier pricing and none of its products had multiple prices during the same period.

In October 2018, the Monetary Authorities instructed financial institutions to separate bond notes and USD accounts and indicated that corporates and individuals could proceed to open Nostro Foreign Currency Accounts (FCA), for foreign currency holdings, which were now being exclusively distinguished from the existing RTGS based accounts. However, it should be noted that at the time of this policy pronouncement, the Monetary Authorities did not state that they had introduced a new currency for Zimbabwe, which actually meant that the USD remained as the currency of reference. By 31 December 2018, there had been no pronouncement by the Monetary Authorities to the effect that there had been a new currency introduced, which could be considered as the country's functional currency.

On 22 February 2019, the Reserve Bank of Zimbabwe (RBZ) issued an Exchange Control Directive, RU 28 of 2019 which established an interbank foreign exchange market to formalise the buying and selling of foreign currency through the Banks and Bureaux de change. In order to establish an exchange rate between the current monetary balances and foreign currency, the Monetary Authorities denominated the existing RTGS balances in circulation as RTGS Dollars. Initial trades on 22 February 2019 were at USD1: RTGS$2.5.

On the same date, Statutory Instrument 33 of 2019 was also issued and it specified that for accounting and other purposes, all assets and liabilities that were in USD immediately before the 22nd of February 2019 were deemed to have been valued in RTGS Dollars at a rate of 1:1 with the USD.

On 24 June 2019, the Monetary Authorities announced that the multi-currency regime, which the country was operating in since February 2009 had been discontinued and the country had adopted a mono-currency regime meaning that the sole legal tender would be the Zimbabwe Dollar (ZW$).

On 26 March 2020, the Reserve Bank of Zimbabwe in a press statement announced various interventions in response to the financial vulnerabilities caused by the COVID-19 pandemic. One of the measures announced therein was the authorization of the use of free-funds in paying for goods and services, in terms of Statutory Instrument (SI) 85 of 2020. On 24 July 2020, the Government of Zimbabwe issued Statutory Instrument (SI) 185 of 2020, which granted permission to display, quote or offer prices for all goods and services in both Zimbabwe dollars and foreign currency at the interbank exchange rate.

On 23 June 2020, the Reserve Bank of Zimbabwe introduced the Foreign Exchange Auction System, effectively abandoning the fixed foreign currency exchange rate regime which had been prevailing for the greater part of 2020. Significant trades have been recorded on the platform and significant movements in the exchange rate have been resultantly recorded.

In light of the developments summarised above, the Directors concluded that the Group's functional currency remains the Zimbabwe dollar (ZW$) following its change from US$ with effect from 22 February 2019.
nctional currency remains the Zimbabwe dollar (ZW$) following its change from US$ with effect from 22 February 2019.

2.5.7 Lease arrangements

The Directors exercised significant judgement on determining whether the various contractual relationships which the Group is party to, contain lease arrangements which fall into the scope of IFRS 16. Significant judgement was also exercised in determining whether the Group is reasonably certain that it will exercise extension options present in lease contracts as well as the determination of incremental borrowing rates applied in determining the lease liability.

2.5.8 COVID-19

The Directors fully acknowledge the unprecedented challenges and uncertainties posed by the COVID-19 pandemic. In that regard, significant judgments have generally been applied in light of the likely impacts of COVID-19 on the Group's activities.

2.5.9 Going concern

The Directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these consolidated financial statements on a going concern basis is still appropriate.

3. ACCOUNTING POLICIES

The selected principal accounting policies applied in the preparation of these condensed financial statements are set out below. These policies have been consistently applied unless otherwise stated.

3.1 Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

3.2 Investment properties

Investment properties are stated at fair value. Gains and losses arising from a change in fair value of investment properties are recognised in the profit or loss statement. The fair value is determined at the end of each reporting period by a professional valuer.

3.3 Share based payments

The Group issues share options to certain employees in terms of the Employee Share Option Scheme. Share options are measured at fair value at the date of grant. The fair value determined at the date of grant of the options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured using the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and other behavioural considerations.

3.4 Property and equipment

The residual value and the useful life of property and equipment are reviewed at least each financial period-end. The revaluation model is used for the Group's land and buildings with the fair values determined by an independent professional valuer using significant unobservable market inputs. If the residual value of an asset increases by an amount equal to or greater than the asset's carrying amount, then the depreciation of the asset ceases. Depreciation will resume only when the residual value decreases to an amount below the asset's carrying amount.

3.5 Intangible assets

Intangible assets are initially recognised at cost. Subsequently, the assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

3.6 Shareholders' funds and shareholders' liabilities

Shareholders' funds and shareholders' liabilities refer to the total investment made by the shareholders to the Group and it consists of share capital, share premium, Functional Currency Translation Reserve, share options reserve, retained earnings, redeemable ordinary shares and subordinated term loans.

3.7 Taxation

Income tax
Income tax expenses comprise current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax
Current tax comprises expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using rates enacted or substantively enacted at the reporting date in the country where the Bank operates and generates taxable income and any adjustment to tax payable in respect of previous years.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred taxation
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2021

3. ACCOUNTING POLICIES (Continued)

3.7 Taxation (Continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Bank has not rebutted this presumption.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally recognised in profit or loss

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, and short term highly liquid investments with maturities of three months or less when purchased. Cash and cash equivalents are measured at amortised cost in the statement of financial position.

3.9 Revenue from contracts with customers

Revenue is recognised to the extent that it is probable that the Group has satisfactorily performed the performance obligations set out in the underlying contract with its customers and that economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

3.10 Interest income

For all financial instruments measured at amortised cost and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income includes income arising out of the banking activities of lending and investing.

3.11 Interest expense

Interest expense arises from deposit taking. The expense is recognised in profit or loss as it accrues, taking into account the effective interest cost of the liability.

3.12 Leases

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

In terms of IFRS 16, the Group recognises lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, Leases. These liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate.

The Group has neither enjoyed nor extended any lease payment holidays in its capacity as either lessee or lessor respectively due to COVID-19. As such, there are no COVID-19 induced lease modifications applicable during the period under review.

Measurement of right-of-use assets

The associated right-of-use assets for property leases are measured on a prospective basis. The right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In circumstances where the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Group revalues its land and buildings that are presented within property and equipment and it has elected not to do so for the right-of-use buildings held by the Group.

Lessor accounting
The Group did not need to make any adjustments to the accounting for lease contracts in which the Group is the lessor under operating leases as a result of the adoption of IFRS 16.

Short-term leases
The Group does not recognise lease liabilities or Right-of-Use Assets in respect of short-term leases which are accounted for on a straight-line basis.

3.13 Financial Instruments

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a). When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
(b). In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

3.13.1 Financial Assets

(i) Classification and subsequent measurement

From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments
Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in interest and similar income using the effective interest rate method

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principle and interest and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other Income'. Interest income from these financial assets is included in 'Interest Income' using the effective interest rate method.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2021

3. ACCOUNTING POLICIES (Continued)

3.13.1 Financial Assets (Continued)

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net Trading Income" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Other Income'. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether financial instruments' cash flows represent solely payments of principal and interest (the "SPPI" test). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Other Income' line in the statement of profit or loss.

(ii) Impairment

The Bank recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are not measured at Fair Value through Profit or Loss (FVTPL):

- cash and cash equivalents;
- loans and advances to customers;
- investment securities;
- lease receivables;
- facilities approved but not drawn down; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments.
With the exception of POCI financial assets (which are considered separately below), ECLs are measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

Expected Credit Losses

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down;

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

a. significant financial difficulty of the issuer or the borrower;
b. a breach of contract, such as a default or past due event;
c. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e. the disappearance of an active market for that financial asset because of financial difficulties; or
f. the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Purchased or originated credit-impaired (POCI) financial assets

For POCI the Bank only recognises the cumulative changes in lifetime expected credit losses since initial recognition. At each reporting date, the Bank recognises in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Bank recognises favourable changes in lifetime expected credit losses as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. The Bank keeps track of the changes in the loss allowance for financial assets separately from those for loan commitments and financial guarantee contracts. However, if a financial instrument includes both a loan (i.e. financial asset) and an undrawn commitment (i.e. loan commitment) component and the Bank does not separately identify the expected credit losses on the loan commitment component from those on the financial asset component, the expected credit losses on the loan commitment is recognised together with the loss allowance for the financial asset. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses is recognised in other liabilities.

3. ACCOUNTING POLICIES (Continued)

3.13.1 Financial Assets (Continued)

Definition of default and cure

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Bank or;
- The borrower is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

It is the Bank's policy to consider a financial instrument as 'cured' and subsequently reclassified out of Stage 3 when none of the above mentioned default criteria have been present for at least six consecutive months. The decision whether to classify a financial asset as Stage 1 or Stage 2 once cured depends on the updated credit grade at the time of the cure and whether this indicates that there has been a significant increase in credit risk compared to initial recognition.

Significant increase in credit risk

The Bank monitors all financial assets, undrawn loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Bank monitors all financial assets, undrawn loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's lenders operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For the retail portfolio, forward looking information includes the same economic forecasts as the corporate portfolio with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour. The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL.

The PDs used are forward looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Bank still considers separately additional qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on the Bank's 'watch list' and for the retail portfolio the Bank considers the expectation of forbearance and payment holidays, credit scores and any other changes in the borrower's circumstances which are likely to adversely affect one's ability to meet contractual obligations.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

The Bank assumes that when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

(iii) Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty. Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates the new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either

- the Bank transfers substantially all the risks and rewards of ownership, or
- the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2021

3. ACCOUNTING POLICIES (Continued)

3.13.1 Financial Assets (Continued)

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Bank retains a subordinated residual interest.

3.13.2 Financial Liabilities

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks.

i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

Financial liabilities at fair value through profit or loss: this classification is applied to financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

3.13.3 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Bank are measured as the amount of the loss allowance. The Bank has not provided any commitment to provide loans at below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

3.13.4 Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

Note 2.5 (Use of estimates and judgements) provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

3.13.5 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The Bank evaluates ECLs for 7 portfolios of audited corporates with overdraft limits, audited corporates without overdraft limits, unaudited corporates with overdraft limits, unaudited corporates without overdraft limits, SMEs with limits, SMEs without limits and Retail loans.

The guiding principle of the Expected Credit Loss evaluation is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments and allocate commensurate loss provisions. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1 ECLs) that is evaluated for all financial instruments with no significant deterioration in credit quality since initial recognition.
- Lifetime ECLs (Stages 2 and 3 ECLs) that is evaluated for financial instruments for which significant increase in credit risk or default has occurred on an individual or collective basis.

Probability of Default (PD)

The Bank defines Probability of Default as the likelihood that a borrower will fail to meet their contractual obligations in the future. The Bank's PD models have been built using historical credit default experience, present credit information as well as forward looking factors which affect the capacity of borrowers to meet their contractual obligations. The Bank used the logistic regression approach to construct PD models for Corporate, SME, Retail and Treasury Bills portfolios while the Merton model was adopted for Interbank Placements. The PD models are used at entity level to evaluate 12-month PDs for Day 1 losses and for financial instruments with no significant deterioration in credit risk since initial recognition, whilst lifetime PD is used for financial instruments for which significant increase in credit risk or default has occurred. 12 - month PDs are derived using borrower present risk characteristics while lifetime PDs are derived using a combination of 12-month PDs, present borrower behaviour and forward looking macroeconomic factors.

Exposure at Default (EAD)

The Bank defines Exposure at Default as an estimation of the extent to which the Bank will be exposed to a counterparty in the event of a default. The Bank's EAD models have been built using historical experience of debt instruments that defaulted. The Bank used the linear regression approach to construct EAD models for Corporate, SME and Retail portfolios. For TBs and Interbank Placements, the Bank took a conservative approach of considering the full outstanding balance as the EAD at any given point in the lifetime of an instrument. The Bank's EAD models that use Credit Conversion Factors (CCFs) are applied on fully drawn down instruments while models that use Loan Equivalents (LEQs) are applied on partly drawn instruments. The EAD models are used at entity level to evaluate the proportion of the exposure that will be outstanding at the point of default.

Loss Given Default (LGD)

The LGD models are used at portfolio level to evaluate 12-month LGDs for financial instruments with no significant increase in credit risk since initial recognition and lifetime is applied LGDs for financial instruments for which significant increase in credit risk has occurred. 12-month LGDs were derived as historical loss rates while lifetime LGDs were derived using a combination of 12-month LGDs and forward looking macroeconomic factors such as GDP and Inflation.

The Bank's ECL model combines the output of the PD, EAD and LGD and computes an Expected Credit Loss that takes into account time value of money using the Effective Interest Rates (EIR) and time to maturity of the debt instruments.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
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3. ACCOUNTING POLICIES (Continued)

3.13 Financial Instruments (Continued)

3.13.5 Measurement of the expected credit loss allowance (Continued)

The final ECL is a probability-weighted amount that is determined by evaluating three (3) possible outcomes of Best Case ECL, Baseline Case ECL, and Worst Case ECL. The Bank has modelled these three cases in such a way that the Best Case represents scenario of lower than market average default rates, the Base Case represents scenarios of comparable market average default rates and the Worst Case represent scenarios of higher than market average default rates.

Renegotiated loans and advances
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been re-negotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continuously renews re-negotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans original EIR.

Collateral valuation
The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

Collateral repossessed
The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

4. INTEREST INCOME

	Inflation adjusted		Historical cost	
	30 June 2021 ZW$	30 June 2020 ZW$ Restated	30 June 2021 ZW$	30 June 2020 ZW$
Loans and advances to banks	12 032 414	10 737 498	11 225 702	2 980 143
Loans and advances to customers	805 251 197	394 595 061	757 614 463	119 161 161
Investment securities	74 786 572	20 083 490	70 334 600	5 828 299
	892 070 183	425 416 049	839 174 765	127 969 603

5. NON INTEREST INCOME

5.1 FEE AND COMMISSION INCOME

	Inflation adjusted		Historical cost	
	30 June 2021 ZW$	30 June 2020 ZW$ Restated	30 June 2021 ZW$	30 June 2020 ZW$
Retail banking customer fees	237 927 152	148 184 343	223 283 079	47 269 488
Corporate banking credit related fees	94 043 054	63 403 491	87 855 326	20 688 016
Financial guarantee fees	7 479 378	5 860 312	6 993 631	1 717 761
International banking commissions	37 115 981	9 855 391	35 234 260	2 999 072
Digital banking fees	760 452 833	271 074 885	713 795 719	81 579 614
	1 137 018 398	498 378 422	1 067 162 015	154 253 951

5.2 OTHER INCOME

	Inflation adjusted		Historical Cost	
	30 June 2021 ZW$	30 June 2020 ZW$ Restated	30 June 2021 ZW$	30 June 2020 ZW$
Trade and other investments fair value adjustments	(1 822 473)	6 410 353	427 924	5 713 640
Fair value gains on investment properties	-	1 322 735 819	74 578 159	1 053 907 444
Rental income	5 331 591	3 558 751	5 043 436	1 456 767
Other net operating income	38 028 511	48 420 496	35 874 978	3 743 904
	41 537 629	1 381 125 419	115 924 497	1 064 821 755

5.3 OTHER COMPREHENSIVE INCOME

	Inflation adjusted		Historical Cost	
	30 June 2021 ZW$	30 June 2020 ZW$ Restated	30 June 2021 ZW$	30 June 2020 ZW$
Revaluations of land and buildings	-	831 764 495	65 040 536	839 099 708
Tax effect	-	(205 612 182)	(16 078 020)	(207 425 448)
	-	626 152 313	48 962 516	631 674 260

6. OPERATING EXPENDITURE

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	30 June 2020 ZW$ Restated	30 June 2021 ZW$	30 June 2020 ZW$
The operating profit is after recognising the following:				
Administration costs	652 498 949	370 981 077	612 972 442	112 698 385
Depreciation – (excluding right of use assets)	70 646 807	39 881 649	30 129 390	4 340 825
Amortisation of intangible assets	23 963 480	14 957 388	1 245 900	328 236
Depreciation –right of use assets	15 637 388	4 103 617	14 629 746	1 501 219
Staff costs - salaries, allowances and related costs	520 983 151	247 547 445	493 581 407	67 541 948
	1 283 729 775	677 471 176	1 152 558 885	186 410 613

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
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7. TAXATION

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	30 June 2020 ZW$ Restated	30 June 2021 ZW$	30 June 2020 ZW$
Income tax expense				
Current tax	224 167 560	46 105 499	224 167 560	22 311 558
Deferred tax	97 178 709	275 235 035	(73 404 650)	111 021 441
	321 346 269	321 340 534	150 762 910	133 332 999

8. IMPAIRMENT LOSSES ON FINANCIAL ASSETS MEASURED AT AMORTISED COST

Impairment losses are calculated by estimating the expected credit losses for all financial assets (including loan commitments and guarantees) measured at amortised cost or fair value through OCI (FVOCI). ECLs arising from financial assets measured at armotised cost and at FVOCI are recognized in profit or loss. However, the loss allowance in respect of assets measured at FVOCI shall not reduce the carrying amount of the financial asset in the Statement of Financial Position but will be accumulated in a reserve through OCI. The aggregate impairment losses which are made during the year are dealt with as per paragraph 8.3.

The Group has considered the increased uncertainties arising out of the COVID-19 developments in the computation of ECLs, resulting in significant increases being noted in the Groups ECLs during the period under review.

8.1 Lifetime expected credit losses

Lifetime ECLs are recognized where the Bank's counterparty to a financial asset has been classified as default as defined in the Bank's accounting and credit policies. Financial assets are written off against lifetime ECL provisions once the probability of recovering any significant amounts becomes remote.

8.2 Twelve month expected credit losses

The 12-Month ECL relates to the day 1 impairment provisions on financial assets as well as financial assets which are considered not to have had a significant increase in credit risk as defined in the Bank's accounting and credit policies.

8.3 Regulatory guidelines and International Financial Reporting Standards requirements

The Banking Regulations 2000 gives guidance on provisioning for doubtful debts and stipulates certain minimum percentages to be applied to the respective categories of the loan book.

IFRS 9, Financial Instruments IFRS 9, prescribes the provisioning for impairment losses based on the expected credit losses from the expected cash flows from financial assets held by the bank, including guarantees and loan commitments.

The two prescriptions are likely to give different results. The Group has taken the view that where the IFRS 9 charge is less than the amount provided for in the Banking Regulations, the difference is recognised directly in equity as a transfer from retained earnings to a regulatory reserve and where it is more, the full amount will be charged to the profit or loss.

8.4 Suspended interest

Interest on loans and advances is accrued to income until such time as reasonable doubt exists about its collectability, thereafter and until all or part of the loan is written off, interest continues to accrue on customers' accounts, but is not included in income. Such suspended interest is deducted from loans and advances in the statement of financial position. This policy meets the requirements of the Banking Regulations 2000 issued by the RBZ.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of NMBZ Holdings Limited by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of NMBZ Holdings Limited adjusted for the after tax effect of: (a) any dividends or other items related to dilutive potential ordinary shares deducted in arriving at profit or loss attributable to ordinary equity holders of the parent entity; (b) any interest recognised in the period related to dilute potential ordinary shares; (c) any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares; that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

9.1 Earnings

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	30 June 2020 ZW$ Restated	30 June 2021 ZW$	30 June 2020 ZW$
Profit for the period	245 386 189	1 424 276 825	535 912 221	1 093 949 562
Headline earnings for the period	246 844 167	1 419 148 543	535 594 487	1 089 648 334

9.2 Number of shares

	Inflation adjusted		Historical Cost	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
9.2.1 Basic earnings per share				
Weighted average number of ordinary shares for basic and headline earnings per share	404 171 689	404 171 689	404 171 689	404 171 689
9.2.2 Diluted earnings per share				
Number of shares at beginning of period	404 171 689	404 171 689	404 171 689	404 171 689
Effect of dilution	-	-	-	-
	404 171 689	404 171 689	404 171 689	404 171 689

	ZW$	ZW$ Restated	ZW$	ZW$
9.2.3 Headline earnings				
Profit for the period	245 386 189	1 424 276 825	535 912 221	1 093 949 562
Add/(deduct) non-recurring items				
Trade investments fair value loss/(gains)	1 822 473	(6 410 353)	(427 924)	(5 713 640)
Tax thereon	(364 495)	1 282 071	110 190	1 412 412
Headline earnings	246 844 167	1 419 148 543	535 594 487	1 089 648 334

This is calculated in accordance with the Statement of Investment Practice No. 1 issued by the former Institute of Investment Management and Research (now the Chartered Financial Analysts (CFA) Society of the UK).

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9.3 Earnings per share (ZW$ cents)

	Inflation Adjusted		Historical Cost	
	30 June 2021	30 June 2020 Restated	30 June 2021	30 June 2020
Basic	60.71	364.30	132.60	279.81
Diluted	60.71	364.30*	132.60	279.81*
Headline	61.07	362.99	132.52	278.71

*The diluted earnings per share for the comparative period have been restated as the share options approved but not granted have been considered to be non-dilutive.

10. SHARE CAPITAL

10.1 Authorised

	30 June 2021 Shares million	31 December 2020 Shares million	30 June 2021 ZW$	31 December 2020 ZW$
Ordinary shares of ZW$0.00028 each	600	600	168 000	168 000
	==========	==========	==========	==========

10.2 Issued and fully paid

	Inflation adjusted			
	30 June 2021 Shares million	31 December 2020 Shares million	30 June 2021 ZW$	31 December 2020 ZW$ Restated
10.2.1 Ordinary shares				
Ordinary shares	404	404	4 314 218	4 314 218
	==========	==========	==========	==========

	Historical Cost			
	30 June 2021 Shares million	31 December 2020 Shares million	30 June 2021 ZW$	31 December 2020 ZW$
Ordinary shares	404	404	84 116	84 116
	==========	==========	==========	==========

	Inflation Adjusted			
	30 June 2021 Shares million	31 December 2020 Shares million	30 June 2021 ZW$	31 December 2020 ZW$ Restated
10.2.2 Redeemable ordinary shares				
Redeemable ordinary shares	104	104	29 040	35 048
	==========	==========	==========	==========

No ordinary shares were issued during the six months ended 30 June 2021. Of the unissued ordinary shares of 196 million shares (2020 – 196 million), options which may be granted in terms of the 2012 ESOS amount to 23 942 639. No share options were exercised from the scheme as at 30 June 2021.

Subject to the provisions of section 214 of the Companies and Other Business Entinties Act (Chapter 24:31) of Zimbabwe, the unissued shares are under the control of the directors.

11. REDEEMABLE ORDINARY SHARES

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	31 December 2020 ZW$ Restated	30 June 2021 ZW$	31 December 2020 ZW$
Nominal value (note 10.2.2)	29 040	35 048	29 040	29 040
Share premium	14 306 213	17 265 914	14 306 213	14 306 213
	-----------------	-----------------	-----------------	-----------------
	14 335 253	17 300 962	14 335 253	14 335 253
	==========	==========	==========	==========

On 30 June 2013 the Company received USD14 831 145 capital from Nederlandse Financierings-Maatschappij Voor Ontiwikkelingslanden N.V. (FMO), Norwegian Investment Fund for Developing Countries (Norfund) and AfricInvest Financial Sector Holdings (AfricInvest) who were allocated 34 571 429 shares each (total of 103 714 287) for individually investing USD4 943 715. This amount, net of share issue expenses, was used to recapitalise the Bank in order to contribute towards the minimum capital requirements set by the Reserve Bank of Zimbabwe of ZW$100 million by 31 December 2020. FMO and Norfund combined together with Rabobank to form ARISE which is a development finance institution primarily focusing on investing in African financial institutions to support and enhance financial service delivery in Africa.

NMBZ Holdings Limited (NMBZ) entered into a share buy-back agreement with Norfund, FMO and AfricInvest, where these three strategic investors have a right at their own discretion at any time after the 5th anniversary (30 June 2018) but before the 9th anniversary (30 June 2022) of its first subscription date, to request NMBZ to buy back all or part of its NMBZ shares at a price to be determined using the agreed terms as detailed in the share buy-back agreement. The 5th anniversary, which is the initial exercisable date of the share buy-back agreement was reached on 30 June 2018. It is a condition precedent that at any point when the share buy-back is being considered, the proceeds used to finance the buy-back should come from the distributable reserves which are over and above the minimum regulatory capital requirements. Further, no buy-back option can be exercised by any investor after the 9th anniversary (30 June 2022) of the effective date.

12. SUBORDINATED TERM LOAN

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	31 December 2020 ZW$ Restated	30 June 2021 ZW$	31 December 2020 ZW$
At 1 January	160 071 975	153 540 045	132 632 641	28 360 340
Monetary adjustment	(28 675 778)	(119 312 455)	-	
Exchange revaluation	3 557 938	125 844 385	3 557 938	104 272 301
Interest capitalised	13 125 326	-	11 888 882	-
Interest paid	-	-	-	-
	-----------------	-----------------	-----------------	-----------------
	148 079 461	160 071 975	148 079 461	132 632 641
	==========	==========	==========	=========

In 2013, the Group received a subordinated term loan amounting to USD1.4 million from a Development Financial Institution which attracts an interest rate of LIBOR plus 10% and had a seven year maturity date (13 June 2020) from the first disbursement date.

The above liability would, in the event of the winding up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer. The Group defaulted on the principal repayments with respect to this subordinated loan during the year ended 31 December 2019 as a result of the prevailing nostro funding challenges affecting the economy. However, there were no defaults on interest payments. There were no breaches to the financial covenants between the Group and the Development Financial Institution at the reporting date of 30 June 2021.

On 22 February 2019, the Reserve Bank of Zimbabwe (RBZ) issued an Exchange Control directive, RU 28 of 2019 which established an interbank foreign exchange market to formalise the buying and selling of foreign currency through the Banks and Bureaux de change. In order to establish an exchange rate between the current monetary balances and foreign currency, the Monetary Authorities denominated the existing RTGS balances in circulation, as RTGS dollars. The RBZ pegged the initial trades at US$/RTGS$1:2.5. In order to manage the transition, the RBZ also advised on the same date that all foreign liabilities or legacy debts due to suppliers and service providers, declared dividends e.t.c would be treated separately after registering such debts with the RBZ Exchange Control Department for an orderly expunging of these debts.

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12. SUBORDINATED TERM LOAN (Continued)

Consequently, the Group registered its legacy debts, which included the subordinated term loan and offshore lines of credit and transferred the ZW$ equivalent of these debts at a rate of US$/ZW$1:1 to the RBZ in terms of the RBZ directive. As such, in terms of SI 33 of 2019 and the RBZ directive, these legacy debts and the related amounts transferred to the RBZ in terms of the RBZ directive on the legacy debts, have been translated using the interbank rate at reporting date. The RBZ approved the legacy debt in respect of the subordinated term loan.

13. DEPOSITS AND OTHER LIABILITIES

13.1 Deposits and other liabilities

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	31 December 2020 ZW$ Restated	30 June 2021 ZW$	31 December 2020 ZW$
Deposits from banks and other financial institutions**	2 696 124 877	1 935 227 695	2 696 124 877	1 603 493 431
Current and deposit accounts from customers*	6 488 722 517	5 623 174 907	6 488 722 517	4 659 257 433
	-------------------	-------------------	-------------------	-------------------
Total deposits	9 184 847 394	7 558 402 602	9 184 847 394	6 262 750 864
Trade and other payables*	364 227 458	182 471 661	364 227 458	151 192 601
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	9 549 074 852	7 740 874 263	9 549 074 852	6 413 943 465
	===========	============	===========	===========

*The carrying amounts of current and deposit accounts and trade and other payables approximate the related fair values due to their short term nature.

Included in trade and other payables are lease liabilities in respect of leased properties in which the Group is a lessee.

Also included in trade and other liabilities are ECL provisions in respect of guarantees and facilities approved but not drawn down.

** Included in deposits from banks and other financial institutions are loan balances of ZW$742 609 793, ZW$392 338 134 and ZW$861 900 701 due to Nederlandse Financierings-Maatschappij Voor Ontiwikkelingslanden (FMO), Swedfund and Afreximbank. The carrying amounts of deposits from other banks and other financial institutions approximate the related fair values. All the loan balances except for Afreximbank are part of the Group's legacy debts which were registered with the Reserve Bank of Zimbabwe (RBZ) for an orderly expunging of the debts. During the year ended 31 December 2019, the Group transferred the ZW$ equivalent of the legacy debts at a rate of US$/ZW$1:1 to the RBZ as per requirement of the Exchange Control directive RU 28 of 2019. There were no breaches to the financial covenants. However, the Group defaulted on the principal repayments on the FMO and Swedfund facilities during prior periods due to the nostro-funding challenges that were prevailing in the economy and the above-mentioned lines of credit balances were transferred to the RBZ for an orderly expunging of the debts. The Bank has been communicating with the lenders regarding these developments.

The line of credit balances have been translated at 30 June 2021 at the closing rate of USD/ZW$1:85.4234. Consequently, the amount transferred to the RBZ for the settlement of these debts has been translated at the same closing rate as it represents the Bank's right to the settlement of the related lines of credit. The RBZ approved the legacy debt in respect of the FMO and Swedfund lines of credit.

13.2 Maturity analysis

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	31 December 2020 ZW$ Restated	30 June 2021 ZW$	31 December 2020 ZW$
Less than 1 month	8 797 535 790	6 636 531 152	8 797 535 790	5 498 905 442
1 to 3 months	308 197 893	904 067 493	308 197 893	749 093 396
3 to 6 months	1 294 980	11 201 798	1 294 980	9 281 600
6 months to 1 year	76 126 901	2 588 920	76 126 901	2 145 131
1 to 5 years	1 527 504	3 814 917	1 527 504	3 160 969
Over 5 years	164 326	198 322	164 326	164 326
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	9 184 847 394	7 558 402 602	9 184 847 394	6 262 750 864
	===========	============	============	===========

13.3 Sectoral analysis of deposits

	Inflation Adjusted			
	31 June 2021 ZW$	%	31 December 2020 ZW$ Restated	%
Agriculture	191 415 894	2	164 648 188	2
Banks and other financial institutions	2 696 124 877	29	1 935 227 695	26
Distribution	796 121 948	9	684 791 807	9
Individuals	824 211 226	9	750 792 057	10
Manufacturing	1 041 968 975	11	896 259 448	12
Mining companies	152 773 771	2	131 409 801	2
Municipalities and parastatals	386 131 307	4	332 134 488	4
Other deposits	1 096 893 308	12	943 503 132	12
Services	1 608 281 774	18	1 146 241 726	18
Transport and telecommunications	390 924 314	4	336 257 239	4
	--------------------	-------	--------------------	-------
	9 184 847 394	100	7 558 402 602	100
	============	====	============	====

	Historical Cost			
	31 June 2021 ZW$	%	31 December 2020 ZW$	%
Agriculture	191 415 894	2	136 424 405	2
Banks and other financial institutions	2 696 124 877	36	1 603 493 431	26
Distribution	796 121 948	8	567 405 668	9
Individuals	824 211 226	8	622 092 240	10
Manufacturing	1 041 968 975	10	742 623 796	12
Mining companies	152 773 771	1	108 883 701	2
Municipalities and parastatals	386 131 307	4	275 200 417	4
Other deposits	1 096 893 308	11	781 769 028	13
Services	1 608 281 774	16	1 146 241 726	18
Transport and telecommunications	390 924 314	4	278 616 452	4
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	9 184 847 394	100	6 262 750 864	100
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14. FINANCIAL INSTRUMENTS

14.1 Investment securities

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	**31 December 2020 ZW$ Restated**	**30 June 2021 ZW$**	**31 December 2020 ZW$**
Amortised cost – Gross	1 121 198 362	1 310 674 793	1 121 198 362	1 086 000 591
Impairment allowance	(3 972 148)	(5 044 929)	(3 972 148)	(4 180 134)
	1 117 226 214	1 305 629 864	1 117 226 214	1 081 820 457

The Group holds Treasury Bills and Government Bonds totaling ZW$1 121 198 362 with interest rates ranging from 0.00001% to 19.66%. The Treasury Bills are measured at amortised cost in line with the Bank's business model to collect contractual cashflows and the contractual terms are such that the financial assets give rise to cashflows that are solely payments of principal and interest. Of the total Treasury Bills balance of ZW$1 121 198 362, a total of ZW$846 784 327 had been pledged as security against wholesale borrowings at 30 June 2021.

14.2 Maturity analysis of investment securities – amortised cost

	Inflation adjusted		Historical Cost	
	30 June 2021 ZW$	**31 December 2020 ZW$ Restated**	**30 June 2021 ZW$**	**31 December 2020 ZW$**
Less than 1 month	2 483 670	482 752 884	2 483 670	400 000 000
1 to 3 months	-	543 096 994	-	450 000 000
3 to 6 months	456 906 005	121 123 230	456 906 005	100 360 440
6 months to 1 year	610 664 823	149 964 670	610 664 823	124 257 920
1 to 5 years	39 761 632	-	39 761 632	-
Over 5 years	11 382 232	13 737 015	11 382 232	11 382 231
	1 121 198 362	1 310 674 793	1 121 198 362	1 086 000 591
Expected Credit loss allowance	(3 972 148)	(5 044 929)	(3 972 148)	(4 180 134)
	1 117 226 214	1 305 629 864	1 117 226 214	1 081 820 457

14.3 Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

14.3.1 Financial instruments measured at fair value - fair value hierarchy

Inflation Adjusted

	31 June 2021 ZW$	**Level 1 ZW$**	**Level 2 ZW$**	**Level 3 ZW$**
Trade investments	11 305 596	-	-	11 305 596
	11 305 596	-	-	11 305 596

	31 Dec 2020 ZW$ Restated	**Level 1 ZW$**	**Level 2 ZW$**	**Level 3 ZW$**
Trade investments	13 128 069	-	-	13 128 069
	13 128 069	-	-	13 128 069

During the reporting period ended 30 June 2021 and 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Historical Cost

	30 June 2021 ZW$	**Level 1 ZW$**	**Level 2 ZW$**	**Level 3 ZW$**
Trade investments	11 305 596	-	-	11 305 596
	11 305 596	-	-	11 305 596

	31 Dec 2020 ZW$	**Level 1 ZW$**	**Level 2 ZW$**	**Level 3 ZW$**
Trade investments	10 877 672	-	-	10 877 672
	10 877 672	-	-	10 877 672

During the reporting periods ended 30 June 2021 and 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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14. FINANCIAL INSTRUMENTS (continued)

14.3.1 Financial instruments measured at fair value – fair value hierarchy

Level 3 fair value measurements

Reconciliation – Trade and other investments

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	**31 December 2020 ZW$ Restated**	**30 June 2021 ZW$**	**31 December 2020 ZW$**
Balance at 1 January	13 128 069	7 231 788	10 877 672	1 612 131
(Loss)/gain recognised in profit or loss	(1 822 473)	3 645 884	427 924	9 265 541
	11 305 596	13 128 069	11 305 596	10 877 672

14.3.2 Financial instruments not measured at fair value

Below is a list of the Group's financial investments not measured at fair value, but whose carrying amounts approximate fair value.

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	**31 December 2020 ZW$ Restated**	**30 June 2021 ZW$**	**31 December 2020 ZW$**
Assets				
Cash and cash equivalents	2 696 109 235	2 371 085 734	2 696 109 235	1 964 637 240
Loans, advances and other accounts	6 591 036 749	4 836 268 102	6 396 223 116	3 730 886 733
Investment securities	1 117 226 214	1 305 629 864	1 117 226 214	1 081 820 457
Total	10 404 372 198	8 512 983 700	10 209 558 565	6 777 344 430
Liabilities				
Deposits and other liabilities	9 549 074 852	7 740 874 263	9 549 074 852	6 413 943 465
	9 549 074 852	7 740 874 263	9 549 074 852	6 413 943 465

15. CASH AND CASH EQUIVALENTS

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	**31 December 2020 ZW$ Restated**	**30 June 2021 ZW$**	**31 December 2020 ZW$**
Balances with the Central Bank	549 314 131	502 278 173	549 314 131	416 178 289
Current, nostro accounts* and cash	2 007 732 103	1 682 992 828	2 007 732 103	1 394 496 343
Interbank placements	140 000 000	187 066 743	140 000 000	155 000 000
Expected Credit loss allowance	(936 999)	(1 252 010)	(936 999)	(1 037 392)
	2 696 109 235	2 371 085 734	2 696 109 235	1 964 637 240

*Nostro accounts are foreign domiciled bank accounts operated by the Bank for the facilitation of offshore transactions on behalf of clients.

Balances with the Central Bank, other banks and cash are used to facilitate customer transactions which include payments and cash withdrawals.

16. TOTAL LOANS, ADVANCES AND OTHER ASSETS

16. 1 Total loans, advances and other assets

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	**31 December 2020 ZW$ Restated**	**30 June 2021 ZW$**	**31 December 2020 ZW$**
Fixed term loans – Corporate	2 806 206 058	1 885 937 430	2 806 206 058	1 562 652 442
Fixed term loans – Retail	865 428 408	339 512 064	865 428 408	281 313 339
Mortgages	117 995 190	112 807 006	117 995 190	93 469 773
Overdrafts	946 423 721	436 120 910	946 423 721	361 361 619
	4 736 053 377	2 774 377 410	4 736 053 377	2 298 797 173
Other assets	1 854 983 372	2 061 890 692	1 660 169 739	1 432 089 560
	6 591 036 749	4 836 268 102	6 396 223 116	3 730 886 733

16.1.2 Maturity analysis

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	**31 December 2020 ZW$ Restated**	**30 June 2021 ZW$**	**31 December 2020 ZW$**
Less than 1 month	1 638 142 267	1 247 742 350	1 638 142 267	1 033 855 947
1 to 3 months	547 742 642	349 775 341	547 742 642	289 817 298
3 to 6 months	279 791 790	149 000 096	279 791 790	123 458 690
6 months to 1 year	930 573 646	344 065 067	930 573 646	285 085 872
1 to 5 years	1 438 346 160	725 676 199	1 438 346 160	601 281 710
Over 5 years	108 117 822	143 003 679	108 117 822	118 490 170
Total advances	4 942 714 327	2 959 262 732	4 942 714 327	2 451 989 687
Allowances for impairment losses on loans and advance	(206 240 647)	(184 392 748)	(206 240 647)	(152 784 373)
Impairment loss allowance at 1 January	(184 392 748)	(92 662 118)	(152 784 373)	(17 115 343)
Monetary adjustment	31 608 375	72 005 915	-	-
ECL charge through profit or loss	(54 547 092)	(167 757 033)	(54 547 092)	(139 000 331)
Bad debts written off	1 090 818	4 020 488	1 090 818	3 331 301
Suspended interest on credit impaired financial assets	(420 303)	(492 574)	(420 303)	(408 141)
	4 736 053 377	2 774 377 410	4 736 053 377	2 298 797 173
Other assets*	1 854 983 372	2 061 890 692	1 660 169 739	1 432 089 560
	6 591 036 749	4 836 268 102	6 396 223 116	3 730 886 733

*Included in other assets is an amount of ZW$1 185 329 908 pledged with the RBZ for the facilitation of legacy debts settlement in terms of Regulatory directives.

16. LOANS, ADVANCES AND OTHER ASSETS (continued)

16.2 Sectoral analysis of utilisations

	Inflation Adjusted				Historical Cost			
	30 June 2021 ZW$	%	31 December 2020 ZW$ Restated	%	30 June 2021 ZW$	%	31 December 2020 ZW$	%
Agriculture and horticulture	899 908 886	18	695 371 117	23	899 908 886	18	576 171 487	23
Conglomerates	28 000 000	1	49 482 171	2	28 000 000	1	41 000 000	2
Distribution	762 095 613	15	295 667 804	10	762 095 613	15	244 984 807	10
Food & beverages	298 366 668	6	266 516 778	9	298 366 668	6	220 830 811	9
Individuals	1 092 994 571	22	466 910 426	16	1 092 994 571	22	386 873 236	16
Manufacturing	355 742 720	7	366 294 170	12	355 742 720	7	303 504 490	12
Mining	1 213 429	1	1 411 816	-	1 213 429	1	1 169 804	-
Services	1 504 392 440	30	817 608 450	28	1 504 392 440	30	677 455 052	28
	4 942 714 327	100	2 959 262 732	100	4 942 714 327	100	2 451 989 687	100

The material concentration of loans and advances is to the services sector at 30% (2020 – 28%) and the individuals sector at 22% (2020 - 16%).

16.3 Impairment analysis of financial assets measured at amortised cost

Inflation Adjusted	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2021	7 845 434 119	84 172 624	22 145 642	7 951 752 386
Monetary adjustment	(4 048 840 171)	(43 439 470)	(11 428 832)	(4 103 708 474)
Transfers	(33 913 302)	15 052 783	18 860 519	-
- to 12 months to ECL	35 449 787	(34 488 050)	(961 737)	-
- to lifetime ECL not credit impaired	(53 044 893)	53 150 845	(105 952)	-
- to lifetime ECL credit impaired	(16 318 196)	(3 610 012)	19 928 208	-
Net movement in financial assets	3 096 762 237	12 213 276	1 346 455	3 110 321 968
Balance as at at 30 June 2021	**6 859 442 883**	**67 999 214**	**30 923 784**	**6 958 365 880**
Loss allowance analysis				
At 1 January 2020	173 608 192	11 109 091	8 361 504	193 079 787
- ECL – Loans, advances & guarantees	164 922 153	11 109 091	8 361 504	184 392 748
- ECL – Guarantees and facilities approved not drawn down	2 390 100	-	-	2 390 100
- ECL – Investment securities	5 044 929	-	-	5 044 929
- ECL – Interbank placements	1 252 010	-	-	1 252 010
Monetary adjustment	(29 759 865)	(1 904 306)	(1 433 318)	(33 097 489)
Transfers	(7 421 346)	(2 927 358)	10 348 704	-
- to 12 month ECL	3 517 063	(3 440 608)	(76 455)	-
- to lifetime ECL not credit impaired	(3 864 358)	3 879 138	(14 780)	-
- to lifetime ECL credit impaired	(7 074 051)	(3 365 888)	10 439 938	-
Net increase/(decrease) in ECL	86 208 252	(5 079 908)	1 197 851	82 326 194
Loans and advances	57 338 831	(5 079 908)	2 288 669	54 547 092
Guarantees and facilities approved not drawn down	29 178 299	-	-	29 178 299
Investment securities	(207 986)	-	-	(207 986)
Interbank placements	(100 393)	-	-	(100 393)
Bad Debts written off	-	-	(1 090 818)	(1 090 818)
Balance as at 30 June 2021	**222 636 233**	**1 197 518**	**18 474 741**	**242 308 494**
Loans and advances	186 568 387	1 197 518	18 474 741	206 240 647
Guarantees and facilities approved not drawn down	31 158 699	-	-	31 158 699
Investment securities	3 972 148	-	-	3 972 148
Interbank placements	936 999	-	-	936 999
	222 636 233	**1 197 518**	**18 474 741**	**242 308 494**

16.3 Impairment analysis of financial assets measured at amortised cost

Inflation Adjusted	Stage 1	Restated Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2020	4 825 557 717	63 504 260	39 423 008	4 928 484 985
Monetary adjustment	(3 749 830 337)	(49 347 705)	(30 634 716)	(3 829 812 758)
Transfers	(22 623 308)	18 874 405	3 748 903	-
- to 12 months to ECL	13 903 589	(13 583 602)	(319 987)	-
- to lifetime ECL not credit impaired	(33 517 224)	33 714 881	(197 657)	-
- to lifetime ECL credit impaired	(3 009 673)	(1 256 873)	4 266 546	-
Net movement in financial assets	3 528 937 624	16 129 159	396 731	3 545 463 514
Balance as at 31 December 2020	**4 582 041 696**	**49 160 119**	**12 933 925**	**4 644 135 740**
Loss allowance analysis				
At 1 January 2020	108 597 051	4 437 741	21 557 866	134 592 658
- ECL – Loans, advances & guarantees	66 665 145	4 437 741	21 557 866	92 660 752
- ECL – Guarantees and facilities approved not drawn down	37 379 439	-	-	37 379 439
- ECL – Investment securities	2 179 105	-	-	2 179 105
- ECL – Interbank placements	2 373 362	-	-	2 373 362
Monetary adjustment	(84 388 284)	(3 448 467)	(16 752 124)	(104 588 875)
Transfers	(6 692 146)	5 556 690	1 135 456	-
- to 12 month ECL	1 380 779	(1 355 894)	(24 885)	-
- to lifetime ECL not credit impaired	(7 495 963)	7 539 544	(43 581)	-
- to lifetime ECL credit impaired	(576 962)	(626 960)	1 203 922	-
Net increase/(decrease) in ECL	156 092 571	4 563 126	6 440 794	167 096 491
Loans and advances	156 753 113	4 563 126	6 440 794	167 757 033
Guarantees and facilities approved not drawn down	(5 942 633)	-	-	(5 942 633)
Investment securities	4 559 156	-	-	4 559 156
Interbank placements	722 935	-	-	722 935
Balance as at 31 December 2020	**173 609 192**	**11 109 091**	**8 361 504**	**193 079 787**
Loans and advances	164 922 153	11 109 091	8 361 504	184 392 748
Guarantees and facilities approved not drawn down	2 390 100	-	-	2 390 100
Investment securities	5 044 929	-	-	5 044 929
Interbank placements	1 252 010	-	-	1 252 010
	173 609 192	**11 109 091**	**8 361 504**	**193 079 787**

16.4 Credit-impaired financial assets

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	31 December 2020 ZW$ Restated	30 June 2021 ZW$	31 December 2020 ZW$
Total credit impaired financial assets	30 923 783	12 933 925	30 923 783	10 716 808
Expected credit losses on credit impaired financial assets	(18 474 741)	(8 361 628)	(18 474 741)	(6 928 186)
Retail loans insurance	(499 057)	(602 312)	(499 057)	(499 057)
Suspended interest on credit-impaired financial assets	(420 303)	(492 574)	(420 303)	(408 141)
Net credit impaired financial assets	11 529 682	3 477 411	11 529 682	2 881 424

The net credit-impaired financial assets of these accounts represent recoverable portions covered by realisable security, which includes guarantees, cession of debtors, mortgages over properties, equities and promissory notes all fair valued at ZW$13 265 000 (2020 – ZW$1 540 306).

16.5 Loans to related parties (included under loans, advances and other assets)

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	31 December 2020 ZW$ Restated	30 June 2021 ZW$	31 December 2020 ZW$
Executive directors	6 997 198	1 147 160	6 997 198	950 501
Officers	233 409 137	83 137 911	233 409 137	68 885 501
Officers' companies	-	-	-	-
	240 406 335	84 285 071	240 406 335	69 836 002
ECL on staff loans – Stage 1	(11 276 001)	(6 116 061)	(11 276 001)	(5 067 579)
	229 130 334	78 169 010	229 130 334	64 768 423

17. INTANGIBLE ASSETS

Inflation Adjusted	Computer Software ZW$	Total ZW$
Cost		
Balance at 1 January 2020	258 369 797	258 369 797
Capitalisation acquisitions	9 448 296	9 448 296
Balance at 31 December 2020	267 818 093	267 818 093
Acquisitions	6 591 989	6 591 989
Balance at 30 June 2021	**274 410 082**	**274 410 082**
Accumulated amortisation		
Balance at 1 January 2020	195 493 949	195 493 949
Amortisation for the year	29 468 207	29 468 207
Balance at 31 December 2020	224 962 156	224 962 156
Amortisation for the period	23 963 480	23 963 480
Balance at 30 June 2021	**248 925 636**	**248 925 636**
Carrying amount		
At 30 June 2021	**25 484 446**	**25 484 446**
Restated at 31 December 2020 - Restated	42 855 937	42 855 937
At 1 January 2020 - Restated	62 875 848	62 875 848

Historical Cost		
Cost		
Balance at 1 January 2020	5 469 725	5 469 725
Acquisitions	3 652 103	3 652 103
Balance at 31 December 2020	9 121 828	9 121 828
Acquisitions	5 989 142	5 989 142
Balance at 30 June 2021	**15 110 970**	**15 110 970**
Accumulated amortisation		
Balance at 1 January 2020	4 072 541	4 072 541
Amortisation for the year	915 580	915 580
Balance at 31 December 2020	4 988 121	4 988 121
Amortisation for the year	1 245 900	1 245 900
Balance at 30 June 2021	**6 234 021**	**6 234 021**
Carrying amxount		
At 30 June 2021	**8 876 949**	**8 876 949**
At 31 December 2020	4 133 707	4 133 707
At 1 January 2020	1 397 184	1 397 184

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2021

18. PROPERTY AND EQUIPMENT

Inflation Adjusted

Cost/Revaluation amount	Capital work in progress ZW$ Restated	Computers ZW$ Restated	Motor Vehicles ZW$ Restated	Furniture & Equipment ZW$ Restated	Right of Use Assets ZW$ Restated	Freehold Land & Buildings ZW$ Restated	Total ZW$ Restated
At 1 January 2020 – restated	83 243 206	412 277 241	69 603 636	248 349 090	98 043 418	1 459 039 997	2 370 556 587
Additions	124 501 213	84 034 586	-	3 138 151	-	-	211 673 950
Capitalisations	(84 308 417)	27 799 828	3 305 206	43 721 989	-	9 481 394	-
Revaluation gain	-	-	-	-	-	290 220 663	290 220 663
Remeasurement of Right of Use Asset	-	-	-	-	44 616 724	-	44 616 724
Disposals	-	(1 091 068)	(18 195 876)	(16 572 397)	-	-	(35 859 340)
At 31 December 2020 - restated	123 436 002	523 020 587	54 712 966	278 636 833	142 660 142	1 758 742 054	2 881 208 584
Additions	21 241 861	34 023 887	-	8 606 372	-	-	63 872 120
Capitalisations	(3 457 955)	-	-	3 457 955	-	-	-
Remeasurement of Right of Use Asset	-	-	-	-	18 945 530	-	18 945 530
Revaluation gain	-	-	-	-	-	-	-
At 30 June 2021	**141 219 908**	**557 044 474**	**54 712 966**	**290 701 160**	**161 605 672**	**1 758 742 054**	**2 964 026 234**
Accumulated depreciation							
At 1 January 2020 – restated	-	236 821 572	58 597 194	194 853 752	13 015 661	16 441 902	519 730 082
Charge for the year	-	59 029 774	4 706 930	17 794 846	13 416 241	1 938 649	96 886 441
Disposals	-	(1 091 068)	(18 195 876)	(13 642 148)	-	-	(32 929 091)
At 31 December 2020 - restated	**-**	**294 760 278**	**45 108 248**	**199 006 450**	**26 431 902**	**18 380 551**	**583 687 432**
Charge for period	-	39 344 393	2 413 600	11 301 392	-	17 587 421	70 646 807
Charge for period – Right of Use Asset	-	-	-	-	15 637 388	-	15 637 388
At 30 June 2021	**141 219 908**	**334 104 671**	**47 521 848**	**210 307 842**	**42 069 290**	**35 967 972**	**669 971 627**
Carrying amount							
At 30 June 2021	141 219 908	222 939 803	7 191 117	80 393 317	119 536 381	1 722 774 082	2 294 054 607
At 31 December 2020 – Restated	123 436 001	228 260 309	9 604 717	78 866 309	116 228 239	1 740 361 504	2 296 757 079
At 1 January 2020 - Restated	83 243 206	175 455 669	11 006 442	52 731 265	85 027 756	1 442 598 095	1 850 062 432

Historical Cost

Cost/Revaluation amount	Capital work in progress ZW$	Computers ZW$	Motor Vehicles ZW$	Furniture & Equipment ZW$	Right of Use Assets** ZW$	Freehold Land & Buildings* ZW$	Total ZW$
At 1 January 2021	**14 824 373**	**11 615 145**	**1 769 802**	**6 848 941**	**4 096 580**	**268 382 880**	**307 537 722**
Additions	52 381 396	56 223 172	-	2 147 918	-	-	110 752 486
Capitalisations	(58 590 341)	15 356 278	1 994 819	36 227 220	-	5 012 023	-
Revaluation gain	-	-	-	-	-	1 183 829 028	1 183 829 028
Translation gains on change in functional currency	-	-	-	-	29 233 252	-	29 233 252
Disposal	-	(46 837)	(372 492)	(396 841)	-	-	(816 170)
At 31 December 2020	**8 615 428**	**83 147 758**	**3 392 129**	**44 827 238**	**33 329 832**	**1 457 223 931**	**1 630 536 318**
Additions	21 234 145	31 072 067	-	8 606 372	-	-	60 912 585
Right of Use Asset re-measurement	-	-	-	-	10 387 879	-	10 387 879
Capitalisations	(3 125 000)	-	-	3 125 000	-	-	-
Revaluation gain	-	-	-	-	-	65 040 536	65 040 536
At 30 June 2021	**26 724 573**	**114 219 825**	**3 392 129**	**56 558 610**	**43 717 711**	**1 522 264 467**	**1 766 877 318**
Accumulated depreciation							
At 1 January 2020	-	5 035 595	1 230 711	4 107 841	1 310 867	567 480	12 252 494
Charge for the year	-	5 048 413	341 867	2 257 704	8 579 715	14 662 300	30 889 999
Disposal	-	(40 080)	(372 492)	(372 989)	-	-	(785 561)
At 31 December 2020	**-**	10 043 928	1 200 086	5 992 556	9 890 582	15 229 780	42 356 932
Charge for the year	-	10 350 053	333 821	4 872 907	-	14 572 608	30 129 390
Charge for period – Right of Use Asset	-	-	-	-	14 629 746	-	14 629 746
Disposals -	-	-	-	-	-	-	
At 30 June 2021	**-**	**20 393 981**	**1 533 907**	**10 865 463**	**24 520 328**	**29 802 388**	**87 116 068**
Carrying amount							
At 30 June 2021	26 724 573	93 825 844	1 858 222	45 693 147	19 197 383	1 492 462 079	1 679 761 248
At 31 December 2020	8 615 429	73 103 831	2 192 043	38 834 681	23 439 250	1 441 994 151	1 588 179 384
At 1 January 2020	14 824 373	6 579 550	539 092	2 741 099	2 785 713	267 815 400	295 285 228

19. LEASES

The Group leases various buildings for the furtherance of its trade. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Group's leases are recognised as a right-of-use asset and a corresponding liability is also recognised in the Statement of Financial Position from the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a leasing arrangement are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and;
- payments of penalties for terminating the lease, if it is provided in the leasing agreement.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The Right-of-Use Assets represent the Group's rights to occupy land and buildings in various lease arrangements in which the Group is a lessee. The Right-of-Use Assets are depreciated over the shorter of the lease term including extension options where the Group is certain to exercise such and the useful life of the underlying asset

The lease payments are discounted using the Group's incremental borrowing rate. The Group does not recognise Right of Use Assets or lease liabilities or short term leases which are expensed on a straight line basis.

20. CAPITAL COMMITMENTS

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	31 December 2020 ZW$ Restated	30 June 2021 ZW$	31 December 2020 ZW$
Capital expenditure contracted for	-	-	-	-
Capital expenditure authorised but not yet contracted for	244 608 938	350 501 039	244 608 938	290 414 317
Balances	244 608 938	350 501 039	244 608 938	290 414 317

The capital expenditure will be funded from the Group's own resources.

21. CONTINGENT LIABILITIES

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	31 December 2020 ZW$ Restated	30 June 2021 ZW$	31 December 2020 ZW$
Guarantees	32 109 419	129 643 447	32 109 419	107 418 549
Expected credit losses on guarantees	(4 620 026)	(590 813)	(4 620 026)	(489 529)
	27 489 393	129 052 634	27 489 393	106 929 020
Facilities approved but not drawn down	702 343 772	57 490 785	702 343 772	47 635 086
Expected credit losses on facilities approved but not drawndown	(26 538 671)	(1 799 287)	(26 538 671)	(1 490 863)
	675 805 101	55 691 498	675 805 101	153 073 243

22. EXCHANGE RATES

The following exchange rates have been used to translate the foreign currency balances to Zimbabwean dollars (ZW$) at period end:-

		30 June 2021 Mid - rate ZW$	31 December 2020 Mid - rate ZW$
United States Dollar	USD	85.4234	81.3486
British Sterling	GBP	118.1235	111.5978
South African Rand	ZAR	5.9977	5.5919
European Euro	EUR	101.3976	100.3522
Botswana Pula	BWP	7.8333	7.5734

23. SEGMENT INFORMATION

For management purposes, the Bank is organised into five operating segments based on products and services as follows:

Retail Banking	Individual customer's deposits and consumer overdrafts, credit card facilities and funds transfer facilities.
Corporate Banking	Loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Treasury	Money market investment, securities trading, accepting and discounting of instruments and foreign currency trading.
International Banking	Handles the Bank's foreign currency denominated banking business and manages relationships with correspondent.
Digital Banking	Handles the Bank's Digital Banking products including Card and POS Services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. Income taxes are managed on a bank wide basis and are not allocated to operating segments.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2021 and 2020.

The following table presents income and profit and certain asset and liability information regarding the bank's operating segments and service units:

Inflation Adjusted

	Retail Banking ZW$	Corporate Banking ZW$	Treasury Banking ZW$	International Banking ZW$	Digital Banking ZW$	Other ZW$	Total ZW$
For the six months ended 30 June 2021							
Income							
Third party income	455 327 740	733 995 888	93 552 013	28 977 056	697 305 524	133 096 606	2 142 254 827
Interest and similar expense	(10 177 973)	(5 796 495)	(159 896 134)	-	-	-	(175 870 602)
Net operating income	**445 149 766**	**728 199 393**	**(66 344 121)**	**28 977 056**	**697 305 524**	**133 096 606**	**1 966 384 225**
Other material non-cash items							
Impairment losses on financial assets measured at amortised cost	(25 400 695)	(43 043 075)	(13 544 782)	-	-	-	(81 988 552)
Depreciation of property and equipment	7 398 045	37 312	27 257	3 471	1 813 015	61 367 707	70 646 807
Depreciation of right of use assets	-	-	-	-	-	15 637 388	15 637 388
Amortisation of intangible assets	-	-	-	-	-	23 963 480	23 963 480
Segment profit/(loss)	54 882 412	147 731 496	22 639 520	-	199 509 672	141 969 358	566 732 458
Income tax charge	-	-	-	-	-	(321 346 269)	(321 346 269))
Revaluation of land and buildings, net of tax	-	-	-	-	-	-	-
Profit/(loss) for the year	**54 882 412**	**147 731 496**	**22 639 520**	**-**	**199 509 672**	**(179 346 269)**	**245 386 189**
As at 31 December 2020							
Assets and liabilities							
Capital expenditure (property and equipment and intangible assets)	14 652 988	-	-	-	5 178 129	50 632 992	70 464 109
Total assets	**3 268 000 326**	**4 962 627 924**	**1 365 152 912**	**-**	**7 694 230**	**5 168 782 564**	**14 772 257 956**
Total liabilities	**3 057 847 541**	**2 650 111 088**	**2 036 751 539**	**-**	**1 016 285 542**	**1 080 699 130**	**9 841 694 840**

Inflation Adjusted

	Retail Banking ZW$	Corporate Banking ZW$	Treasury Banking ZW$	International Banking ZW$	Digital Banking ZW$	Other ZW$	Total ZW$
For the year ended 30 June 2020							
Income							
Third party income	156 605 234	233 950 540	29 041 055	7 185 504	162 120 073	1 991 142 846	2 580 045 252
Interest and similar expense	(5 457 975)	(46 961 631)	(24 237 371)	-	-	-	(76 656 977)
Net operating income	151 147 259	186 988 909	4 803 684	7 185 504	162 120 073	1 991 142 846	2 503 388 275
Other material non-cash items							
Impairment losses on financial assets measured at amortised cost	11 790 806	40 324 736	-	-	-	-	52 115 542
Depreciation of property and equipment	8 680 317	128 958	109 616	14 459	3 966 889	26 981 410	39 881 649
Depreciation of right of use assets	-	-	-	-	-	4 103 617	4 103 617
Amortisation of intangible assets	-	-	-	-	-	14 957 388	14 957 388
Segment profit/(loss)	89 978 100	124 053 611	21 596 601	(3 785 747)	148 557 712	1 365 217 082	1 745 617 359
Income tax charge	-	-	-	-	-	(321 340 534)	(321 340 534)
Revaluation of land and buildings, net of tax	-	-	-	-	-	626 152 313	626 152 313
Profit/(loss) for the year	**89 978 100**	**124 053 611**	**21 596 601**	**(13 785 747)**	**148 557 712**	**1 670 028 861**	**2 050 429 138**
As at 31 December 2020							
Assets and liabilities							
Capital expenditure (property and equipment and intangible assets)	8 900 939	-	167 901	26 843	1 437 614	307 218 550	317 751 848
Total assets	**2 106 739 161**	**3 328 538 136**	**1 914 080 693**	**648 570 696**	**70 415 380**	**4 792 956 200**	**12 861 300 266**
Total liabilities	**3 363 971 626**	**2 381 171 101**	**1 528 768 036**	**225 182 474**	**-**	**662 071 879**	**8 161 165 116**

24. EVENTS AFTER THE REPORTING PERIOD

The Directors have assessed and concluded that there were no significant events after the reporting period which require separate disclosure for the Group.

NMB BANK LIMITED

Registered Commercial A Member of The Deposit Protection Scheme

STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2021

	Note	Inflation Adjusted 30 June 2021 ZW$	Inflation Adjusted 30 June 2020 ZW$ Restated	Historical Cost * 30 June 2021 ZW$	Historical Cost * 30 June 2020 ZW$
Interest income		892 070 183	425 416 049	839 174 765	127 969 603
Interest expense		(175 870 602)	(76 656 977)	(167 527 694)	(22 245 160)
Net interest income		**716 199 581**	**348 759 072**	**671 647 071**	**105 724 443**
Fee and commissions income		1 137 018 398	498 378 422	1 067 162 015	154 253 951
Net foreign exchange gains		71 628 617	275 125 362	66 488 985	114 112 987
Revenue		**1 924 846 596**	**1 122 262 856**	**1 805 298 071**	**374 091 381**
Other income	a	41 537 629	1 381 125 419	115 924 497	1 064 821 755
Operating income		**1 966 384 225**	**2 503 388 275**	**1 921 222 568**	**1 438 913 136**
Operating expenditure	b	(1 283 729 775)	(680 696 360)	(1 152 558 885)	(186 473 176)
Operating income before impairment charge and loss on net monetary position		**682 654 450**	**1 822 691 915**	**768 663 683**	**1 252 439 960**
Impairment losses on financial assets measured at amortised cost		(81 988 552)	(52 115 542)	(81 988 552)	(25 219 962)
Loss on net monetary position		(36 496 775)	(68 740 757)	-	-
Profit before taxation		**564 169 123**	**1 701 835 616**	**686 675 131**	**1 227 219 998**
Taxation		(321 346 269)	(321 340 534)	(150 762 910)	(133 332 999)
Profit for the period		**242 822 854**	**1 380 495 082**	**535 912 221**	**1 093 886 999**
Other comprehensive income					
Revaluation gains on land and buildings, net of tax		-	626 152 313	48 962 516	631 674 260
Total comprehensive income for the year		242 822 854	2 006 647 395	584 874 737	1 725 561 259
Earnings per share (ZW$ cents)					
- Basic and diluted	c.4	1 471.11	8 363.57	3 246.76	6 627.19
- Headline	c.4	1 479.95	8 332.50	3 244.30	6 594.30

*The Historical Cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 *"Financial Reporting in Hyperinflationary Economies"*. The Reviewer has not expressed an opinion on the Historical Cost information.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Note	Inflation Adjusted 31 December 2021 ZW$	Inflation Adjusted 31 December 2020 ZW$ Restated	Historical Cost* 31 December 2021 ZW$	Historical Cost* 31 December 2020 ZW$
SHAREHOLDER'S FUNDS					
Share capital	d	876 543	876 543	16 506	16 506
Share premium		1 554 009 703	1 554 009 703	31 474 502	31 474 502
Functional currency translation reserve		347 014 179	347 014 179	11 619 648	11 619 648
Revaluation reserve		806 356 018	806 356 018	1 116 228 958	1 067 266 442
Retained earnings		2 072 007 584	1 829 184 730	2 678 838 199	2 142 925 978
Total shareholder's funds		4 780 264 027	4 537 441 173	3 838 177 813	3 253 303 076
LIABILITIES					
Deposits and other liabilities		9 546 531 232	7 737 804 413	9 546 531 232	6 411 399 844
Current tax liabilities		5 513 929	69 130 918	5 513 929	57 280 584
Deferred tax liabilities		287 195 081	351 267 372	133 805 978	174 741 298
Subordinated term loan		148 079 461	160 071 975	148 079 461	132 632 641
Amount owing to Holding company		2 143 122	2 586 496	2 143 122	2 143 122
Total liabilities		**9 989 462 825**	**8 320 861 174**	**9 836 073 722**	**6 778 197 489**
Total shareholder's funds and liabilities		**14 769 726 852**	**12 858 302 347**	**13 674 251 535**	**10 031 500 565**
ASSETS					
Cash and cash equivalents	e	2 696 109 235	2 371 085 734	2 696 109 235	1 964 637 240
Investment securities		1 117 226 214	1 305 629 863	1 117 226 214	1 081 820 457
Loans, advances and other assets		6 588 505 645	4 833 270 184	6 393 692 012	3 728 355 629
Trade and other investments		11 305 596	13 128 069	11 305 596	10 877 672
Investment properties	f	2 037 041 109	1 995 575 481	1 767 280 281	1 653 496 476
Intangible assets		25 484 446	42 855 937	8 876 949	4 133 707
Property and equipment		2 294 054 607	2 296 757 079	1 679 761 248	1 588 179 384
Total assets		**14 769 726 852**	**12 858 302 347**	**13 674 251 535**	**10 031 500 565**

*The Historical Cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 *"Financial Reporting in Hyperinflationary Economies"*. The Reviewer has not expressed an opinion on the Historical Cost information.

STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2021

Inflation adjusted

	Share Capital ZW$	Share Premium ZW$	Functional Currency Translation Reserve ZW$	Revaluation Reserve ZW$	Retained Earnings ZW$	Total ZW$
Balances at 1 January 2020	**876 543**	**1 554 009 703**	**347 014 179**	**343 343 787**	**446 911 512**	**2 692 155 724**
Total comprehensive income for the period	-	-	-	626 152 313	1 380 495 082	2 006 647 395
Balances at 30 June 2020	**876 543**	**1 554 009 703**	**347 014 179**	**969 496 100**	**1 827 406 594**	**4 698 803 119**
Total comprehensive income for the period	-	-	-	(163 140 082)	1 778 136	(161 361 946)
Balances at 31 December 2020	**876 543**	**1 554 009 703**	**347 014 179**	**806 356 018**	**1 829 184 730**	**4 537 441 173**
Total comprehensive income for the period	-	-	-	-	242 822 854	242 822 854
Balances at 30 June 2021	**876 543**	**1 554 009 703**	**347 014 179**	**806 356 018**	**2 072 007 584**	**4 780 264 027**

Historical Cost*

	Share Capital ZW$	Share Premium ZW$	Functional Currency Translation Reserve ZW$	Revaluation Reserve ZW$	Retained Earnings ZW$	Total ZW$
Balances at 1 January 2020	**16 506**	**31 474 502**	**11 619 648**	**176 079 950**	**329 398 472**	**548 589 078**
Total comprehensive income for the period	-	-	-	631 674 260	1 093 886 999	1 725 561 259
Dividend paid	-	-	-	-	-	-
Balances at 30 June 2020	**16 506**	**31 474 502**	**11 619 648**	**807 754 210**	**1 423 285 471**	**2 274 150 337**
Profit for the period	-	-	-	259 512 232	719 640 507	979 152 739
Balances at 1 January 2021	**16 506**	**31 474 502**	**11 619 648**	**1 067 266 442**	**2 142 925 978**	**3 253 303 076**
Total comprehensive income for the period	-	-	-	48 962 516	535 912 221	584 874 737
Balances at 30 June 2021	**16 506**	**31 474 502**	**11 619 648**	**1 116 228 958**	**2 678 838 199**	**3 838 177 813**

*The Historical Cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 *"Financial Reporting in Hyperinflationary Economies"*. The Reviewer has not expressed an opinion on the Historical Cost information.

STATEMENT OF CASH FLOWS
for the six months ended 30 June 2021

	Inflation Adjusted 30 June 2021 ZW$ Reviewed	Inflation Adjusted 30 June 2020 ZW$ Restated Reviewed	Historical Cost* 30 June 2021 ZW$	Historical Cost* 30 June 2020 ZW$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	564 169 123	1 701 835 616	686 675 131	1 227 219 998
Non-cash items				
- Impairment losses on financial assets measured at amortised cost	81 988 552	52 115 541	81 988 552	25 219 962
- Investment properties fair value adjustment	-	(1 322 735 819)	(74 578 159)	(1 053 907 444)
- Quoted and other investment fair value adjustments	1 822 473	(6 410 353)	(427 924)	(5 713 640)
- Unrealised Exchange (gain)/loss	(54 454 097)	(233 831 594)	(54 454 097)	(113 156 723)
- Depreciation (excluding Right of use assets)	70 646 807	39 881 649	30 129 390	4 340 825
- Depreciation – Right of use assets	15 637 388	4 103 617	14 629 746	1 501 219
- Interest capitalised on subordinated term loan	13 125 326	11 281 547	11 888 882	2 888 228
- Amortisation of intangible assets	23 963 480	14 957 388	1 245 900	328 236
Operating cash flows before changes in operating assets and liabilities	**716 899 052**	**261 197 592**	**697 097 421**	**88 720 661**
Changes in operating assets and liabilities				
Increase/(Decrease) in deposits and other liabilities	1 626 672 390	(3 076 174 361)	2 953 076 959	561 534 792
(Increase)/Decrease in loans, advances and other assets	(1 704 001 910)	3 191 231 462	(2 601 285 150)	(410 487 298)
Net cash generated/(used) from operations	639 569 533	376 254 693	1 048 889 230	239 768 155
Taxation				
Corporate tax paid	(319 782 811)	(25 796 681)	(259 542 903)	(9 197 573)
Net cash inflow from operating activities	319 782 811	350 458 012	789 346 327	230 570 582
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on disposal of property plant & equipment	-	-	-	-
Acquisition of intangible assets	(6 591 989)	(6 628 804)	(5 989 142)	(1 570 139)
Acquisition of property and equipment	(63 872 120)	(176 472 326)	(60 912 585)	(19 605 609)
Acquisition of investment properties	(41 465 628)	(250 612 612)	(39 205 646)	(79 840 437)
(Acquisition)/Disposal of investment securities	(40 716 621)	311 689 418	(35 405 757)	(22 766 165)
Proceeds on disposal of investment properties	-	542 441	-	262 500
Net cash inflow/(outflow) from investing activities	(152 646 358)	(121 481 883)	(141 513 130)	(123 519 850)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of lease liabilities	(25 309 525)	(18 265 862)	(19 647 627)	(5 082 972)
Net cash outflow from financing activities	(25 309 525)	(18 265 862)	(19 647 627)	(5 082 972)
Net increase in cash and cash equivalents	141 830 838	210 710 270	628 185 570	101 967 759
Net foreign exchange and monetary adjustments on cash and cash equivalents	183 192 663	1 601 044 799	103 286 425	774 784 022
Cash and cash equivalents at beginning of the period	2 371 085 734	1 017 317 297	1 964 637 240	492 304 267
Cash and cash equivalents at the end of the period	2 696 109 235	2 829 072 366	2 696 109 235	1 369 056 048

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2021

There are no material differences between the Bank and the Holding company as the Bank is the principal operating subsidiary of the Group. The notes to the financial statements under NMBZ Holdings Limited are therefore the same as those of the Bank in every material respect where applicable.

a. OTHER INCOME

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	30 June 2020 ZW$ Restated	30 June 2021 ZW$	30 June 2020 ZW$
Trade and other investments fair value gains	(1 822 473)	6 410 353	427 924	5 713 640
Fair value gains on investment properties	-	1 322 735 819	74 578 159	1 053 907 444
Rental income	5 331 591	3 558 751	5 043 436	1 456 767
Other operating income	38 028 511	48 420 496	35 874 978	3 743 904
	41 537 629	1 381 125 419	115 924 497	1 064 821 755

b. OPERATING EXPENDITURE

The operating profit is after recognising the following:

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	30 June 2020 ZW$ Restated	30 June 2021 ZW$	30 June 2020 ZW$
Administration costs	652 498 949	374 206 261	612 972 442	112 760 949
Depreciation – (excluding Right of use assets)	70 646 807	39 881 649	30 129 390	4 340 825
Amortisation of intangible assets	23 963 480	14 957 388	1 245 900	328 236
Depreciation – Right of use assets	15 637 388	4 103 617	14 629 746	1 501 219
Staff costs - salaries, allowances and related costs	520 983 151	247 547 445	493 581 407	67 541 947
	1 283 729 775	680 696 360	1 152 558 885	186 473 176

c. EARNINGS PER SHARE

The calculation of earnings per share is based on the following figures:

		Inflation Adjusted		Historical Cost	
		30 June 2021 ZW$	30 June 2020 ZW$ Restated	30 June 2021 ZW$	30 June 2020 ZW$
c.1	**Earnings**				
	Profit for the year	242 822 854	1 380 495 082	535 912 221	1 093 886 999
	Headline earnings	244 280 832	1 375 366 799	535 594 487	1 089 585 771
c.2	**Number of shares**				
	Weighted average shares in issue	16 506 050	16 506 050	16 506 050	16 506 050
c.3	**Headline earnings**				
	Profit for the period	242 822 854	1 380 495 082	535 912 221	1 093 886 999
	Add/(deduct) non-recurring items				
	Trade investments fair value losses/(gains)	1 822 473	(6 410 354)	(427 924)	(5 713 640)
	Tax thereon	(364 495)	1 282 071	110 190	1 412 412
	Headline earnings	244 280 832	1 375 366 799	535 594 487	1 089 585 771
c.4	**Earnings per share (ZW$ cents)**				
	Basic	1 471.11	8 363.57	3 246.76	6 627.19
	Diluted basic	1 471.11	8 363.57	3 246.76	6 627.19
	Headline	1 479.95	8 332.50	3 244.84	6 601.13

d. SHARE CAPITAL

d.1 Authorised
The authorised ordinary share capital at 30 June 2020 is at the historical cost figure of ZW$25 000 (2019 - ZW$25 000) comprising 25 million ordinary shares of ZW$0.001 each.

d.2 Issued and fully paid
The issued share capital at 30 June 2021 is at the historical cost figure of ZW$16 506 (2020 - ZW$16 506) and inflation adjusted figure of ZW$876 543 (2020 – ZW$876 543) comprising 16 506 050 (2020 - 16 506 050) ordinary shares of ZW$0.001 each in historical cost terms.

e. CASH AND CASH EQUIVALENTS

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	31 Dec 2020 ZW$ Restated	30 June 2021 ZW$	31 Dec 2020 ZW$
Balances with the Central Bank	549 314 133	502 278 173	549 314 133	416 178 289
Current, nostro accounts and cash	2 007 732 103	1 682 992 828	2 007 732 103	1 394 496 343
Interbank placements	140 000 000	187 066 743	140 000 000	155 000 000
Expected Credit loss allowance	(936 999)	(1 252 010)	(936 999)	(1 037 392)
	2 696 109 235	2 371 085 734	2 696 109 235	1 964 637 240

f. INVESTMENT PROPERTIES

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	31 December 2020 ZW$ Restated	30 June 2021 ZW$	31 December 2020 ZW$
At 1 January	1 995 575 481	277 423 578	1 653 496 476	229 867 982
Additions/Improvements	41 465 628	296 175 950	39 205 646	245 405 846
Disposals	-	(5 448 481)	-	(4 514 509)
Fair value gains	-	1 427 424 434	74 578 159	1 182 737 157
Closing balances	2 037 041 109	1 995 575 481	1 767 280 281	1 653 496 476

Investment properties comprise commercial and residential properties that are leased out to third parties and land held for future development. No properties were encumbered.

Rental income amounting to ZW$5 331 591 (2020 – ZW$3 558 751) was received and no operating expenses were incurred on the investment properties in the period due to the net leasing arrangement on the properties.

Measurement of fair value

Fair value hierarchy

The fair value estimate of the Bank's investment properties as at 30 June 2021 was arrived at on the basis of valuations carried out by independent professional valuers, PMA Real Estate (Private) Limited on 31 December 2020. The valuation which conforms to International Valuation Standards, was in terms of the policy as set out in the accounting policies section and was derived with reference to market information close to the date of the valuation.

Level 3

The fair value for investment properties of ZW$2 037 041 109 has been categorised under Level 3 in the fair value hierarchy based on the inputs used for the valuation technique highlighted above.

Measurement of fair value (continued)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The **investment method** Discounted Cash Flows was used to value all income producing properties. The **direct comparison method** was applied on all residential properties.	• Weighted average expected market rental growth (5%); • Void period (average 3 months after the end of each lease); • Occupancy rate (55%); and • Average market yield of 10%.	The estimated fair value would increase /(decrease) if: • expected market rental growth were higher/ (lower); • void periods were shorter/(longer); • the occupancy rates were higher / (lower); and • the risk adjusted discount rates were lower/ (higher).

g. CORPORATE GOVERNANCE AND RISK MANAGEMENT

1. RESPONSIBILITY

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

2. CORPORATE GOVERNANCE

The Bank adheres to some principles of corporate governance derived from the King IV Report, the United Kingdom Combined Code and RBZ corporate governance guidelines. The Bank is cognisant of its duty to conduct business with due care and in good faith in order to safeguard all stakeholders' interests.

3. BOARD OF DIRECTORS

Board appointments are made to ensure a variety of skills and expertise on the Board. Non-executive directors are of such calibre as to provide independence to the Board. The Chairman of the Board is an independent non-executive director. The Board is supported by mandatory committees in executing its responsibilities. The Board meets at least quarterly to assess risk, review performance and provide guidance to management on both operational and policy issues.

The Board conducts an annual peer based evaluation on the effectiveness of its activities. The process involves the members evaluating each other collectively as a board and individually as members. The evaluation, as prescribed by the RBZ, takes into account the structure of the board, effectiveness of committees, strategic leadership, corporate social responsibility, attendance and participation of members and weaknesses noted. Remedial plans are invoked to address identified weaknesses with a view to continually improve the performance and effectiveness of the Board and its members.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2021

3.1 Directors' attendance (NMB Bank Limited Board is the same as the NMBZ Holdings Limited Board)

	Board of Directors		Audit Committee		Risk and Compliance Committee		Asset and Liability Management Committee (ALCO) & Finance Committee		Loans Review Committee		Human Resources, Remuneration and Nominations Committee		Credit Committee		IT & Digital Banking Committee	
Mr. B. A. Chikwanha	2	2									2	2	2	2	2	2
Mr. B. P. Washaya	2	2					2	2					2	2	2	2
Mr. J. de la Fargue	2	2			2	2	2	2			2	2	2	2		
Mr. C. Chikaura	2	2	3	3	2	2	2	2			2	2	2	2		
Mr. J. Tichelaar	2	2					2	2	2	2	2	2			2	2
Mr. B. Ndachena	2	2					2	2								
Ms. S. Chitehwe	2	2	3	3			2	2	2	2					2	2
Ms. J. Maguranyanga	2	2	3	3					2	2	2	2				
Ms. C. Glover	2	2			2	2	2	2	2	2					2	2
Mr. G. Taputaira	2	2	3	3	2	2			2	2					2	2

KEY

Meetings planned	Meetings attended

4. RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Board Asset and Liability Management Committee (ALCO) and Board Risk and Compliance Committee, which are responsible for defining the Group's risk universe, developing policies and monitoring implementation. Risk management is linked logically from the level of individual transactions to the Bank level. Risk management activities broadly take place simultaneously at the following different hierarchy levels:

Risk management is linked logically from the level of individual transactions to the Group level. Risk management activities broadly take place simultaneously at the following different hierarchy levels:

a. Strategic Level: This involves risk management functions performed by senior management and the board of directors. It includes the definition of risk, ascertaining the Bank's risk appetite, formulating strategy and policy for managing risk and establishes adequate systems and controls to ensure overall risk remains within acceptable levels and is adequately compensated.
b. Macro Level: It encompasses risk management within a business area or across business lines. These risk management functions are performed by middle management.
c. Micro Level: This involves "On-the-line" risk management where risks are actually created. These are the risk management activities performed by individuals who assume risk on behalf of the organization such as Treasury Front Office, Corporate Banking, Retail banking etc. The risk management in these areas is confined to operational procedures set by management.

Risk management is premised on four (4) mutually reinforcing pillars, namely:
a. adequate board and senior management oversight;
b. adequate strategy, policies, procedures and limits;
c. adequate risk identification, measurement, monitoring and information systems; and
d. comprehensive internal controls and independent reviews.

4.1 Credit risk

Credit risk is the risk that a financial contract will not be honoured according to the original set of terms. The risk arises when borrowers or counterparties to a financial instrument fail to meet their contractual obligations. The Bank's general credit strategies centre on sound credit granting process, diligent credit monitoring and strong loan collection and recovery. There is a separation between loan collection and recovery. There is a separation between loan granting and credit monitoring to ensure independence and effective management of the loan portfolio. The Board has put in place sanctioning committees with specific credit approval limits. The Credit Management department does the initial review of all applications before recommending them to the Executive Credit Committee and finally the Board Credit Committee depending on the loan amount. The Bank has in place a Board Loans Review Committee responsible for reviewing the quality of the loan book and adequacy or loan loss provisions.

The Bank has automated credit processes from loan origination, appraisal, monitoring and collections. The system has a robust loan monitoring and reporting module which is critical in managing credit risk. In view of the Bank's move into the mass market, retail credit has become a key area of focus. The Bank has put in place robust personal loan monitoring systems and structures to mitigate retail loan delinquencies.

Credit Management

- Responsible for evaluating & approving credit proposals from the business units.
- Together with business units, has primary responsibility on the quality of the loan book.
- Reviewing credit policy for approval by the Board Credit Committee.
- Reviewing business unit level credit portfolios to ascertain changes in the credit quality of individual customers or other counterparties as well as the overall portfolio and detect unusual developments.
- Approve initial customer internal credit grades or recommend to the Credit Committees for approval.
- Setting the credit risk appetite parameters.
- Ensure the Group adheres to limits, mandates and its credit policy.
- Ensure adherence to facility covenants and conditions of sanction e.g. annual audits, gearing levels, management accounts.
- Manage trends in asset and portfolio composition, quality and growth and non-performing loans.
- Manage concentration risk both in terms of single borrowers or group as well as sector concentrations and the review of such limits.

Credit Monitoring and Financial Modelling

- Independent credit risk management.
- Independent on-going monitoring of individual credit and portfolios.
- Triggers remedial actions to protect the interests of the Group, if appropriate (e.g. in relation to deteriorated credits).
- Monitors the on-going development and enhancement of credit risk management across the Group.
- Reviews the Internal Credit Rating System.
- On-going championing of the Basel II methodologies across the Group.
- Ensures consistency in the rating processes and performs independent review of credit grades to ensure they conform to the rating standards.
- Confirm the appropriateness of the credit risk strategy and policy or recommends necessary revisions in response to changes/trends identified.

Credit Administration

- Prepares and keeps custody of all facility letters.
- Security registration.
- Safe custody of security documents.
- Ensures all conditions of sanction are fulfilled before allowing drawdown or limit marking.
- Review of credit files for documentation compliance e.g. call reports, management accounts.

Recoveries
The recoveries unit is responsible for all collections and ensures that the Group maximises recoveries from Non-Performing Loans (NPLs) and loans and advances written off.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2021

4.2 Market risk

This is the exposure of the Bank's on and off balance sheet positions to adverse movement in market prices resulting in a loss in earnings and capital. The market prices will range from money market (interest rate risk), foreign exchange and equity markets in which the bank operates. The Bank has in place a Management Asset and Liability Committee (ALCO) which monitors market risk and recommends the appropriate levels to which the Bank should be exposed at any time. Net Interest Margin is the primary measure of interest rate risk, supported by periodic stress tests to assess the Bank's ability to withstand stressed market conditions. On foreign exchange risk, the bank monitors currency mismatches and makes adjustments depending on exchange rate movement forecast. The mismatches per currency are contained within 5% of the Bank's capital position.

ALCO meets on a monthly basis and operates within the prudential guidelines and policies established by the Board ALCO. The Board ALCO is responsible for setting exposure thresholds and limits, and meets on a quarterly basis.

4.3 Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability of the Bank to fund asset increases or meet obligations as they fall due without incurring unacceptable costs or losses. The Bank identifies this risk through maturity profiling of assets and liabilities and assessment of expected cash flows and the availability of collateral which could be used if additional funding is required.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Board ALCO.

The key measure used by the bank for managing liquidity risk is the ratio of net liquid assets to deposits to customers. The Bank also actively monitors its loans to deposit ratio against a set threshold in a bid to monitor and limit funding risk. The Bank monitors funding concentration risk by reviewing the ratio of top 20 depositors to the total funding. Funding mix is also monitored by monitoring the contribution of wholesale and demand deposits to the total funding for the bank. Liquidity risk is monitored through a daily liquidity meeting. This is augmented by a monthly management ALCO and a quarterly board ALCO.

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. The Bank monitors its liquidity ratio in compliance with Banking Regulations to ensure that it is not less than 30% of the liabilities to the public. Liquid assets consist of cash and cash equivalents, short term bank deposits and unencumbered liquid investment securities available for immediate sale.

4.4 Operational risk

This risk is inherent in all business activities and is the risk of loss arising from inadequate or failed internal processes, people, systems or from external events. The Bank utilises monthly Key Risk Indicators to monitor operational risk in all units. Further to this, the Bank has an elaborate Operational Loss reporting system in which all incidents with a material impact on the well-being of the Bank are reported to risk management. The risk department conducts periodic risk assessments on all the units within the Bank aimed at identifying the top risks and ways to minimise their impact. There is a Board Risk and Compliance Committee whose function is to ensure that this risk is minimized. The Committee, with the assistance of the internal audit function and the Risk Management department assesses the adequacy of the internal controls and makes the necessary recommendations to the Board.

4.5 Legal and compliance risk

Legal risk is risk from uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts, laws or regulations. Legal risk may entail such issues as contract formation, capacity and contract frustration. Compliance risk is the risk arising from non - compliance with laws and regulations. To manage this risk, permanent relationships are maintained with firms of legal practitioners and access to legal advice is readily available to all departments. The Bank has an independent compliance function which is responsible for identifying and monitoring all compliance issues and ensures the Bank complies with all regulatory and statutory requirements.

4.6 Reputational risk

Reputation risk is the risk of loss of business as a result of negative publicity or negative perceptions by the market with regards to the way the Bank conducts its business. To manage this risk, the Bank strictly monitors customers' complaints, continuously train staff at all levels, conducts market surveys and periodic reviews of business practices through its Internal Audit department. The directors are satisfied with the risk management processes in the Bank as these have contributed to the minimisation of losses arising from risky exposures

4.7 Strategic risk

This refers to current and prospective impact on a Bank's earnings and capital arising from adverse business decisions or implementing strategies that are not consistent with the internal and external environment. To manage this risk, the Bank always has a strategic plan that is adopted by the Board of Directors. Further, attainment of strategic objectives by the various departments is monitored periodically at management level.

4.8 Risk Ratings

4.8.1 Reserve Bank of Zimbabwe Ratings

The Reserve Bank of Zimbabwe conducted an onsite inspection on the Bank in the last quarter of 2016 and detailed below were the final ratings.

4.8.1.1 CAMELS* Ratings

CAMELS Component	Latest RBS** Ratings 24/11/2016	Previous RBS Ratings 30/06/2013	Previous RBS Ratings 31/01/2008
Capital Adequacy	2	2	4
Asset Quality	3	4	2
Management	3	3	3
Earnings	2	2	3
Liquidity	3	2	3
Sensitivity to Market Risk	2	2	3
Composite Rating	3	3	3

*CAMELS is an acronym for Capital Adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to Market Risk. CAMELS rating system uses a rating scale of 1-5, where '1' is Strong, '2' is Satisfactory, '3' is Fair, '4' is Weak and '5' is Critical.

**RBS stands for Risk-Based Supervision.

4.8.1.2 Summary RAS ratings

RAS Component	Latest RAS*** Ratings 24/11/2016	Previous RAS Ratings 30/06/2013	Previous RAS Ratings 31/01/2008
Overall Inherent Risk	High	Moderate	Moderate
Overall Risk Management Systems	Acceptable	Acceptable	Acceptable
Overall Composite Risk	Moderate	Moderate	Moderate
Direction of Overall Composite Risk	Stable	Stable	Stable

*** RAS stands for Risk Assessment System.

NMB BANK LIMITED

Registered Commercial A Member of The Deposit Protection Scheme

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
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4.8.1.3 Summary risk matrix – 24 November 2016 on - site examination

Type of Risk	Level of Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit	High	Acceptable	High	Stable
Liquidity	High	Acceptable	High	Stable
Interest Rate	Moderate	Acceptable	Moderate	Stable
Foreign Exchange	Low	Acceptable	Low	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	Moderate	Acceptable	Moderate	Stable
Legal & Compliance	Moderate	Acceptable	Moderate	Stable
Reputation	High	Acceptable	Moderate	Stable
Overall	Moderate	Acceptable	Moderate	Stable

KEY

High	Moderate	Low

Level of Inherent Risk

Level of Inherent Risk

Low – reflects a lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the banking institution's overall financial condition.

Moderate – could reasonably be expected to result in a loss which could be absorbed by a banking institution in the normal course of business.

High – reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the banking institution.

Adequacy of Risk Management Systems

Weak – risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written policies and procedures.

Acceptable – management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognised and are being addressed. Management information systems are generally adequate.

Strong – management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place.

The policies comprehensively define the bank's risk tolerance, responsibilities and accountabilities are effectively communicated.

Overall Composite Risk

Low – would be assigned to low inherent risk areas. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk.

Moderate – risk management systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment.

On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organisation.

High – risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the bank's overall condition.

Direction of Overall Composite Risk

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

4.9.2 External Credit Ratings

The external credit ratings were given by Global Credit Rating (GCR), a credit rating agency accredited with the Reserve Bank of Zimbabwe.

Security class	2021	2020
Long term	-	-

The previous rating which was due to expire in August 2020 was withdrawn by GCR on 23 June 2020 following the Bank's waiver of external ratings.

The Bank is currently in the process of renewing its external ratings following the lifting of the above-mentioned waiver by the Reserve Bank of Zimbabwe.

4.10 Regulatory Compliance

There were no instances of regulatory non-compliance in the period under review. The Bank remains committed to complying with and adhering to all regulatory requirements.

5. CAPITAL MANAGEMENT

The primary objective of the Bank's capital management is to ensure that the Bank complies with the RBZ requirements. In iThe primary objective of the Bank's capital management is to ensure that the Bank complies with the RBZ requirements. In implementing the current capital requirements, the RBZ requires the Banking subsidiary to maintain a prescribed ratio of total capital to total risk weighted assets.

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings (including current year profit) and other equity reserves.

The other component of regulatory capital is Tier 2 capital, which includes subordinated term debt, revaluation reserves and portfolio provisions.

Tier 3 capital relates to an allocation of capital to market and operational risk.

Various limits are applied to elements of the capital base. The core capital (Tier 1) shall comprise not less than 50% of the capital base and the regulatory reserves and portfolio provisions are limited to 1.25% of total risk weighted assets.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the six months ended 30 June 2021

5. CAPITAL MANAGEMENT

The Bank's regulatory capital position at 30 June was as follows:

	Inflation Adjusted		Historical Cost	
	30 June 2021 ZW$	31 December 2020 ZW$ Restated	30 June 2021 ZW$	31 December 2020 ZW$
Share capital	876 543	876 543	16 506	16 506
Share premium	1 554 009 703	1 554 009 703	31 474 502	31 474 502
Retained earnings	2 072 007 854	1 829 184 730	2 678 838 199	2 142 925 978
Functional currency translation reserve	347 014 179	347 014 179	11 619 648	11 619 648
	3 973 108 491	3 731 085 155	2 721 948 855	2 186 036 634
Less: capital allocated for market and operational risk	(348 799 518)	(232 336 847)	(348 799 518)	(192 509 961)
Tier 1 capital	3 803 348 231	3 498 748 308	2 373 149 337	1 993 526 673
Tier 2 capital (subject to limit as per Banking Regulations)	990 399 958	923 433 420	1 286 579 457	1 162 890 431
Fair valuation gains on land and buildings	806 356 018	806 356 018	1 116 228 958	1 067 266 442
Subordinated debt	-	-	-	-
Stage 1 & 2 ECL provisions – (limited to 1,25% of risk weighted assets)	184 043 940	117 077 402	170 350 499	95 623 989
Tier 1 & 2 capital	4 615 508 450	4 422 181 728	3 659 728 794	3 156 417 104
Tier 3 capital (sum of market and operational risk capital)	348 799 518	232 336 847	348 799 518	192 509 961
Total capital base	4 964 307 968	4 654 518 575	4 008 528 312	3 348 927 065
Total risk weighted assets	14 723 515 232	9 182 765 971	13 628 039 914	7 649 919 150
Tier 1 ratio	24.62%	38.10%	17.41%	26.06%
Tier 2 ratio	6.73%	10.06%	9.44%	15.20%
Tier 3 ratio	2.37%	2.53%	2.56%	2.52%
Total capital adequacy ratio	33.72%	50.69%	29.41%	43.78%
RBZ minimum required	12.00%	12.00%	12.00%	12.00%

6. GEOGRAPHICAL INFORMATION

The Bank operates in one geographical market, Zimbabwe.

Registered Offices

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To the Shareholders of NMBZ Holdings Limited

Report on the review of the interim condensed inflation adjusted consolidated financial statements

Introductions

We have reviewed the accompanying interim condensed inflation adjusted consolidated financial statements of NMBZ Holdings Limited ("the Group") , as set out on pages 9 to 86 , which comprise the interim condensed inflation adjusted consolidated statement of financial position as at 30 June 2021 and the related interim condensed inflation adjusted consolidated statement of profit or loss and other comprehensive income, the interim condensed inflation adjusted statement of changes in equity and the interim condensed inflation adjusted consolidated statement of cash flows for the six-month period then ended and explanatory notes.

Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the Internal Financial Reporting Standards. Our responsibility is to express a review conclusion on this interim condensed inflation adjusted consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified review conclusion

Impact of prior year modification on current period

As explained in Note 2.5.6 to the interim condensed consolidated inflation adjusted financial statements, the Bank changed its functional and reporting currency from United States Dollar (US$) to Zimbabwe Dollars (ZWL) on 22 February 2019 in compliance with Statutory Instrument 33 of 2019.

Our most recent year end audit report was modified due to the impact of an incorrect date of change in functional currency. We believed that the change occurred on 1 October 2018 in terms of IAS21 given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019.

On date of change in functional currency, management translated elements on the financial statements using different exchange rates which resulted in a misbalance which was recorded directly in equity as a functional currency translation reserve of ZWL 347 014 179. This is not in line with the requirements of IFRS.

Further contributing to the adverse opinion was the use of inappropriate exchange rates which did not meet IAS21 requirements for a spot rate from 22 February 2019 to 22 June 2020.

The valuation of investment properties, freehold land and buildings as at 31 December 2020 was not appropriate given the use of USD inputs and resultant translation to ZWL. We were however not able to quantify the impact as the appropriate inputs could not be determined.

Lastly, we disagreed with the treatment of prepayment to the Reserve Bank of Zimbabwe towards the settlement of legacy debts as a USD denominated amount monetary asset to be translated using the prevailing exchange rate at period end. This was incorrect as this payment did not meet the definition of foreign currency as per IAS 21

Management has not made retrospective adjustments in terms of *IAS 8 – Accounting Polices, Changes in Accounting Estimates and* Errors to correct the above matters. Consequently, many corresponding amounts on the interim condensed consolidated inflation adjusted financial statements are misstated, impacting comparability of the current period numbers.

These matters continue to impact the following balances on the interim condensed consolidated inflation adjusted Statement of Financial Position as they still comprise of amounts from opening balances: ZWL1 722 774 082 included in Property and equipment of ZWL2 294 954 607, Retained earnings of ZWL2 697 430 213 and Revaluation reserves of ZWL806 356 018.

As opening balances enter into the determination of financial performance, our half year conclusion is modified in respect of the impact of these matters on depreciation expense of ZWL 70 646 807 included in operating expenses stated at ZWL 1 283 729 775 and deferred tax of ZWL 97 178 709 stated as part of Tax expense of ZWL 321 346 269 in the interim condensed consolidated inflation adjusted Statement of Profit or Loss and other comprehensive income. Consequently, movements in the interim condensed consolidated inflation adjusted Statement of Changes in equity and interim condensed consolidated inflation adjusted Statement of Cashflows are impacted.

Valuation of investment properties, freehold land and buildings

The Group's investment properties and freehold land and buildings are carried at ZWL 2 037 041 109 (December 2020: ZWL 1 995 575 481) and ZWL1 722 774 082 (December 2020: ZWL 1 740 361 504) respectively as at 30 June 2021. At the interim reporting date of 30 June 2021, the Group restated the balances as at 31 December 2020 using the Consumer Price Index (CPI) and no evaluations of the fair values at this date were carried out. Due to the changes observed in the economic environment during the period, as is required by IAS 16 "Property, plant and equipment" and IAS 40 "Investment Properties", a revaluation exercise was necessary for all entities that are on the revaluation and fair value model. The Group made restatements per IAS 29 "Financial Reporting in Hyperinflationary Economies" on the balances whose outcome was inappropriate at 31 December 2020 and had the fair values been determined at the reporting date, the amounts reported in the interim condensed consolidated inflation adjusted financial statements may have been materially different. We are unable to determine what adjustments may be necessary to correctly account for these amounts.

Accounting for blocked funds

Included in Loans, advances and other assets of ZWL6 591 036 749 (December 2020: ZWL4 836 268 102) on Note 16 to the interim condensed consolidated inflation adjusted interim financial statements for the year ended 30 June 2021 are local balances denominated in the Bank's functional currency.

Of this, local balances amounting to ZWL13 840 412 (December 2020:ZWL 13 840 412) which are held with the central bank have been treated as foreign currency and translated at the foreign auction exchange rate of 30 June 2021 in contravention of IAS 21 which defines 'foreign currency' as a currency other than the functional currency of the entity resulting in an overstatement of the balance. The misstatement also impacts the net foreign exchange gains in the statement of comprehensive income of ZWL71 628 617 (June 2020: ZWL275 125 362). Our prior year audit report was also modified due to this matter.

Our conclusion on the current period's interim condensed consolidated inflation adjusted financial statements is also modified because of the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures

Consequential impact on IAS29 - Financial Reporting in Hyperinflationary Economies

Furthermore, notwithstanding that IAS 29 has been applied correctly, it is noted that its application was based on prior and current periods' interim condensed consolidated inflation adjusted financial statements which was not in compliance with *IAS 21 / IAS 8* as described above. Had the correct base numbers been used, the above stated accounts would have been materially different. Consequently, the monetary gains or losses of ZWL 33 933 440 on the interim condensed consolidated inflation adjusted Statement of profit or loss and other comprehensive income are impacted.

The effects of the above departures from IFRS are material but not pervasive to the interim condensed consolidated inflation adjusted financial statements.

Qualified review conclusion

Based on our review, with the exception of the matters described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated inflation adjusted financial statements do not present fairly, in all material respects, in accordance with International Financial Reporting Standards.

The engagement partner on the review engagement resulting in this review conclusion report on the interim condensed inflation adjusted consolidated financial statements is Mr Walter Mupanguri (PAAB Practicing Certificate Number 367).

Ernst & Young.

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Audit

Harare

8 September 2021