First Capital BANK

Audited Financial Results
For the year ended 31 December 2021

Chairman's Statement

Operating Environment:
Zimbabwe's Gross Domestic Product (GDP) is reported to have grown by 7.8% in 2021 spurred by strong performance in the agriculture and mining sectors. This is despite the presence of structural challenges, particularly in the payments and currency management systems, which exerted negative pressure on the economy. The local currency depreciated by 33% against the United States of America dollar (US$) on the official foreign exchange auction system whilst the margin quoted on the parallel market increased rapidly in the last quarter. This was against the backdrop of a substantial funding backlog for allocated foreign exchange auctions.

Inflation peaked at 362.6% year-on-year in January 2021, before receding to close the year at 60.7%, reflecting general improvement in economic sentiments. Monetary authorities continued to grapple with the oversupply of liquidity on the market and, since June 2021, resorted to the issuance of 0% Coupon Non-Negotiable Certificates of Deposit in order to sterilise excess liquidity. This impinged on the daily tactical management of out-bound settlements and slowed down the rate of asset creation for the Bank.

A bullish outturn was reported on the capital markets with the level of capitalisation on the Zimbabwe Stock Exchange having posted an increase of 315% for the full year.

Intermittent restrictions and business lockdowns implemented by the Government and health authorities to curtail the spread of the COVID-19 health and social pandemic slowed down economic growth momentum. Government's efforts towards the development of sustainable social and business environments through the achievement of herd immunity in the wake of the pandemic saw a total of 7,259,546 vaccination doses having been administered by 31 December 2021.

Earnings Performance:
The Bank's performance remained solid despite the persistence of macro-economic fragility, with an increase in inflation adjusted profit of 342% having been realised during the period under review. The financial outturn is discussed in more detail in the Managing Director's Report.

Capital Requirements:
At the level of US$75m, I am pleased to advise that the Bank comfortably met the minimum capital requirements for Tier 1 banks which was set at the Zimbabwe dollar equivalent of US$30m, reckoned at the official rate, as at 31 December 2021. Capital preservation will however remain a strategic priority given the sensitivity arising from increased volatility in the exchange rate. To this end, the Bank will continue to explore investment options that are capable of hardening the balance sheet.

Dividends:
The Board has declared a final dividend of ZW$38.61 cents per share. This brings the total dividend for the year ended 31 December 2021 to ZW$43.61 cents per share. A detailed dividend announcement will be published separately.

Governance & Board Changes:
During the year, Mr Mike Twigger resigned from the Board with effect from 22 April 2021. On behalf of the Board, I extend our appreciation to Mike for his leadership, insight and commitment during the transition from Barclays to First Capital Bank. Mr Mahendra Gursahani was appointed as a non-executive director in the first quarter of 2021. I look forward to the valuable skills, expertise and experience he brings across a wide range of areas, including technology.

At the executive level, Mr Taitos Mukuku left the Bank on 1 October 2021 to pursue other opportunities after serving the Bank for more than ten years, two of which were as Chief Finance Officer. We wish him well in his new endeavours. Mr Fanuel Kapanje was appointed to the Board as Chief Finance Officer and Executive Director with effect from 2 December 2021.

The Board comprises a carefully selected team that offers the necessary diversity of skills, experience and outlook to ensure accountability and drive strategic thinking.

Outlook:
The tight monetary policy regime is expected to persist in the medium term in order to stem inflation in the wake of increased infrastructure and social spending by Government. Against this background, the Bank will exercise caution in its balance sheet expansion to ensure that a sufficient buffer is maintained on its capital and liquidity position in order to accommodate stress factors. Quality of assets will remain a focal point whilst opportunity will be taken to participate in the stimulation of activity in growth sectors of the economy.

Conclusion:
I wish to thank our customers and other stakeholders for their continued support. I extend my appreciation to fellow directors, management and staff for their sterling efforts during the year under review.

Patrick Devenish
Chairman

30 March 2022

Managing Director's Report

Introduction:
The Zimbabwean economy remained in hyperinflation during the year under review. Consequently, the primary financial statements have been adjusted for inflation in terms of International Accounting Standard 29 – ***Financial Reporting in Hyperinflationary Economies.*** Historical financial information has been provided for information purposes only.

Performance Outturn:
The Bank recorded an increase in total income in real terms at 39%, to close the year on ZW$7.5b against ZW$5.4b in 2020. This was underpinned by a positive outturn in core business revenues, representing a strong quality of earnings and improved sustainability of operations.

Net interest income increased by 96% on the back of a 235% growth in interest earning assets. Net commissions and fees increased by 33% representing the effect of increased customer transactions and moderate fee adjustments.

With some modicum of exchange rate stability having been exhibited for the greater part of the year on the back of the foreign exchange auction system, net trading and foreign exchange income receded by 52% during the year under review. Fair value gains on investment property recognised during the year at ZW$0.8b constituted 11% of total income compared to a loss of ZW$0.05b in 2020.

Loan impairment charges reduced by 57% reflecting the quality of our loan book. However, this is against a non-performing loans ratio of 1% on 31 December 2021 which compared to 0.16% at the end of 2020.

Operating expenses increased by 35% in real terms with a cost to income ratio of 58% being achieved against 60% in the prior year. The management of costs remains a key area against the background of continuing inflationary pressures.
The Bank's share of operations from a joint venture entity which owns a property in the hospitality sector amounted to ZW$1.5b, turning around from a loss of ZW$0.2b in 2020, this being largely driven by the revaluation of underlying assets.

A profit after tax amounting to ZW$3.4b was posted in 2021, increasing from ZW$0.8b in 2020.

Net gains through other comprehensive income amounted to ZW$1.9b in 2021 compared to a loss of ZW$0.2b in 2020, representing the valuation uplift on properties and other assets.

Meanwhile, total assets grew by 30.5% from ZW$23.2b as at 31 December 2020 to ZW$30.3b as at 31 December 2021. This is driven by the joint impact of real growth on core business assets and revaluation adjustments on fixed properties and investments. Loans and advances increased by 88% from ZW$3.8b as at 31 December 2020 to ZW$7.1b as at 31 December 2021. The growth in interest earning assets was supported by a 15.7% real growth in deposits from ZW$14.2b as at 31 December 2020 to ZW$16.4b as at 31 December 2021.

The loans to deposit ratio closed at 44% whilst liquidity ratios were maintained above 45% throughout the year, exhibiting prudent balance sheet management in an otherwise challenging operating environment.

Operations Update and Outlook:
General system stability improved during the year due to the continuation of an investment program that has given impetus to the roll out of digital experience to all customers.

During the year under review a new WhatsApp Banking platform, Alisa, was launched whilst customers were enabled to access Internet Banking and Mobile App using a reverse billing model in order to improve access and convenience.
In order to facilitate better access to cash, local and foreign currencies, the Bank increased its network of Automated Teller Machines in service whilst Bureau De Change services were rolled out across the network.

Security enhancements were implemented on the VISA platform to give transacting customers a higher level of security assurance. Going forward, the Bank is expecting to roll out a new Internet Banking and Mobile Application with even better functionality during the first half of 2022.

Talent Management:
Total staff complement at the end of the year was 509, with permanent employees constituting 86% whilst 14% were employed on fixed term contracts. Industrial relations were cordial throughout the year with a high response rate being posted on the employee engagement survey. The attrition rate during the year remained within acceptable limits notwithstanding the challenges posed by the operating environment.

Our staff acquitted themselves with distinction during the year as they continued to provide uninterrupted service to customers despite heightened risk occasioned by the COVID-19 pandemic.

Citizenship:
The Bank continued with its social investment program with focus during 2021 being around Capacity Building programs which included the following:
a) Global Money Week - This equipped the youths with financial literacy skills to prepare them for prudent financial decision making as they grow. More than 1200 youths were trained.
b) Mentorship Programme – The Bank partnered with Junior Achievement Zimbabwe (JAZ) to train more than 40 out-of-school beneficiaries on skills required in an effort to create alternative income generating opportunities in an environment in which employment opportunities are limited.
c) Virtual Financial Literacy Mentorship Programme - This was an online programme to upskill youths in High School with basic financial literacy skills. More than 100 participants attended the program.

Appreciation:
I would like to extend my sincere thanks to our customers for the confidence they demonstrated in us. On behalf of the team, I continue to give you our commitment to do more for you in terms of products, service and efficiency.

I am very grateful to the Board for its continued support and counsel.

Lastly, I extend my gratitude to all our staff for the their commitment, professionalism and hard work that have enabled us to post a strong set of results in 2021 and for remaining steadfast in these challenging times.

Ciaran McSharry
Managing Director

30 March, 2022

Corporate Governance Statement

The Board of Directors of First Capital Bank Limited ("the Board/First Capital Bank") is committed to and recognises the importance of strong governance practices. The Board understands that a comprehensive corporate governance framework is vital in supporting executive management in its execution of strategy and in driving long term sustainable performance. In order to achieve good governance, the Board subscribes to principles of international best practice in corporate governance as guided by, among others, the Banking Act [Chapter 24:20], the Companies and other Business Entities Act [Chapter 24:31], the Reserve Bank of Zimbabwe Corporate Governance Guideline No.1 of 2004, the Zimbabwe Stock Exchange Listing Rules, SI134/2019 and the Zimbabwe National Code on Corporate Governance.

The Board continuously reviews its internal governance standards and practices, to ensure that it modifies and aligns them with local and international corporate governance requirements as appropriate. As part of its continuing efforts to achieve good governance, the Board promotes the observance of the highest standards of corporate governance in First Capital Bank and ensures that this is supported by the right culture, values and behaviours from the top down. First Capital Bank is committed to the principles of fairness, accountability, responsibility and transparency. To this end, the Board is accountable to its shareholders and all its stakeholders including the Bank's employees, customers, suppliers, regulatory authorities and the community from which it operates through transparent and accurate disclosures.

Board responsibilities
The Board is responsible for setting the strategic direction of the Bank as well as determining the way in which specific governance matters are approached and addressed, approving policies and plans that give effect to the strategy, overseeing and monitoring the implementation of strategy by management and ensuring accountability through among other means adequate reporting and disclosures. The Board is guided by the Board Charter in the execution of its mandate. The roles of the Board Chairman and that of the Managing Director are separate and clearly defined and the Board ensures a division of responsibilities at all times to achieve a balance of authority and power so that no one individual has unfettered decision making powers.

Board Chairman and non-executive directors
The Board of directors is led by an independent non-executive Chairman, whose primary duties include providing leadership of the Board and managing the business of the Board through setting its agenda, taking full account of issues and concerns of the Board, establishing and developing an effective working relationship with the Executive directors, driving improvements in the performance of the Board and its committees, assisting in the identification and recruitment of talent to the Board, managing performance appraisals for directors including oversight of the annual Board effectiveness review and proactively managing regulatory relationships in conjunction with management. In addition, the non-executive directors proactively engage with the Bank's management to challenge and improve strategy implementation, counsel and support to management and to test and challenge the implementation of controls, processes and policies which enable risk to be effectively assessed and managed.

The Chairman works together with the non-executive directors to ensure that there are effective checks and balances between executive management and the Board. The majority of the Board members are independent non-executive directors which provide the necessary independence for the effective discharge of the Board's duties and compliance with regulatory requirements.

Executive directors
The executive management team is led by the Managing Director. Management's role is to act as trustees of the shareholder's capital. Their main responsibilities include reporting to the Board on implementation of strategy, effectiveness of risk management and control systems, business and financial performance, preparation of financial statements and on an ongoing basis, keeping the Board fully informed of any material developments affecting the business.

Directors' remuneration
The Board Remuneration Committee sets the remuneration policy and approves the remuneration of the executive directors and other senior executives as well as that of the non-executive directors. The remuneration package of executive directors includes a basic salary and a performance bonus which is paid based on the performance of the company as well as that of the individual. The Bank also has in place a share option scheme, meant to be a long term retention incentive for employees.

Board diversity
The First Capital Bank Board recognises the importance of diversity and inclusion in its decision making processes. The Board is made up of five independent non-executive directors, three non-executive directors and two executive directors. Three members of the Board (30%) are female. The Board members have an array of experience in commercial and retail banking, accounting, legal, corporate finance, marketing, business administration, economics, human resources management and executive management.

Access to information
Openness and transparency are key enablers for the Board to discharge its mandate fully and effectively. The non-executive directors have unrestricted access to all relevant records and information of the Bank as well as to management. Further, the Board is empowered to seek any professional advice or opinion it may require to allow for the proper discharge of its duties.

Share Dealings / Insider trading
The directors, management and staff of First Capital Bank are prohibited from dealing in the company's shares whether directly or indirectly, during "closed periods" which are the periods that are a month before the end of the interim or full year reporting period until the time of the publication of the interim or full year results.

Further, directors, management and staff are prohibited from dealing in the company's shares whenever the company is going through certain corporate actions or when they are in possession of non-public information that has the potential of impacting the share price of the company.

Communication with stakeholders
First Capital Bank communicates with its stakeholders through various platforms including the Annual General Meeting, analyst briefings, town halls, press announcements of interim and full year financial results, notices to shareholders and stakeholders and annual reporting to shareholders and stakeholders. The Board and management of First Capital Bank also actively engage regulatory authorities including the Reserve Bank of Zimbabwe, the Zimbabwe Stock Exchange and the Deposit Protection Corporation.

Internal Audit
First Capital Internal Audit is an independent control function which supports the business by assessing how effectively risks are being controlled and managed. It works closely with the business helping drive improvements in risk management. This is done through reviewing how the business undertakes its processes as well as reviewing systems used by the business. The internal audit function reports its findings to management and guides them in making positive changes to business processes, systems and the control environment. The Internal Audit function also monitors progress to ensure management effectively remediates any internal control weaknesses identified as quickly as possible.

The First Capital Bank Head of Internal Audit reports directly to the Chairman of the Board Audit Committee and administratively to the Managing Director.

Corporate Governance Statement (continued)

Declaration of interest
The Board of First Capital Bank believes in the observance of ethical business values from the top to the bottom. To this end, the Board has in place a policy that manages conflict of interest including situational and transactional conflict. Directors disclose their interests on joining the Board and at every meeting of the directors they disclose any additional interests and confirm or update their declarations of interest accordingly.

Ethics
In our endeavour to instil a culture of sound business ethics, all employees and directors are requested to attest to an Anti-Bribery and Corruption declaration which essentially seeks to ensure that our directors, management and staff observe the highest standards of integrity in all their dealings and at all times. The Bank has a zero tolerance policy to bribery and corruption. In addition, the business has a whistle-blowing facility managed by Deloitte through which employees can raise any concerns they may have anonymously.

Director induction and development
Board conformance and performance is enhanced through continuous learning. As part of its learning program, the Board has in place a comprehensive induction plan for on-Boarding new directors. Further, as part of continuing director development, Board members attend director training programs.

Board activities
The Board of Directors held four Board meetings in the year 2021, one strategy review meeting and a Board evaluation review meeting. Each Board Committee held at least four quarterly meetings. The areas of focus included the setting of strategic direction, the review of strategy and business operations, business continuity in light of the COVID-19 pandemic and the attendant lockdowns, credit sanctioning as per approved limits, review of internal controls and financial reports, review of the quality of the loan book, review and oversight of the Bank's risk management processes and oversight of the recruitment, remuneration and performance reviews of senior management. A table detailing director's attendance of meetings during 2021 is shown in the last part of this report.

Board and director evaluation
The Board conducts an annual evaluation process which assesses the performance and effectiveness of individual directors, the Board Chairman, Committees and overall performance of the Board. This process is facilitated by an external party to allow for objectivity. The evaluation process involves directors completing evaluation questionnaires and having one on one meeting with the facilitator. The results of the evaluation are collated, a report is produced and feedback provided to the Board. The Board also submits the evaluation report to the Reserve Bank of Zimbabwe. The Board conducted its evaluation for the year ended 2021 and a report was submitted to the RBZ. Board performance and evaluation was rated as strong by directors.

Board committees
The Board has delegated some of its duties and responsibilities to sub-committees to ensure the efficient discharge of the Board's mandate. The ultimate responsibility of running the Bank however still remains with the Board. The subcommittees of the Board are regulated by terms of reference which are reviewed every year or as and when necessary. The Committees meet at least once every quarter and are all chaired by Independent non-executive directors as detailed below.

Audit Committee
The primary functions of the Committee are to oversee the financial management discipline of the Bank, review the Bank's accounting policies, the contents of the financial reports, disclosure controls and procedures, management's approach to internal controls, the adequacy and scope of the external and internal audit functions, compliance with regulatory and financial reporting requirements, oversee the relationship with the Bank's external auditors, as well as providing assurance to the Board that management's control assurance processes are being implemented and are complete and effective. At each meeting, the Committee reviews reported and noted weaknesses in controls and any deficiencies in systems and the remediation plans to address them. The Committee also monitors the ethical conduct of the Bank, its executives and senior officers and advises the Board as to whether or not the Bank is complying with the aims and objectives for which it has been established. During the period under review, there were no material losses as a result of internal control breakdowns.

The committee is wholly comprised of independent non-executive directors. The members of the Committee as at 31 December 2021 were:-
A. Chinamo (Chairperson)
T. Moyo
K. Terry

Board Credit Committee
The Board Credit Committee is tasked with the overall review of the Bank's lending policies. At each meeting, the Committee deliberates and considers loan applications beyond the discretionary limits of management. It ensures that there are effective procedures and resources to identify and manage irregular or problem credit facilities, minimize credit loss and maximize recoveries. It also directs, monitors, reviews and considers all issues that may materially impact on the present and future quality of the Bank's credit risk management.

The Committee comprises three non-executive directors. The members of the Committee as at 31 December 2021 were:-
K. Terry (Chairperson)
H. Anadkat
K. Naik

Loans Review Committee
This Committee has the overall responsibility for the complete review of the quality of the Bank's loan portfolio to ensure that the lending function conforms to sound lending policies and keeps the Board and management adequately informed on noted risks. It assists the Board with discharging its responsibility to review the quality of the Bank's loan portfolio. At every meeting, it reviews the quality of the loan portfolio with a view to ensuring compliance with the banking laws and regulations and all other applicable laws as well as internal policies.

The Committee comprises three non-executive directors. The members of the Committee as at 31 December 2021 were:-
T. Moyo (Chairperson)
A. Chinamo
S.N. Moyo

Human Resources and Nominations Committee
The Human Resources and Nominations Committee assists the Board in the review of critical personnel issues as well as acting as a Remuneration and Terminal Benefits Committee. The Committee reviews and approves overall recommendations on employee remuneration as well as approving managerial appointments. The Committee ensures that the remuneration of directors is in line with the nature and size of the operations of the Bank as well as the Banks performance. In addition, the Committee also considers nominations to the Board and succession planning for the Board.

The Committee comprises three non-executive directors. The members of the Committee as at 31 December 2021 were:-
K. Naik (Chairperson)
P. Devenish
H. Anadkat

Board Risk Committee
The Board Risk Committee is charged with the responsibility to oversee the Bank's overall enterprise risk environment under three broad areas of Operational Risk, Credit Risk Management and Market Risk. These are controlled and managed independently from risk-taking functions and other committees of the Bank. The committee is responsible for the policies and procedures designed to monitor, evaluate and respond to risk trends and risk levels across the Bank ensuring that they are kept within acceptable levels.

The Committee comprises three non-executive directors. As at 31 December 2021 members of the committee were:-
S. N. Moyo (Chairperson)
A. Chinamo
M. Gursahani

Board IT Committee
The Board IT Committee is a committee of the Board, established to have strategic oversight and governance of the Company's strategic investment in IT, as well as data protection and information management.

The Committee comprises two non-executive directors and an executive director. As at 31 December 2021, the Committee was made up of the following members:-
K. Terry (Chairperson)
T. Moyo
M. Gursahani
C. McSharry

In addition to the Board Committees, management operates through a number of committees including the Executive Management Committee and the Assets and Liabilities Committee. The Committees terms of reference are as below.

Executive Committee (EXCO)
The Executive Committee is the operational management forum responsible for the delivery of the Bank's operational plans. The Executive Committee acts as a link between the Board and management and is responsible for implementation of operational plans, annual budgeting and periodic review of strategic plans, as well as identification and management of key risks. The Executive Committee also reviews and approves guidelines for employee remuneration. The Executive Committee assists the Managing Director to manage the Bank, to guide and control the overall direction of the business of the Bank and acts as a medium of communication and co-ordination between business units and the Board. The Committee comprises of executive directors and senior management.

Assets and Liabilities Committee (ALCO)
ALCO is tasked with ensuring the achievement of sustainable and stable profits within a framework of acceptable financial risks and controls. The Treasury Committee ensures maximization of the value that can be generated from active management of the Bank's balance sheet and financial risk within agreed risk parameters. It manages the funding and investment of the Bank's balance sheet, liquidity and cash flow, as well as exposure of the Bank to interest rate, exchange rate, market and other related risks. It ensures that the Bank adopts the most appropriate strategy in terms of the mix of assets and liabilities given its expectation of the future and potential consequences of interest rate movements, liquidity constraints foreign exchange exposure and capital adequacy. It also ensures that strategies conform to the Bank's risk appetite and level of exposure as determined by the Risk Management Committee. The Committee comprises executive directors and heads of functions key to the proper discharge of the Committee's responsibilities.

Board and Committees attendance 2021

Main Board			
Name	Total Meetings	Present	Absent**
P. Devenish	4	4	Nil
T. Moyo	4	4	Nil
M. Twigger*	1	0	1
S. N. Moyo	4	4	Nil
H. Anadkat	4	4	Nil
K. Terry	4	4	Nil
K. Naik	4	4	Nil
A. Chinamo	4	4	Nil
M Gursahani*	4	4	Nil
C. McSharry	4	4	Nil
T. Mukuku*	3	3	Nil
F. Kapanje*	0	0	Nil

*M. Gursahani was appointed to the Board with effect from 11 January 2021.
*M. Twigger resigned from the Board with effect from 22 April 2021.
*T. Mukuku resigned from the Board on 1 October 2021.
*F. Kapanje was appointed to the Board with effect from 2 December 2021.

Audit committee

Name	Total Meetings	Present	Absent**
A. Chinamo	7	7	Nil
T. Moyo	7	7	Nil
K. Terry	7	7	Nil

Human resources & nominations committee

Name	Total Meetings	Present	Absent
K. Naik	4	4	Nil
P. Devenish	4	4	Nil
H. Anadkat	4	4	Nil

Loans review committee

Name	Total Meetings	Present	Absent**
T. Moyo	4	4	Nil
A Chinamo	4	4	Nil
S.N. Moyo	4	4	Nil
M. Twigger*	1	0	

*M. Twigger resigned from the Board with effect from 22 April 2021.

Risk committee

Name	Total Meetings	Present	Absent**
S.N. Moyo	4	4	Nil
A. Chinamo	4	4	Nil
M. Gursahani	4	4	Nil

IT Committee

Name	Total Meetings	Present	Absent**
K. Terry	7	7	Nil
T. Moyo	7	7	Nil
M Gursahani	7	7	Nil
C. McSharry	7	7	Nil

Directors shareholding
The following is a schedule of the directors' shareholdings in the Bank as at 31 December 2021;

P. Devenish	Nil
S. N. Moyo	Nil
T. Moyo	Nil
H. Anadkat *	28 629 959 (direct interest)
K. Terry	Nil
A. Chinamo	Nil
K. Naik	4 333 018 (direct interest)
C. McSharry	Nil
F. Kapanje	Nil
M. Gursahani	Nil

*Mr Hitesh Anadkat holds indirect interest in Afcarme Holdings Zimbabwe (Private) Limited, which in turn holds the majority shareholding in the Bank.

Annual financial statements
The Directors are responsible for the preparation and integrity of the financial results and related financial information contained in this report. The financial statements,which for the basis of these financial results, are prepared in accordance with International Financial Reporting Standards and the Banking Act (Chapter 24:20) and they incorporate full and responsible disclosure to ensure that the information contained therein is both relevant and reliable. These audited results have been prepared under the supervision of Chief Finance Officer, Fanuel Kapanje CA (Z) PAAB Registered Accountant No. 2295.

Compliance
The Board is of the view that the Bank complied with the applicable laws and regulations throughout the reporting period.

By Order of the Board

James Muchando
Company Secretary

30 March 2022

First Capital BANK

Audited Financial Results

For the year ended 31 December 2021

Auditor's statement

for the full year ended 31 December 2021

The audited financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2021 which have been audited by Deloitte & Touche. An unmodified audit opinion was issued thereon.

Key audit matters

The following have been identified as key audit matters for the year:

- Determination of expected credit losses on financial assets; and
- Valuation of properties.

The auditors report has been made available to management and those charged with governance of First Capital Bank Limited. The engagement partner responsible for this audit is Lawrence Nyajeka.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the full year ended 31 December 2021

	Notes	Inflation adjusted 2021 ZWL000	Inflation adjusted Restated** 2020 ZWL000	Historical* 2021 ZWL000	Historical Restated** 2020 ZWL000
Interest income	3	2,737,795	1,535,467	2,187,593	635,853
Interest expense	4	(53,084)	(166,488)	(40,450)	(74,471)
Net interest income		**2,684,711**	**1,368,979**	**2,147,143**	**561,382**
Net fee and commission income	5	2,835,995	2,124,432	2,263,413	923,243
Net trading and foreign exchange income	6	914,138	1,905,421	726,038	893,330
Net investment and other income	7	290,260	86,207	270,616	34,296
Fair value gain / (loss) on investment property		816,253	(52,063)	990,860	216,173
Total non interest income		**4,856,646**	**4,063,997**	**4,250,927**	**2,067,042**
Total income		**7,541,357**	**5,432,976**	**6,398,070**	**2,628,424**
Impairment losses on financial assets	11	(72,516)	(167,425)	(57,110)	(56,682)
Net operating income		**7,468,841**	**5,265,551**	**6,340,960**	**2,571,742**
Operating expenses	8	(4,373,952)	(3,232,740)	(2,936,095)	(1,213,078)
Net monetary loss	10	(557,365)	(421,014)	-	-
Share of profit/(loss) from joint venture	22	1,545,527	(163,119)	2,126,189	736,666
Profit before tax		**4,083,051**	**1,448,678**	**5,531,054**	**2,095,330**
Taxation	12	(728,915)	(689,600)	(609,126)	(357,426)
Profit for the year		**3,354,136**	**759,078**	**4,921,928**	**1,737,904**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gain/(loss) on property revaluations	19	1,325,712	(122,292)	2,009,893	710,264
Deferred tax		(322,940)	30,231	(486,016)	(170,243)
Gain/ (loss) on financial assets at fair value through other comprehensive income		977,286	(104,848)	1,019,728	25,592
Deferred tax		(50,005)	4,602	(53,904)	(1,587)
Net gain/(loss) on other comprehensive income		**1,930,053**	**(192,307)**	**2,489,701**	**564,026**
Total other comprehensive income/(loss)		**1,930,053**	**(192,307)**	**2,489,701**	**564,026**
Total comprehensive income		**5,284,189**	**566,771**	**7,411,629**	**2,301,930**
Earnings per Share					
Basic (cents per share)		155	35	228	81
Diluted (cents per share)		155	35	228	80

*Refer to note 2.1(f)

**Restated to reflect the change in cost classification method (Note9.4)

Consolidated Statement of Financial Position

as at 31 December 2021

	Notes	Inflation adjusted 2021 ZWL000	Inflation adjusted 2020 ZWL000	*Historical 2021 ZWL000	*Historical 2020 ZWL000
Assets					
Cash and bank balances	13	9,099,463	10,220,207	9,099,463	6,358,334
Derivative financial instruments	14	1,791	5,929	1,791	3,690
Investment securities	15	2,899,585	1,638,053	2,899,585	1,019,087
Loans and receivables from banks	16	34,497	20,015	34,497	12,452
Loans and advances to customers	17	7,141,638	3,799,703	7,141,638	2,363,923
Other assets	18	2,748,999	3,130,948	2,654,391	1,826,107
Investment properties	20	1,278,340	462,087	1,278,340	287,480
Investment in joint venture	22	3,084,125	1,568,746	3,084,125	975,969
Property and equipment	19	3,530,108	1,554,708	3,515,459	944,709
Intangible assets	21	260,909	324,207	11,982	15,023
Right of use assets	23	171,938	463,538	171,938	99,973
Total assets		**30,251,393**	**23,188,141**	**29,893,209**	**13,906,747**
Liabilities					
Derivative financial instruments	14	1,272	99	1,272	62
Lease liabilities	23.2	171,032	153,916	171,032	95,756
Deposits from banks	24	547,359	168,256	547,359	104,677
Deposits from customers	25	16,397,317	14,170,567	16,397,317	8,815,986
Employee benefit accruals	26	201,281	94,142	201,281	58,569
Other liabilities	27	1,432,744	2,475,741	1,424,672	1,539,652
Current tax liabilities		12,658	48,479	12,658	30,160
Balances due to group companies	36.4	230,060	247,943	230,060	154,254
Deferred tax liabilities	29	827,295	555,596	735,439	240,289
Total liabilities		**19,821,018**	**17,914,739**	**19,721,090**	**11,039,405**
Equity					
Capital and reserves					
Share capital	30.1	11,501	11,501	216	216
Share premium	30.2	1,271,603	1,271,472	24,085	23,981
Non - distributable reserves	30.3	415,108	415,108	7,785	7,785
Fair value through other comprehensive income reserve	30.5	960,784	32,770	1,014,591	48,312
Property revaluation reserves	30.6	1,693,918	703,854	2,220,734	704,763
Impairment reserve	30.4	-	733	-	456
Share - based payment reserve	30.7	66,964	65,761	2,274	1,216
Retained earnings		6,010,497	2,772,203	6,902,434	2,080,613
Total equity		**10,430,375**	**5,273,402**	**10,172,119**	**2,867,342**
Total equity and liabilities		**30,251,393**	**23,188,141**	**29,893,209**	**13,906,747**

*Refer to note 2.1(f)

Consolidated Statement of Changes in Equity

for the full year ended 31 December 2021

Inflation adjusted 2021	Share capital ZWL000	Share premium ZWL000	Non-distributable reserves ZWL000	Fair value through other comprehensive income ZWL000	Property revaluation reserves ZWL000	Impairment reserve ZWL000	Share-based payment reserve ZWL000	Retained earnings ZWL000	Total equity ZWL000
Balance at 1 January 2021	**11,501**	**1,271,472**	**415,108**	**32,770**	**703,854**	**733**	**65,761**	**2,772,203**	**5,273,402**
Profit for the year	-	-	-	-	-	-	-	3,354,136	3,354,136
Other comprehensive income for the year	-	-	-	927,281	1,002,772	-	-	-	1,921,558
Total comprehensive income for the year	**-**	**-**	**-**	**927,281**	**1,002,772**	**-**	**-**	**3,354,136**	**5,275,694**
Transfer between reserves	-	-	-	733	-	(733)	-	-	-
Recognition of share - based payments	-	-	-	-	-	-	1,224	-	1,224
Issue of ordinary shares under share-based payment plans	-	131	-	-	-	-	(21)	-	110
Realisation of revaluation reserves	-	-	-	-	(12,708)	-	-	12,708	-
Dividend Paid	-	-	-	-	-	-	-	(128,550)	(128,550)
Balance at 31 December 2021	**11,501**	**1,271,603**	**415,108**	**960,784**	**1,693,918**	**-**	**66,964**	**6,010,497**	**10,430,375**
Historical 2021*									
Balance at 1 January 2021	**216**	**23,981**	**7,785**	**48,312**	**704,763**	**456**	**1,216**	**2,080,613**	**2,867,342**
Profit for the year	-	-	-	-	-	-	-	4,921,928	4,921,928
Other comprehensive income for the year	-	-	-	965,823	1,523,877	-	-	-	2,489,700
Total comprehensive income for the year				**965,823**	**1,523,877**	**-**		**4,921,928**	**7,411,628**
Transfer between reserves	-	-	-	456	-	(456)	-	-	-
Recognition of share-based payments	-	-	-	-	-	-	1,099	-	1,099
Issue of ordinary shares under share-based payment plans	-	104	-	-	-	-	(41)	-	63
Realisation of revaluation reserves	-	-	-	-	(7,906)	-	-	7,906	-
Dividend paid	-	-	-	-	-	-	-	(108,013)	(108,013)
Balance at 31 December 2021	**216**	**24,085**	**7,785**	**1,014,591**	**2,220,734**	**-**	**2,274**	**6,902,434**	**10,172,119**

*Refer to note 2.1(f)

Consolidated Statement of Cash Flows

for the full year ended 31 December 2021

	Notes	Inflation adjusted 2021 ZWL000	Inflation adjusted 2020 Restated** ZWL000	Historical 2021 ZWL000	Historical 2020 Restated** ZWL000
Cash flows from operating activities					
Profit before tax		**4,083,051**	**1,448,678**	**5,531,054**	**2,095,330**
Adjustments:					
Depreciation of property, equipment, software amortisation and the Right Of Use (ROU) impairment		554,171	320,143	66,038	31,322
Impairment loss on financial assets	11	72,647	168,553	57,207	57,105
Share of (profit)/loss from joint venture	22	(1,545,527)	163,119	(2,126,189)	(736,666)
Fair value (gain) /loss on investment property	20	(816,253)	52,063	(990,860)	(216,173)
Dividend income	7	(230,824)	(75,160)	(202,255)	(23,852)
Loss on disposal of property and equipment		26,643	8,763	5,173	(888)
Interest on investment securities		(189,582)	(74,331)	(162,470)	(28,411)
Staff loan prepayment amortisation		171,592	(2,581)	38,356	7,558
Interest on lease liabilities		35,710	27,999	26,715	11,304
Net monetary loss		557,365	421,014	-	-
Share based payment expense		1,224	12	1,098	7
Derivatives		(519)	(5,832)	(519)	(3,629)
Cash flow from operating activities before working capital changes		**2,719,698**	**2,452,440**	**2,243,348**	**1,193,007**
(Increase)/decrease in loans and advances to customers		(3,349,930)	1,415,750	(4,823,864)	(1,689,411)
(Increase)/decrease in other assets		285,587	(1,174,066)	(488,527)	(1,513,129)
Increase/(decrease) in deposits from customers		2,226,750	(587,743)	7,581,331	6,769,170
Increase/(decrease) in other liabilities		(953,741)	473,792	103,538	1,528,589
Corporate income tax paid		(820,854)	(554,325)	(671,398)	(306,909)
Net cash generated from operating activities		**107,510**	**2,025,848**	**3,944,428**	**5,981,317**

	Notes	Inflation adjusted 2021 ZWL000	Inflation adjusted 2020 Restated** ZWL000	*Historical 2021 ZWL000	*Historical 2020 Restated** ZWL000
Cash flows from investing activities					
Purchase of property, equipment and intangible assets		(792,035)	(37,304)	(614,214)	(15,199)
Proceeds from sale of property and equipment		3,339	5,076	2,853	659
Purchase of equity securities		(43,334)	-	(32,537)	-
Dividends received		248,856	75,160	220,288	23,852
Interest received from investment securities		87,897	71,560	68,452	17,407
Purchase of investments securities		(17,121,920)	(6,215,855)	(12,258,889)	(3,654,488)
Proceeds from sale and maturities of investment securities		16,633,261	6,218,648	11,577,335	2,901,079
Net cash (used in) or generated from investing activities		**(983,936)**	**117,285**	**(1,036,712)**	**(726,690)**
Cash flows from financing activities					
Proceeds from issue of shares under a share based payment plan		80	222	63	81
Dividend paid		(128,550)	-	(108,013)	-
Lease liabilities payments	23.2	(115,848)	(63,202)	(58,637)	(25,309)
Net cash used in financing activities		**(244,318)**	**(62,980)**	**(166,587)**	**(25,228)**
Net (decrease)/increase in cash and cash equivalents		**(1,120,744)**	**2,080,153**	**2,741,129**	**5,229,399**
Cash and cash equivalents at the beginning of the year		10,220,207	8,140,054	6,358,334	1,128,935
Cash and cash equivalents at the end of the year	13	**9,099,463**	**10,220,207**	**9,099,463**	**6,358,334**

*Refer to note 2.1(f)

**Restated to reflect correct classification of restricted cash and bank balances (note 9.5)

Notes to Consolidated Financial Statements
for the full year ended 31 December 2021

1. General information and statement of compliance

1.1. General information

First Capital Bank Limited ("the Bank") provides retail, corporate and investment banking services in Zimbabwe. The Bank which is incorporated and domiciled in Zimbabwe is a registered commercial bank under the Zimbabwe Banking Act Chapter (24:20). The ultimate parent company is FMBcapital Holdings PLC incorporated in Mauritius. The Bank has a primary listing on the Zimbabwe Stock Exchange.

2.1(a) Basis of preparation

The audited financial results have been prepared on the basis of IAS 29: Financial Reporting for Hyperinflationary Economies, as well as the requirements of the Companies and Other Business Entities Act (Chapter 24:31) and the Banking Act (Chapter 24.20).

The following All items CPI indices were used to prepare the financial results:

Dates	All items CPI Indices	Conversion factors
Dec-21	3,977.46	1
Dec-20	2,474.51	1.61

The procedures applied for the above restatement are as follows:

Financial statements prepared in the currency of a hyper-inflationary economy are stated in terms of the closing Consumer Price Index ("CPI") at the end of the reporting period. The historical cost financial information is re-stated for the changes in purchasing power (inflation), and corresponding figures for the prior period are restated in the same terms.

Monetary assets and liabilities are not restated while non-monetary assets and liabilities that are not carried at amounts current at balance sheet date and components of shareholders' equity are restated by the relevant monthly conversion factors.

All items in the income statement are restated by applying the relevant monthly, yearly average or year-end conversion factors with the exception of depreciation, amortisation and fair value gains and losses which applies the balance sheet approach.

2.1(b) Basis of measurement

The financial statements for the period are measured on historical cost basis except for the following:
i) Fair value through OCI equity investments and debt instruments measured at fair value
ii) Fair value through profit and loss debt instruments for trading measured at fair value
iii) Investment property measured at fair value
iv) Land and buildings measured at fair value using the revaluation method.
v) Investment in joint venture, the underlying investment property is measured at fair value.
vi) Reserve Bank of Zimbabwe (RBZ) Net Open Position (NOP) support receivable measured at fair value

2.1(c) Consolidated financial statements

The Bank owns 100% in Thulile (Private) Limited, a company that owns a piece of land measuring 18 786 sqm. The property is currently not leased out and is earmarked for further development over the next three years.

The Bank therefore prepares consolidated financial statements per IFRS 10 requirements. Land is the only line item in the subsidiary and no other transactions exist. Investment in subsidiary and equity of the subsidiary are eliminated when consolidating. No goodwill or gain on bargain purchase arose on acquisition of Thulile (Private) Limited.

2.1(d) Accounting policies

The accounting policies applied in the preparation of the audited financial results are consistent with the most recent financial statements for the year ended 31 December 2021.

2.1(e) Functional and presentation currency

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

2.1(f) Historic financial information

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

2.1(g) Approval of Financial Statements

The Consolidated Financial Statements were approved by the Board of Directors on the 8th of March 2022.

2.1(h) Conversion of foreign currency transactions and balances at interbank exchanges rates

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

		Inflation adjusted		Historical	
		2021	2020	2021	2020
3	**Interest income**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
	Bank balances	125,618	165,867	96,574	75,570
	Loans and receivables from banks and investment securities	189,582	74,331	162,470	28,411
	Loans and advances to customers	2,418,074	1,290,784	1,925,046	530,508
	Prommissory notes	4,521	4,485	3,503	1,364
	Total	**2,737,795**	**1,535,467**	**2,187,593**	**635,853**
4	**Interest expense**				
	Interest on lease liabilities	(35,710)	(27,999)	(26,715)	(11,304)
	Deposits from banks	(5,883)	(637)	(4,234)	(125)
	Customer deposits	(11,491)	(137,852)	(9,501)	(63,042)
	Total	**(53,084)**	**(166,488)**	**(40,450)**	**(74,471)**

		Inflation adjusted		Historical	
		2021	2020	2021	2020
5	**Net fee and commission income**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
	Fee and commission income				
	Account maintenance fees	545,436	509,039	387,188	193,791
	Insurance commission received	7,033	3,342	5,572	1,336
	Transfers and other transactional fees	1,176,241	751,042	986,152	342,995
	Guarantees	108,819	46,663	87,504	14,877
	Card based transaction fees	399,037	310,079	317,522	137,622
	Cash withdrawal fees	607,525	509,940	484,140	234,348
	Fee and commission income	**2,844,091**	**2,130,105**	**2,268,078**	**924,969**
	Fee and commission expense				
	Guarantees	(8,096)	(5,673)	(4,665)	(1,726)
	Fee and commission expense	**(8,096)**	**(5,673)**	**(4,665)**	**(1,726)**
	Net fee and commission income	**2,835,995**	**2,124,432**	**2,263,413**	**923,243**

Net fee and commission income above excludes amounts included in determining the effective interest rate on financial assets measured at amortised cost.

6	**Net trading and foreign exchange income**				
	Net foreign exchange revaluation gain	96,592	447,577	82,886	195,614
	Net foreign exchange trading income	817,546	1,457,844	643,152	697,716
	Total	**914,138**	**1,905,421**	**726,038**	**893,330**
7	**Net investment and other income**				
	Dividend income	230,824	75,160	202,255	23,852
	Gain/ (loss) on disposal of property and equipment	(26,643)	(8,763)	(5,173)	888
	Rental income	22,546	12,923	17,671	6,073
	Sundry income	63,533	6,887	55,863	3,483
	Total	**290,260**	**86,207**	**270,616**	**34,296**
8	**Operating expenses**				
	Staff costs	(1,619,067)	(919,498)	(1,175,966)	(363,364)
	Infrastructure costs	(1,252,751)	(932,034)	(617,760)	(276,478)
	General expenses	(1,502,134)	(1,381,208)	(1,142,369)	(573,236)
	Total	**(4,373,952)**	**(3,232,740)**	**(2,936,095)**	**(1,213,078)**

Breakdown of the operating expenses is as shown in note 9.

9 Operating expenses Anaysis

9.1	**Staff costs**				
	Salaries and allowances	(1,116,875)	(516,816)	(760,566)	(190,353)
	Retention incentive and 13th cheque	(264,379)	(178,853)	(228,786)	(75,664)
	Medical costs	(76,276)	(60,257)	(60,241)	(29,102)
	Social security costs	(5,206)	(2,218)	(4,332)	(948)
	Pension costs: defined contribution plans	(85,328)	(41,453)	(66,867)	(12,398)
	Retrenchment costs	-	(66,777)	-	(38,732)
	Directors` remuneration - for services as management	(69,779)	(53,112)	(54,075)	(16,160)
	Share based payments	(1,224)	(12)	(1,099)	(7)
	Total	**(1,619,067)**	**(919,498)**	**(1,175,966)**	**(363,364)**
	Average number of employees during the period:	491	521	491	521
9.2	**Infrastructure costs**				
	Repairs and maintenance	(112,785)	(57,555)	(91,326)	(25,638)
	Heating, lighting, cleaning and rates	(87,785)	(5,248)	(68,558)	(22,131)
	Security costs	(55,422)	(46,718)	(44,663)	(20,204)
	Depreciation of property, equipment and right of use asset	(490,873)	(256,846)	(62,997)	(28,320)
	Software amortisation	(63,298)	(63,297)	(3,041)	(3,001)
	Operating lease - other costs	(17,968)	(11, 678)	(14,336)	(5,296)
	Migration costs - technology	-	(17,429)	-	(1,976)
	Connectivity, software and licences	(424,620)	(419,263)	332,839	(169,912)
	Total	**(1,252,751)**	**(932,034)**	**(617,760)**	**(276,478)**
9.3	**General expenses**				
	Auditors' remuneration:				
	Audit related services	(17,048)	(24,435)	(12,816)	(11,589)
	Review services	(3,093)	(7,403)	(2,397)	(2,252)
	Other	-	(185)	-	(56)
	Total	**(20,141)**	**(32,023)**	**(15,213)**	**(13,897)**
	Consultancy, legal and professional fees	(45,953)	(34,265)	(36,476)	(15,049)
	Subscription, publications and stationery	(87,428)	(60,098)	(69,498)	(26,549)
	Marketing, advertising and sponsorship	(80,240)	(44,545)	(68,182)	(21,531)
	Travel and accommodation	(72,062)	(60,065)	(57,407)	(23,306)
	Entertainment	(412)	(145)	(365)	(73)
	Cash transportation	(150,954)	(132,681)	(116,367)	(59,614)
	Directors fees	(11,208)	(9,095)	(9,006)	(3,833)
	COVID-19 costs	(65,852)	(92,341)	(51,032)	(28,096)
	Insurance costs	(115,510)	(81,724)	(91,090)	(35,827)
	Telex, telephones and communication	(146,415)	(141,318)	(118,119)	(54,437)
	Group recharges	(472,033)	(540,035)	(367,006)	(213,138)
	Card operating expenses	(59,692)	(96,955)	(44,084)	(41,503)
	Other administrative and general expenses	(174,234)	(36,643)	(98,524)	(24,986)
	Migration cost branding and other	-	(19,275)	-	(11,397)
	Total	**(1,502,134)**	**(1,381,208)**	**(1,142,369)**	**(573,236)**

9.4 Restatement of statement of profit or loss and other comprehensive income

Expenses presentation

The statement of profit or loss and other comprehensive income for the year ended 31 December 2020 has been restated to present expenses by their function, as IAS 1 Presentation of Financial Statements requires that these items be presented by either their function or by their nature. This restatement has no impact on the net profit reported in the comparative year.

The table below highlights the impact of restatement:

	As reported		Re-stated	
	Inflation adjusted	Historical	Inflation adjusted	Historical
	ZWL000	ZWL000	ZWL000	ZWL000
	2020	2020	2020	2020
Staff costs	(919,498)	(363,364)	-	-
Infrastructure costs	(932,034)	(276,478)	-	-
Administration and general expenses	(1,381,208)	(573,236)	-	-
Operating expenses	**(3,232,740)**	**(1,213,078)**	**(3,232,740)**	**(1,213,078)**

9.5 Restatement of statement of cash flows for the year ended 31 December 2020

In the prior period, the statement of cash flows erroneously presented cash and cash equivalents excluding restricted cash balances which was not in line with IAS 7. As a result, the 2020 comparatives have been restated to represent cash and cash equivalents including restricted cash balances as per IAS 7. Refer to note 13 for additional detail.

Table below illustrates impact of restatement on statement of cash flows

	As reported		Restated	
	Inflation adjusted 2020	Historical 2020	Inflation adjusted 2020	Historical 2020
	ZWL000	ZWL000	ZWL000	ZWL000
Profit before tax	**1,448,678**	**2,095,330**	**1,448,678**	**2,095,330**
Cash flow from operating activities	**2,452,440**	**1,193,007**	**2,452,440**	**1,193,007**
Transfer to restricted balances	(163,796)	(697,331)	-	-
Net cash generated from operations	**2,113,266**	**5,227,488**	**2,025,850**	**5,981,317**
Net (used) or generated from investing activies	**117,282**	**(726,691)**	**117,283**	**(726,690)**
Net cash (used) or generated from financing activities	**(62,980)**	**(25,228)**	**(62,980)**	**(25,229)**
Net (decrease) or increase in cash and cash equivalents	**2,167,568**	**4,475,569**	**2,080,153**	**5,229,398**
Cash and cash equivalents at the beginning of the year	**6,468,276**	**897,079**	**8,140,054**	**1,128,936**
Cash and cash equivalents at the end of the year	**8,635,845**	**5,372,648**	**10,220,207**	**6,358,334**

10 Net Monetary Loss (NML)

Net Monetary Loss is the cost of inflation representing loss in value on net monetary assets. The current cost of ZWL557m (2020: ZWL421m) in the statement of profit or loss and other comprehensive income was calculated using the balance sheet method.

Notes to Consolidated Financial Statements
for the full year ended 31 December 2021

		Inflation adjusted		Historical	
		2021	2020	2021	2020
11	**Impairment losses on loans and receivables by stage**				
	Stage 1	ZWL000	ZWL000	ZWL000	ZWL000
	Loans and advances to customers	(37,472)	(78,637)	(27,708)	(28,963)
	Balances with banks - local and nostro	(2,693)	1,815	(439)	333
	Investment securities - treasury bills and bonds	(11,210)	(483)	(8,772)	327
	Other assets including RBZ NOP support receivable	(1,185)	(78,835)	(3,970)	(23,817)
	Total	**(52,560)**	**(156,140)**	**(40,889)**	**(52,120)**
	Stage 2				
	Loans and advances to customers	(2,055)	(11,632)	(1,686)	(4,162)
	Total	**(2,055)**	**(11,632)**	**(1,686)**	**(4,162)**
	Stage 3				
	Loans and advances to customers	(18,032)	(2,281)	(14,632)	(1,756)
	Other assets	-	1,500	-	933
	Total	**(18,032)**	**(781)**	**(14,632)**	**(823)**
	Total impairment raised during the period	**(72,647)**	**(168,553)**	**(57,207)**	**(57,105)**
	Recoveries of loans and advances previously written off	131	1,128	97	423
	Impairment losses recognised in profit/ loss	**(72,516)**	**(167,425)**	**(57,110)**	**(56,682)**

		Inflation adjusted		Historical	
		2021	2020	2021	2020
12	**Taxation**	ZWL000	ZWL000	ZWL000	ZWL000
12.1	**Income tax recognised in profit or loss**				
	Current tax				
	Normal tax - current year	(830,161)	(643,437)	(653,896)	(342,704)
	Total current tax	**(830,161)**	**(643,437)**	**(653,896)**	**(342,704)**
	Deferred tax				
	Deferred tax credit/(expense) recognised in the current year	101,246	(46,163)	44,770	(14,722)
	Total deferred tax	**101,246**	**(46,163)**	**44,770**	**(14,722)**
	Total income tax charge recognised in the current year	**(728,915)**	**(689,600)**	**(609,126)**	**(357,426)**
13	**Cash and bank balances**				
	Balances with central bank	1,994,932	1,574,476	1,994,932	979,535
	Statutory reserve balance with central bank	614,333	156,255	614,333	97,211
	Cash on hand - foreign currency	3,044,663	2,976,428	3,044,663	1,851,736
	Cash on hand - local currency	51,793	39,125	51,793	24,341
	Balances due from group companies	38,643	49,755	38,643	30,954
	Balances with banks abroad	3,356,356	5,424,605	3,356,356	3,374,829
	Cash and bank balances	**9,100,720**	**10,220,644**	**9,100,720**	**6,358,606**
	Expected credit losses	(1,257)	(437)	(1,257)	(272)
	Net cash and bank balances	**9,099,463**	**10,220,207**	**9,099,463**	**6,358,334**

*Cash and bank balances include restricted amounts relating to Reserve Bank of Zimbabwe (card transaction cash security, ZWL243m (2020: ZWL180m) and Statutory reserve for customer deposits, ZWL614m (2020: ZWL156m) and Letters of credit foreign bank security deposits (Crown Agency Bank, ZWL814m (2020: ZWL1,1b)).

14 Derivative financial instruments

The Bank uses cross-currency swaps to manage the foreign currency risks arising from asset and deposit balances held which are denominated in foreign currencies. Forward exchange contracts are for trading and foreign currency risk management purposes.

Carrying amount

The fair value of the derivative financial instruments represents the present value of the positive or negative cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly market place transaction at year end.

Contract amount

The gross notional amount is the sum of the absolute value of all bought and sold contracts. The amount cannot be used to assess the market risk associated with the position and should be used only as a means of assessing the Bank's participation in derivative contracts.

		Inflation adjusted		Historical	
		2,021	2020	2021	2020
	Foreign exchange derivatives - assets	ZWL000	ZWL000	ZWL000	ZWL000
	Foreign exchange swaps				
	Notional contract amount - Asset	1,731,385	267,461	1,731,385	166,397
	Notional contract amount - Liability	(1,729,594)	(261,532)	(1,729,594)	(162,707)
	Carrying amount	**1,791**	**5,929**	**1,791**	**3,690**
	Foreign exchange derivatives - liabilities				
	Foreign exchange spot trades				
	Notional contract amount - Asset	388,283	44,724	388,283	27,824
	Notional contract amount - Liability	(389,555)	(44,823)	(389,555)	(27,886)
	Carrying amount	**(1,272)**	**(99)**	**(1,272)**	**(62)**
15	**Investment securities**				
	Treasury bills and bonds	1,800,591	1,557,331	1,800,591	968,868
	Promissory notes	17,893	-	17,893	-
	Equity securities	1,081,101	80,722	1,081,101	50,219
	Balance at the end of the year	**2,899,585**	**1,638,053**	**2,899,585**	**1,019,087**

		Inflation adjusted		Historical	
		2,021	2020	2021	2020
15.1	**Treasury bills and bonds**	ZWL000	ZWL000	ZWL000	ZWL000
	Balance at beginning of year	1,557,331	1,482,546	968,868	205,613
	Additions	17,019,297	6,215,855	12,179,361	3,644,749
	Accrued interest	177,531	74,330	154,840	18,025
	Monetary adjustment	(324,478)	(1,434,365)	-	-
	Maturities	(16,640,834)	(4,784,283)	(11,515,088)	(2,901,079)
	Fair value gain	11,744	3,248	12,610	1,560
	Balance at the end of the year	**1,800,591**	**1,557,331**	**1,800,591**	**968,868**

As at 31 December 2021, ZWL230 million of the Treasury bills and bonds was pledged as security against borrowings from third parties.

		Inflation adjusted		Historical	
		2,021	2020	2021	2020
15.2	**Promissory notes**	ZWL000	ZWL000	ZWL000	ZWL000
	Balance at beginning of year				
	Additions	102,623	-	79,528	-
	Accrued interest	790	-	612	-
	Maturities	(80,324)	-	(62,247)	-
	Monetary adjustments	(5,196)	-	-	-
	Balance at the end of the year	**17,893**	**-**	**17,893**	**-**
15.3	**Equity securities**				
	Balance at beginning of year	80,720	188,818	50,219	26,187
	Fair value gain /(loss)	957,047	(108,096)	998,345	24,032
	Additions	43,334	-	32,537	-
	Balance at 31 December	**1,081,101**	**80,722**	**1,081,101**	**50,219**

15 Investment securities (continued)

Treasury bills and bonds classified as investment securities are held to collect contractual cash flows and sell if the need arises. They are measured at fair value.

Expected credit losses are accounted for through fair value through other comprehensive income reserve, which is a change from impairment reserve in prior year. A total of ZWL9.2 million has been recognised in the reserve as at December 2021 (2020: ZWL733 thousand).

Equity securities are designated as fair value through other comprehensive income and measured at fair value.

Financial assets held for investment purpose are classified as financial assets at amortised cost. These financial assets are held to earn interest income over their tenor and to collect contractual cash flows. No treasury bills were held for trading purposes as at 31 December 2021.

		Inflation adjusted		Historical	
		2021	2020	2021	2020
16	**Loans and receivables from banks**	ZWL000	ZWL000	ZWL000	ZWL000
	Clearing balances with other banks	34,497	20,015	34,497	12,452
	Total	**34,497**	**20,015**	**34,497**	**12,452**

Clearing balances with other banks include Zimswitch transactions net settlement receivables.

		Retail Banking	Business Banking	Corporate and Invest-ment Banking	Total
17	**Loans and advances to customers**	ZWL000	ZWL000	ZWL000	ZWL000
	Historical and inflation adjusted 2021				
	Personal and term loans	1,767,075	762,788	3,383,575	5,913,438
	Mortgage loans	18,296	-	-	18,296
	Overdrafts	3,459	266,119	1,041,846	1,311,424
	Gross loans and advances to customers	**1,788,830**	**1,028,907**	**4,425,421**	**7,243,158**
	Less: allowance for expected credit losses				
	Stage1	(26,996)	(10,025)	(41,661)	(78,682)
	Stage2	(2,087)	(2,319)	(3,006)	(7,412)
	Stage3	(12,210)	(3,216)	-	(15,426)
	Allowance for expected credit losses	**(41,292)**	**(15,560)**	**(44,667)**	**(101,520)**
	Net loans and advances to customers	**1,747,537**	**1,013,347**	**4,380,754**	**7,141,638**

	Retail Banking	Business Banking	Corporate and Invest-ment Banking	Total
	ZWL000	ZWL000	ZWL000	ZWL000
Inflation adjusted 2020				
Personal and term loans	783,860	3,407	2,698,941	3,486,208
Mortgage loans	30,545	-	-	30,545
Overdrafts	7,166	141,286	231,323	379,775
Gross loans and advances to customers	**821,571**	**144,693**	**2,930,264**	**3,896,528**
Less: allowance for expected credit losses				
Stage1	(22,937)	(9,306)	(49,693)	(81,936)
Stage2	(1,883)	(4,404)	(2,919)	(9,206)
Stage3	(5,683)	-	-	(5,683)
Allowance for expected credit losses	**(30,503)**	**(13,710)**	**(52,609)**	**(96,825)**
Net loans and advances to customers	**791,068**	**130,983**	**2,877,655**	**3,799,703**

	Retail Banking	Business Banking	Corporate and Invest-ment Banking	Total
	ZWL000	ZWL000	ZWL000	ZWL000
Historical 2020				
Personal and term loans	487,666	2,120	1,679,102	2,168,888
Mortgage loans	19,003	-	-	19,003
Overdrafts	4,458	87,899	143,913	236,270
Gross loans and advances to customers	**511,127**	**90,019**	**1,823,015**	**2,424,161**
Less: allowance for expected credit losses				
Stage1	(14,270)	(5,790)	(30,914)	(50,974)
Stage2	(1,171)	(2,740)	(1,816)	(5,727)
Stage3	(3,537)	-	-	(3,537)
Allowance for expected credit losses	**(18,978)**	**(8,530)**	**(32,730)**	**(60,238)**
Net loans and advances to customers	**492,149**	**81,489**	**1,790,285**	**2,363,923**

		Inflation adjusted		Historical	
		2021	2020	2021	2020
18	**Other assets**	ZWL000	ZWL000	ZWL000	ZWL000
	Prepayments and stationery	266,112	170,859	235,768	88,404
	Card security deposit and settlement balances	251,629	304,250	251,629	189,284
	Customer auction funds receivable	1,049,700	443,805	1,049,700	276,106
	Letter of Credit retentions receivable	2,910	417,796	2,910	259,925
	Other receivables	102,964	119,840	102,964	74,556
	RBZ - NOP support receivable*	896,944	1,413,236	896,944	879,221
	RBZ other legacy debts	1,157	8,127	1,157	5,056
	Staff loans prepaid benefit	215,056	306,823	150,793	87,018
	Total before expected credit losses	**2,786,472**	**3,184,736**	**2,691,865**	**1,859,570**
	Less: Expected credit loss	(37,473)	(53,788)	(37,474)	(33,463)
	Total other assets	**2,748,999**	**3,130,948**	**2,654,391**	**1,826,107**
	Current	**1,830,402**	**1,810,490**	**1,656,539**	**1,121,383**
	Non - current	**918,597**	**1,320,458**	**997,852**	**704,724**
	Total	**2,748,999**	**3,130,948**	**2,654,391**	**1,826,107**

*The receivable relates to the foreign currency commitment by the Reserve Bank to provide cash flows to cover USD16.2 million net open position which arose after separation of RTGS and foreign currency balances. Refer to note 31 for the valuation assumptions. The receivable is estimated to be fully recovered over a period of 3.25 years (2020: 4.5years).

Notes to Consolidated Financial Statements
for the full year ended 31 December 2021

19 Property and equipment

Inflation adjusted 2021	Land and buildings ZWL000	Computers ZWL000	Equipment ZWL000	Furniture and fittings ZWL000	Motor vehicles ZWL000	Total ZWL000
Balance at beginning of year	**1,485,778**	**34,794**	**14,422**	**4,550**	**15,163**	**1,554,708**
Additions	589,626	78,923	21,425	4,000	98,061	792,035
Revaluation	1,325,712	-	-	-	-	1,325,712
Disposals	(11,832)	(5,010)	(18,763)	-	(9,875)	(45,480)
Depreciation charge on disposals	-	1,240	5,526	-	8,731	15,497
Depreciation charge & Impairment charge	(39,174)	(29,022)	(11,905)	(6,389)	(25,874)	(112,364)
Carrying amount at end of the year	**3,350,110**	**80,925**	**10,705**	**2,161**	**86,207**	**3,530,108**
Cost or valuation	3,350,110	489,997	199,232	104,428	301,558	4,445,325
Accumulated depreciation and impairment	-	(409,072)	(188,527)	(102,267)	(215,351)	(915,217)
Carrying amount at end of the year	**3,350,110**	**80,925**	**10,705**	**2,161**	**86,207**	**3,530,108**

Property and equipment Historical 2021	Land and buildings ZWL000	Computers ZWL000	Equipment ZWL000	Furniture and fittings ZWL000	Motor Assets under vehicles ZWL000	Total ZWL000
Balance at beginning of year	**924,352**	**10,182**	**7,032**	**2,329**	**814**	**944,709**
Additions	449,011	64,345	17,913	3,703	79,242	614,214
Revaluation	2,009,893	-	-	-	-	2,009,893
Disposals	(7,996)	(94)	(352)	-	(228)	(8,670)
Depreciation charge on disposals	212	23	104	-	304	643
Depreciation charge	(25,362)	(8,833)	(2,956)	(707)	(7,472)	(45,330)
Carrying amount at end of year	**3,350,110**	**65,623**	**21,741**	**5,325**	**72,660**	**3,515,459**
Cost or valuation	3,350,110	82,426	28,065	7,714	83,131	3,551,446
Accumulated depreciation and impairment	-	(16,803)	(6,324)	(2,389)	(10,471)	(35,987)
Carrying amount at end of the year	**3,350,110**	**65,623**	**21,741**	**5,325**	**72,660**	**3,515,459**

If land and building were stated on the historical cost basis, the carrying amount would be ZWL127 million (2020: ZWL11 million). The inputs used in the revaluation of land and buildings have been classified as level 3 in the fair value hierarchy as they are not based on data that is readily available from the market (see note 31). All property and equipment were subjected to impairment testing internally and the directors are of the view that there is no cause for raising futher charges beyond what has been applied. Property worth ZWL905 million was pledged as security against borrowings from third parties (2020-Nil).

Revaluations are carried out on land and buildings with sufficient regularity to ensure the carrying value on those properties is not materially different from the market values. The properties were valued by a qualified, independent valuer, Intergrated Properties (Pvt) Ltd (2020-CC Sales Ltd).

In 2021 land and buildings were valued by reference to inputs from the market deriving from transactions denominated in ZWL only. This constitutes a change in estimate from the approach used in the prior year which applied inputs derived from foreign currency denominated transcactions. The directors believe that the approach taken in 2021 results is a fairer representation of the value of these assets based on market trends.

	Inflation adjusted		Historical	
	2021 ZWL000	2020 ZWL000	2021 ZWL000	2020 ZWL000
20 Investment properties				
Balance at beginning of the year	**462,087**	**514,150**	**287,480**	**71,307**
Fair value gains/ (loss)	816,253	(52,063)	990,860	216,173
Balance at the end of the year	**1,278,340**	**462,087**	**1,278,340**	**287,480**
Rental income derived from investment properties	**22,546**	**12,923**	**17,671**	**6,073**

Properties were valued using ZWL denominated inputs in 2021. This represents a change in estimate from the approach used in 2020 in which USD denominated inputs were applied to give a USD valuation which was then translated to ZWL using the official exchange rate.

The fair value of investment property was determined by external, independent property valuers, Integrated Property (Pvt)Ltd (2020: CC Sales), having the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Bank`s investment property portfolio annually.

The fair value measurement of the investment property has been categorised as Level 3 in the fair value hierarchy (Note 31) based on the inputs to the valuation technique used.

Operating costs incurred on investment properties during the year were ZWL6.8 million (2020: 3.2 million) inflation adjusted. Investment property comprises commercial properties that are leased to third parties. No contingent rents are charged.

Property worth ZWL990 million was pledged as security against borrowings from third parties (2020:Nill).

	Inflation adjusted		Historical	
	2021 ZWL000	2020 ZWL000	2021 ZWL000	2020 ZWL000
21 Intangible assets				
Balance at beginning of the year	**324,207**	**387,504**	**15,023**	**18,025**
Amortisation	(63,298)	(63,297)	(3,041)	(3,002)
Balance at end of the year	**260,909**	**324,207**	**11,982**	**15,023**
Cost	421,983	421,983	20,276	20,276
Accumulated amortisation	(161,074)	(97,776)	(8,294)	(5,253)
Balance at end of the year	**260,909**	**324,207**	**11,982**	**15,023**

Intangible assets comprise of acquired core banking, switch and other software and licences, armotised over a period of 6.7 years.

	Inflation adjusted		Historical	
22 Investment in joint venture	2021	2020	2021	2020
Bank's interest in investment	ZWL000	ZWL000	ZWL000	ZWL000
Bank's interest at beginning of year	1,568,746	1,748,421	975,969	242,487
Current year share of total comprehensive income in joint venture	1,545,527	(163,119)	2,126,189	736,666
Monetary adjustment	(12,115)	-	-	-
Dividends received during the year	(18,033)	(16,556)	(18,033)	(3,184)
Carrying amount of investment at year end	**3,084,125**	**1,568,746**	**3,084,125**	**975,969**

The Bank owns 50% investment in Makasa Sun (Pvt) Ltd. The other 50% is owned by Barclays Pensions Fund. Makasa Sun (Pvt) Ltd. owns a hotel located in the tourist resort town of Victoria Falls, Zimbabwe which it leases out.

	Inflation adjusted		Historical	
	2021	2020	2021	2020
23 Leases	ZWL000	ZWL000	ZWL000	ZWL000
23.1 Right of use asset				
Balance at beginning of year	**463,538**	**391,685**	**99,973**	**16,061**
Additions	97,573	203,933	97,573	95,930
Terminated	(10,664)	(27,525)	(6,635)	(2,304)
Impairment	(249,920)	-	-	-
Depreciation for the year	(128,589)	(104,555)	(18,973)	(9,714)
Balance at end of the year	**171,938**	**463,538**	**171,938**	**99,973**

	Inflation adjusted		Historical	
23.2 Lease liabilities	2021	2020	2021	2020
Maturity analysis - contractual undiscounted cash flows	ZWL000	ZWL000	ZWL000	ZWL000
Less than one year	67,248	35,715	67,248	22,220
One to five years	161,894	138,665	161,894	86,268
More than five years	84,162	19,376	84,162	12,055
Total	**313,304**	**193,756**	**313,304**	**120,543**
Lease liabilities included in statement of financial position				
Current	33,472	15,350	33,472	9,549
Non - current	137,560	138,566	137,560	86,207
Balance at end of the year	**171,032**	**153,916**	**171,032**	**95,756**
Amounts recognised in profit/ loss				
Interest on lease liabilities	(35,710)	(27,999)	(26,715)	(11,304)
Expenses - short term & low value leases	(17,968)	(11,678)	(14,336)	(5,296)
Depreciation charge for the year	(128,589)	(104,555)	(18,973)	(9,714)
Total	**(182,267)**	**(144,232)**	**(60,024)**	**(666,314)**
Statement of cash-flows - Leases				
Total cash outflows	**(115,848)**	**(63,202)**	**(58,637)**	**(25,310)**
24 Deposits from banks				
Bank balances due to banks abroad	142,801	26,661	142,801	16,587
Interbank money market deposit	262,631	-	262,631	-
Clearance balances due to local banks	141,927	141,595	141,927	88,090
Total	**547,359**	**168,256**	**547,359**	**104,677**
25 Deposits from customers				
Demand deposits				
Retail	3,306,123	2,455,281	3,306,123	1,527,513
Business banking	1,923,453	1,173,721	1,923,453	730,211
Corporate and investment banking	9,934,497	9,169,814	9,934,497	5,704,849
Total	**15,164,073**	**12,798,816**	**15,164,073**	**7,962,573**
Call deposits				
Retail	904	561	904	349
Business banking	32,976	1,368	32,976	851
Corporate and investment banking	207,189	204,762	207,189	127,389
Total	**241,069**	**206,691**	**241,069**	**128,589**
Savings accounts				
Retail	8,931	13,929	8,931	8,666
Business banking	30	35	30	22
Total	**8,961**	**13,964**	**8,961**	**8,688**
Other				
Corporate and investment banking	983,214	1,151,096	983,214	716,136
Total	**983,214**	**1,151,096**	**983,214**	**716,136**
Total	**16,397,317**	**14,170,567**	**16,397,317**	**8,815,986**

Included in the deposits above are foreign currency deposits of ZWL 7.3billion (2020: ZWL6.4 billion). Deposits from customers only include financial instruments classified as liabilities at amortised cost. Fair value of deposits from customers approximates carrying amount because of their short tenure. Included in customer accounts are deposits of ZWL983 million (2020:ZWL1.5 billion) held as collateral for loans advanced and letters of credit.

	Inflation adjusted				Historical			
	2021		2020		2021		2020	
Concentration of customer deposits	ZWL000	%	ZWL000	%	ZWL000 %	%	ZWL000	%
Trade and services	6,579,631	40	4,663,114	33	6,579,631	40	2,901,080	33
Energy and minerals	65,577	-	80,066	1	65,577	-	49,812	1
Agriculture	455,200	3	1,726,225	12	455,199	3	1,073,943	12
Construction and property	491,763	3	254,002	2	491,763	3	158,023	2
Light and heavy industry	1,694,230	10	1,624,971	11	1,694,230	10	1,010,949	11
Physical persons	3,324,504	20	2,469,771	17	3,324,504	20	1,536,528	17
Transport and distribution	1,903,050	12	1,557,839	11	1,903,050	12	969,184	11
Financial services	1,883,362	11	1,794,579	13	1,883,362	11	1,116,467	13
Total	**16,397,317**	**100**	**14,170,567**	**100**	**16,397,317**	**100**	**8,815,986**	**100**

	Inflation adjusted		Historical	
	2021	2020	2021	2020
26 Employee benefit accruals	ZWL000	ZWL000	ZWL000	ZWL000
Staff retention				
Balance at beginning of year	79,756	43,586	49,620	6,045
Provisions made during the year	277,871	322,639	217,225	65,458
Provisions used during the year	(105,257)	(71,924)	(80,035)	(21,883)
Monetary adjustments	(65,560)	(214,545)	-	-
Balance at end of year	**186,810**	**79,756**	**186,810**	**49,620**
Outstanding employee leave				
Balance at beginning of year	10,097	7,625	6,281	1,057
Provisions made during the year	10,567	17,200	8,190	5,233
Provisions used during the year	-	(30)	-	(9)
Monetary adjustments	(6,193)	(14,698)	-	-
Balance at end of year	**14,471**	**10,097**	**14,471**	**6,281**

Redundancy	Inflation adjusted		Historical	
	2021 ZWL000	2020 ZWL000	2021 ZWL000	2020 ZWL000
Balance at beginning of year	4,289	-	2,668	-
Provisions made during the year	-	4,289	(2,668)	2,668
Provisions used during the year	(4,289)	-	-	-
Balance at end of year	**-**	**4,289**	**-**	**2,668**
Total provisions at end of year	**201,281**	**94,142**	**201,281**	**58,569**

The staff retention incentive represents an accrual for a performance based staff incentive to be paid to staff and is included in staff costs. Employee entitlements to annual leave are recognised when they accrue to employees. The accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date and the charge is recognised in profit or loss within staff costs.

	Inflation adjusted		Historical	
	2,021	2,020	2,021	2,020
27 Other liabilities	ZWL000	ZWL000	ZWL000	ZWL000
Accrued expenses	173,928	242,076	173,928	150,604
Internal accounts	301,928	312,097	293,856	193,577
Retentions payable	-	414,283	-	257,739
Auction funds payable	-	449,817	-	279,846
Other foreign currency claims	696,418	852,946	696,418	530,646
Withholding taxes including IMTT	260,470	204,522	260,470	127,240
Balance at end of the year	**1,432,744**	**2,475,741**	**1,424,672**	**1,539,652**

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28 Retirement benefit plans

Barclays Bank Pension Fund

The Barclays Bank Pension Fund ("The Fund") manages retirement funds for the active members and pensioners. The Fund is run by appointed Trustees. The assets of the Fund are managed as one composite pool, with no separation for the active members and pensioners. The awarding of pension increases and increase in accumulated values to active members is done in consideration of the performance of the Fund and any requirement to increase risk reserves.

The plan assets comprise of property, bank balance, equity instruments and money market deposits at 31 December 2021.

	Inflation adjusted		Historical	
	2021	2020	2021	2020
28.1 Composition of pension fund plan assets	ZWL000	ZWL000	ZWL000	ZWL000
Cash and bank balances	104,436	21,013	104,436	13,073
Equity and unit trusts	1,846,309	768,771	1,846,309	478,278
Money market	100,947	120,972	100,947	75,261
Properties	4,927,227	3,652,658	4,927,227	2,272,441
Other	8,926	22,492	8,926	13,993
Total	**6,987,845**	**4,585,906**	**6,987,845**	**2,853,046**

	Inflation adjusted		Historical	
	2021	2020	2021	2020
28.2 Summary valuation of the pension obligation	ZWL000	ZWL000	ZWL000	ZWL000
Present value of pensioner obligation (DB)	1,016,443	978,393	1,016,443	608,691
Active members liability (DC)	2,233,777	2,273,420	2,233,777	1,414,371
Deferred pensioners	475,188	559,544	475,188	348,111
Other liabilities - risk pools	84,403	77,546	84,403	48,244
Other sundry liabilities	14,004	14,052	14,004	8,742
Total liabilities	**3,823,815**	**3,902,955**	**3,823,815**	**2,428,159**
Total assets	**6,987,845**	**4,585,906**	**6,987,845**	**2,853,046**
Net surplus	**3,164,030**	**682,951**	**3,164,030**	**424,887**

This surplus is attributable to the Fund and the Trustees have discretion as to the application and appropriation of the surplus. The surplus could not be recognised as an asset by the Bank because the Bank will not receive any future benefits from the surplus in the form of contribution holidays or refunds. The Fund rules clearly state that the Bank will not be paid any refund relating to the surplus. In addition the Bank is currently not making any additional contributions for the pensioners, therefore, there will be no benefit to the Bank arising from reduced contributions or contribution holiday.

29 Deferred tax

Deferred tax balances

The analysis of the deferred tax assets and deferred tax liabilities is as follows:

	Inflation adjusted		Historical	
	2021	2020	2021	2020
Deferred tax	ZWL000	ZWL000	ZWL000	ZWL000
Deferred tax balances				
Deferred tax assets	(375,042)	(381,452)	(374,924)	(246,473)
Deferred tax liabilities	1,202,337	937,048	1,110,363	486,762
Total	**827,295**	**555,596**	**735,439**	**240,289**

30 Share capital and reserves

Authorised share capital

Ordinary shares (5 000 000 000 shares of ZWL0.01 per share)	500	500	500	500

The total authorised number of ordinary shares at year end was 5 billion (2020: 5 billion). The Bank's shares have a nominal value of ZWL0.01 cents per share. The unissued share capital is under the control of the directors subject to the restrictions imposed by the Companies and Other Entities Act (Chapter 24.31), the Zimbabwe Stock Exchange listing requirements and the Articles and Memorandum of Association of the Bank.

30.1 Issued share capital				
Ordinary shares	11,501	11,501	216	216
Share premium	1,271,603	1,271,472	24,085	23,981
Total	**1,283,104**	**1,282,973**	**24,301**	**24,197**

30.2 Share premium

Premiums from the issue of shares are reported in the share premium.

30.3 Non - distributable reserves

This relates to the balance of currency translation reserves arising from the fair valuation of assets and liabilities on 1 January 2009 when the Bank adopted the United States dollar as the functional and presentation currency.

	Inflation adjusted		Historical	
	2021	2020	2021	2020
	ZWL000	ZWL000	ZWL000	ZWL000
Non - distributable reserve	415,108	415,108	7,785	7,785
Balance at end of the year	**415,108**	**415,108**	**7,785**	**7,785**

30.4 Impairment reserve				
Impairment on fair value through other comprehensive income (FVOCI) financial assets	-	733	-	456
Balance at end of the year	**-**	**733**	**-**	**456**

This relates to impairment charge on FVOCI debt securities. The impairment reserve has been incorporated into the fair value through other comprehensive income (FVOCI) reserve.

30.5 Fair value through other comprehensive income reserve

This relates to fair value movements on investment securities held at fair value through other comprehensive income which include equity and debt securities.

30.6 Property revaluation reserve

Revaluation movement on property and equipment is classified under revaluation reserve. Additional detail on revaluation of assets is contained in note 19.

30.7 Share based payment reserve

The fair value of share options granted to employees is classified under share based payment reserve. The reserve is reduced when the employees exercise their share options.

31 Financial instruments

	Inflation adjusted		Historical	
	2021	2020	2021	2020
31.1 Classification of assets and liabilities	ZWL000	ZWL000	ZWL000	ZWL000
Financial assets				
Financial assets at fair value through profit and loss				
Derivative financial assets	1,791	5,929	1,791	3,690
RBZ NOP Support receivable	896,944	1,413,236	896,944	879,221
Total	**898,735**	**1,419,165**	**898,735**	**882,911**
Financial assets at amortised cost				
Cash and bank balances	9,099,463	10,220,207	9,099,463	6,358,334
Loans and advances to customers	7,141,638	3,799,703	7,141,638	2,363,923
Clearing balances due from other banks	34,497	20,015	34,497	12,452
Other assets*	1,408,360	1,293,818	1,408,360	804,927
Total	**17,683,958**	**15,333,743**	**17,683,958**	**9,539,636**
* Excludes prepayments and stationery.				
Financial assets at fair value through other comprehensive income				
Treasury bills	1,818,484	1,557,331	1,818,484	968,868
Unquoted equity securities	1,081,101	80,722	1,081,101	50,219
Total	**2,899,585**	**1,638,053**	**2,899,585**	**1,019,087**
Total	**22,482,278**	**18,390,961**	**22,482,278**	**11,441,634**
Financial liabilities				
Financial liabilities at fair value through profit and loss				
Derivative financial liabilities	1,272	99	1,272	62
Total	**1,272**	**99**	**1,272**	**62**
Financial liabilities at amortised cost				
Customer deposits	16,397,317	14,170,567	16,397,317	8,815,986
Deposits from other banks	547,359	168,256	547,359	104,677
Other liabilities*	1,376,135	2,452,331	1,376,135	1,525,677
Lease liability	171,032	153,916	171,032	95,756
Balances due to group companies	230,060	247,943	230,060	154,254
Total	**18,721,903**	**17,193,013**	**18,721,903**	**10,696,350**

*Excludes deferred income

31.2 Fair value hierarchy of assets and liabilities held at Fair value

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 2	Level 3	Total
Historical and inflation adjusted 2021	ZWL000	ZWL000	ZWL000
Recurring fair value measurements			
Financial assets			
Derivative assets	1,791	-	1,791
RBZ NOP Support receivable	-	896,944	896,944
Treasury bills	-	1,800,591	1,800,591
Unquoted equity instruments	-	1,081,101	1,081,101
Balance at end of the year	**1,791**	**3,778,636**	**3,780,427**
Financial liabilities			
Derivative liabilities	1,272	-	1,272
Balance at end of the year	**1,272**	**-**	**1,272**
Non - financial assets			
Land and buildings	-	3,350,110	3,350,110
Investment property	-	1,278,340	1,278,340
Investment in joint venture - underlying property	-	3,066,433	3,066,433
Balance at end of the year	**-**	**7,694,883**	**7,694,883**

31.3 Valuation techniques for the level 2 fair value measurement of assets and liabilities held at fair value

The table below sets out information about the valuation techniques applied at the end of the reporting period in measuring assets and liabilities whose fair value is categorised as Level 2 in the fair value hierarchy. A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations is set out in the table below:

Category of asset/liability	Valuation technique applied	Significant observable inputs
Foreign Exchange Contracts	Discounted cash flow	Interest and foreign currency exchange rates

31.4 Valuation techniques for the level 3 fair value measurement of assets and liabilities held at fair value

The table below sets out information about the significant unobservable inputs used at the end of the reporting period in measuring assets and liabilities whose fair value is categorised as Level 3 in the fair value hierarchy.

Category of asset/liability	Valuation technique applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs
Unquoted equity financial instrument	Discounted cash flow/ Earnings multiple	Cashflows and discount rates	24%
Land and buildings	Market/ income approach	Capitalisation rates	7% to 9%
Investment properties	Market/income approach	Capitalisation rates	7% to 9%
Treasury bills	Discounted cash flow	Market Yield – not actively traded	7%
RBZ NOP Support receivable	Discounted cash flow	Discount Rate	9.75%

31.5 Reconciliation of recurring level 3 fair value measurements

	Investment securities	Investment properties	RBZ net open position Receivable	Investment in Joint venture -Property	Total
Historical and inflation adjusted 2021	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Balance at 1 January 2021	**1,638,053**	**462,087**	**1,413,236**	**1,561,105**	**5,074,481**
Additions	17,165,254	-	-	-	17,165,254
Monetary adjustment	(329,676)	-	(534,015)	-	(863,691)
Accrued interest	178,321	-	99,251	-	277,572
Maturities	(16,721,158)	-	(282,569)	-	(17,003,727)
Total gains and losses recognised in profit or loss	-	816,253	201,041	1,505,328	2,522,622
Total gains and losses recognised in other comprehensive income	968,791	-	-	-	968,791
Balance at end of the year	**2,899,585**	**1,278,340**	**896,944**	**3,066,433**	**8,141,202**

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32 Risk management

Financial risk management objectives

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. Internal audit and Operational Risk and Control departments are responsible for the review of risk management and the control environment.

The risks arising from financial instruments to which the Bank is exposed include among other risks credit risk, liquidity risk, market risk and operational risk.

32.1 Capital risk management

Capital risk – is the risk that the Bank is unable to maintain adequate levels of capital which could lead to an inability to support business activity or failure to meet regulatory requirements. The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the banking regulators;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns
- For shareholders and benefits to customers and other stakeholders and;
- To maintain a strong capital base to support the development of its business.

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

- Tier 1 Capital: comprises contributed capital, accumulated profits, share based payment reserve and currency translation reserve.
- Tier 2 Capital: comprises impairment allowance, revaluation reserve and part of currency translation reserve.
- Tier 3 Capital: comprises operational and market risk capital.

The Reserve Bank of Zimbabwe requires each bank to maintain a core capital adequacy ratio of 8% and total capital adequacy ratio of 12%. The table below summarises the composition of regulatory capital and the ratios of the Bank.

	2021 ZWL000	2020 ZWL000
Share capital	216	216
Share premium	24,085	23,981
Accumulated profits	6,902,434	2,080,613
Impairment reserve	-	456
Share based payment reserve	2,274	1,216
Fair value through OCI reserve	1,198,141	48,312
Currency translation reserve	3,508	3,508
Total core capital	**8,130,658**	**2,158,302**
Less market and operational risk capital	(643,080)	(269,015)
Less exposures to insiders	-	(35,648)
Tier 1 capital	**7,487,578**	**1,853,639**
Currency translation reserve movement	4,277	4,277
Property revaluation reserves	2,037,184	704,763
General provisions (limited to 1.25% of risk weighted assets)	78,682	50,974
Tier 2 capital	**2,120,143**	**760,014**
Total tier 1 & 2 capital	**9,607,721**	**2,613,653**
Market risk	70,453	49,265
Operational risk	572,627	219,750
Tier 3 capital	**643,080**	**269,015**
Total tier 1, 2 & 3 capital base	**10,250,801**	**2,882,668**
Deductions from capital	(1,081,101)	(50,219)
Total capital base	**9,169,700**	**2,832,449**
Credit risk weighted assets	17,004,942	6,239,338
Operational risk equivalent assets	7,157,836	2,746,884
Market risk equivalent assets	880,665	615,806
Total risk weighted assets (RWAs)	**25,043,443**	**9,602,028**
Tier 1 capital ratio	**30%**	**19%**
Tier 1 and 2 capital ratio	**38%**	**27%**
Total capital adequacy ratio	**37%**	**29%**

i) Credit risk capital - is subject to guidelines provided by the regulator which are based on Basel 1 principles. On this approach the banking book exposures are categorised into broad classes of assets with different underlying risk characteristics. Risk components are transformed into risk weighted assets using predetermined exposure and loss probability factors. Capital requirements for credit risk are derived from the risk weighted assets.

ii) Market risk capital - is assessed using regulatory guidelines which consider the risk characteristics of the different trading book assets. Risk components are transformed into risk weighted assets and, therefore, capital requirements, based on predetermined exposure and loss probability factors.

iii) Operational risk capital - is assessed using the standardised approach. This approach is tied to average gross income over three years per regulated business lines as indicator of scale of operations. Total capital charge for operational risk equals the sum of charges per business lines.

(iv) Economic capital - Economic capital methodologies are used to calculate risk sensitive capital allocations for businesses incurring market risk. Consequently the businesses incur capital charges related to their market risk.

32.2 Market risk

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

The Bank separates exposures to market risk into either trading or banking book. Trading portfolios include those positions arising from market–making transactions where the Bank acts as principal with clients or with the market; this is mainly to support client trading activity.

Non trading book primarily arises from the management of the Bank's retail and commercial banking assets and liabilities.

Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk.

The measurement techniques used to measure and control market risk include:

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32.2 Market risk (continued)

Net interest income sensitivity ("NII")

NII measures the sensitivity of annual earnings to changes in interest rates. NII is calculated at a 15% and 5% change in local currency and foreign currency interest rates respectively.

The Bank's interest income sensitivity is shown below:

	Inflation adjusted		Historical	
	2021	2020	2021	2020
	Impact on earnings	Impact on earnings	Impact on earnings	Impact on earnings
Net interest income sensitivity				
Local currency	ZWL000	ZWL000	ZWL000	ZWL000
1500bps increase in interest rates	472,385	29,131	366,074	18,123
1500bps decrease in interest rates	(472,385)	(29,131)	(366,074)	(18,123)
Benchmark	-	-	-	-
Foreign currency				
500bps increase in interest rates	13,543	7,070	10,495	4,399
500bps decrease in interest rates	(13,543)	(7,070)	(10,495)	(4,399)
Benchmark	-	-	-	-

32.3 Interest rate risk

Interest rate risk is the risk that the Bank will be adversely affected by changes in the level or volatility of market interest rates. The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The responsibility of managing interest rate risk lies with the Assets and Liabilities Committee (ALCO). On a day to day basis, risks are managed through a number of management committees. Through this process, the Bank monitors compliance within the overall risk policy framework and ensures that the framework is kept up to date. Risk management information is provided on a regular basis to the Risk and Control Committee and the Board.

The table below summarises the Bank's interest rate risk exposure.

Historical and inflation adjusted	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years historical	Non-interest bearing Historical	Total Historical	Non-interest bearing inflation adjusted	Total inflation adjusted
31-Dec-21	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL001	ZWL000
Assets										
Cash and bank balances	5,146,904	-	-	-	-	-	3,952,559	9,099,463	3,952,559	9,099,463
Derivative financial assets	1,791	-	-	-	-	-	-	1,791	-	1,791
Investment securities	34,497	520,702	862,494	322,252	113,037	-	1,046,603	2,899,585	1,046,603	2,899,585
Loans and receivables from banks	34,497	-	-	-	-	-	-	34,497	-	34,497
Loans and advances to customers	6,801,194	42	8	33	327,929	12,432	-	7,141,638	-	7,141,638
Other assets	-	-	-	-	-	868,852	1,785,539	2,654,391	1,880,147	2,748,999
Property and equipment	-	-	-	-	-	-	2,955,459	2,955,459	2,970,108	2,970,108
Investment properties	-	-	-	-	-	-	1,278,340	1,278,340	1,278,340	1,278,340
Investment in joint venture	-	-	-	-	-	-	3,084,125	3,084,125	3,084,125	3,084,125
Intangible assets	-	-	-	-	-	-	11,982	11,982	260,909	260,909
Right of use assets	-	-	-	-	-	-	171,938	171,938	171,938	171,938
Total assets	**12,018,883**	**520,744**	**862,502**	**322,285**	**440,966**	**881,284**	**14,846,545**	**29,893,209**	**15,204,729**	**30,251,393**
Liabilities										
Derivative financial liabilities	1,272	-	-	-	-	-	-	1,272	-	1,272
Lease liabilities	-	-	-	-	-	-	171,032	171,032	171,032	171,032
Deposits from banks	142,801	-	-	262,631	-	-	141,927	547,359	141,927	547,359
Deposits from customers	10,319,582	172,082	256,768	513,535	4,108,280	1,027,070	-	16,397,317	-	16,397,317
Provisions	-	-	-	-	-	-	201,281	201,281	201,281	201,281
Other liabilities	-	-	-	-	-	-	1,424,672	1,424,672	1,432,744	1,432,744
Deferred tax liabilities	-	-	-	-	-	-	735,439	735,439	827,295	827,295
Current tax liabilities	-	-	-	-	-	-	12,658	12,658	12,658	12,658
Due to group companies	-	-	-	-	-	-	230,060	230,060	230,060	230,060
Total liabilities	**10,463,655**	**172,082**	**256,768**	**776,166**	**4,108,280**	**1,027,070**	**2,917,069**	**19,721,090**	**3,016,997**	**19,821,018**
Interest rate re - pricing gap	**1,555,228**	**348,662**	**605,734**	**(453,881)**	**(3,667,314)**	**(145,786)**	**11,929,476**	**10,172,119**	**12,187,732**	**10,430,375**
Cumulative gap	**1,555,228**	**1,903,890**	**2,509,624**	**2,055,743**	**(1,611,571)**	**(1,757,357)**	**10,172,119**	**-**	**10,430,375**	**-**

32.4 Foreign exchange risk

This is a risk that the value of a financial liability or asset denominated in foreign currency will fluctuate due to changes in the exchange rate. The Bank takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates in the financial position and cash flows. In addition mismatches on foreign exchange assets and liabilities are minimised through the daily monitoring of the net foreign exchange exposure by treasury. Currency swaps are also used to manage foreign exchange risk where necessary.

The table below summarises the Bank's financial instruments at carrying amounts, categorised by currency.

Historical and inflation adjusted 2021	USD (ZWL Equiv)	GBP (ZWL Equiv)	Rand (ZWL Equiv)	Other currency (ZWL Equiv)	Total
At 31 December 2021	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Assets					
Cash and bank balances	3,942,367	180,527	1,234,267	1,137,681	6,494,842
Investment securities	41,316	-	-	-	
Loans and advances to customers	2,269,226	37	510	12	2,269,785
Other assets	2,265,888	-	-	-	2,265,888
Total financial assets	**8,518,797**	**180,564**	**1,234,777**	**1,137,693**	**11,071,831**
Liabilities					
Deposits from banks	160	-	142,371	431	142,962
Deposits from customers	7,152,507	20,672	81,339	94,008	7,348,526
Other liabilities	2,752,507	16,370	3,964	36,266	2,809,253
Balances due to group companies	230,060	-	-	-	230,060
Total financial liabilities	**10,135,380**	**37,042**	**85,303**	**130,274**	**10,387,999**
Net currency positions	(1,616,583)	143,522	1,149,474	1,007,419	683,832
Exchange rate sensitivity to Profit for the year					
Exchange rate increase of 20%	(323,317)	28,704	229,895	201,484	136,766
Exchange rtae decrease of 20%	323,317	(28,704)	(229,895)	(201,484)	(136,766)
Exchange rates applied in 2021	**USD**	**GBP**	**Rand**	**EUR**	**CND**
ZWL closing rate	109	146	7	123	85

32.5 (a) Credit risk

Credit risk is the risk of financial loss should the Bank's customers, clients or market counter parties fail to fulfil their contractual obligations to the Bank. The Bank actively seeks to originate and manage credit risk in such a way as to achieve sustainable asset growth and risk adjusted returns in line with board-approved risk parameters. The credit risk that the Bank faces arises mainly from corporate and retail loans advances and counter party credit risk arising from derivative contracts entered into with our clients. Other sources of credit risk arise from treasury bills, government bonds, settlement balances with counter parties and bank balances with Central Bank and other related banks. Credit risk management objectives are:

- Supporting the achievement of sustainable asset and revenue growth in line with our risk parameters.
- Operating sound credit granting processes and monitoring credit risk using appropriate models to assist decision making.
- Ensure credit risk taking is based on sound credit risk management principles and controls; and
- Continually improving collection and recovery.

(b)Credit risk grading

Corporate Exposures

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counter parties. The Bank uses internal rating models tailored to the various categories of counter party. Borrower and loan specific information collected at the time of application (such as level of collateral; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit scores from this model are mapped to the regulatory scale with 10 grades. Corporate exposures are monitored by grading exposures into early warning list for those customers who are believed to be facing difficulties. Customers are categorised into Early Warning Lists ("EWL") 1-3. Those in EWL1 have temporary problems and the risk of default is low. EWL2 implies there are doubts that the customer will pay but the risk of default is medium. EWL3 implies that there are doubts that the customer will pay and the risk of default is high

Retail exposures

After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural internal credit rating. Any other known information about the borrower which impacts their creditworthiness such as unemployment and previous delinquency history is also incorporated into the behavioural internal credit rating. These ratings are reflected on the following delinquency bucket; Performing loans (Bucket 0); 1day to 30 days past due (Bucket 1); 30 days to 60 days past due (Bucket 2); 60 days to 89 days past due (Bucket 3) and 90 days+ past due (default,Bucket 4).

(c) Expected credit losses measurement (ECLs)

The expected credit loss (ECLs) - is measured on either a 12 - month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired.

- ECLs are discounted at the effective interest rate of portfolio
- The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk
- The Bank uses a portfolio approach to calculate ECLs. The portfolios are segmented into retail, corporate and treasury and further by product.
- Expected credit losses are the probability weighted discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

Probability of default (PD) - is the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" below), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PDs are modelled using historic data into 12 month and Lifetime PDs. Where data is not available proxies which resemble the risk of default characteristics of the exposure are used. The PDs are determined at portfolio level and segmented into various products.

PDs modelled using historical data are then adjusted for forward looking factors. PDs are mapped into regulatory grades as follows:

Corporate exposures

Stage 1	12 Month PD	Central Bank Grades 1 to 3 (Internal Category 1)
Stage 2	Life Time PD	Central Bank Grades 4 to 7 o (Internal Category 2)
Stage 3	Default PD	Central Bank Grades 8 to 10 (Internal Category 3)

Retail exposures

Stage 1	12 Month PD	Central Bank Grades 1 to3 (internal grades bucket 0 & bucket 1) or performing grade
Stage 2	Life Time PD	Central Bank Grades 4 to 7 (internal grades bucket 2 & bucket 3) or special mention
Stage 3	Default PD	Central Bank Grades 8 to 10 (internal grades bucket 4) or substandard, or worse

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(c) Expected credit losses measurement (ECLs) (continued)

Treasury exposures

PDs modelled using historical data are then adjusted for forward looking factors. PDs are mapped into regulatory grades as follows:

Exposure at default (EAD) - is the amount the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For a revolving commitment, the EAD includes the current drawn balance plus any further amount that is expected to be drawn up by the time of default, should it occur. For term loans EAD is the term limit while for short term loans and retail loans EAD is the drawn balance. Debt securities and interbank balances EAD is the current balance sheet exposure.

Loss given default (LGD) - represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counter party, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan. LGD is modelled based on historical data. LGD for sovereign exposure is based on observed recovery rates for similar economies.

Default

The Bank considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

i) 12 month ECLs; (Stage 1 - no increase in credit risk)

ECLs measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. The 12 month ECL is calculated for the following exposures:

- Corporate loans with regulatory grades from 1 - 3
- Retail loans graded in bucket 0 and bucket 1
- Debt securities, loans to banks and bank balances which are not past due; and
- These are a product of 12 months PD, 12 months LGD and EAD.

ii) Life time ECLs (Stage 2 - significant increase in credit risk refer to 31.5d)

ECLs are measured based on expected credit losses on a lifetime basis. It is measured for the following exposures;

- Corporate loans with regulatory grades from grade 4 to grade 7 (Early Warning List 1 and Early Warning List 2)
- Retail loans in bucket 2 to 3 (bucket 2 is 30 days to 60 days past due, bucket 3 is 60 days to 90 days past due)
- Debt securities, loans to banks and bank balances where the credit risk has significantly increased since initial recognition; and
- These are a product of lifetime PD, lifetime LGD and EAD.

iii) Life time ECLs (Stage 3 - default)

ECLs are measured based on expected credit losses on a lifetime basis. This is measured on the following exposures.

- All credit impaired/ in default corporate and retail loans and advances to banks and other debt securities in default.
- These are corporates in regulatory grade 8 - 10 (EWL3) and retail loans in bucket 4
- Exposures which are 90 days+ past due; and
- These are a product of default PD, lifetime LGD and EAD.

(d) Significant increase in credit risk (SICR)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and including forward-looking information.

The assessment of significant increase in credit risk incorporates forward looking information and is performed on a monthly basis at a portfolio level for all retail loans. Corporate and treasury exposures are assessed individually through the Early Warning list which is reviewed monthly and monitored by an independent team in credit risk department, and quarterly reviews by the Impairment Committee of exposures against performance criteria.

Significant increase in credit risk - Quantitative measures

- Corporate loans - if the loan is reclassified from regulatory grades 1 - 3 to grades 4 - 7
- Retail loans - if the loan is reclassified from buckets 0 and 1 to buckets 2 to 3
- Treasury exposures which are past due.

Significant increase in credit risk - Qualitative measures retail and corporate

There are various qualitative measures which include:

- Retail - Retrenchment, Dismissal, Salary diversion, employer facing difficulties
- Corporate - Adverse business changes, changes in economic conditions, quality challenges, among others.

(e) Benchmarking Expected Credit Loss

Corporate and treasury

Due to lack of sufficient historical information on corporate and treasury portfolio defaults from which PDs and LGDs are derived, a judgemental benchmarking is used parallel to the corporate and treasury model output. The higher of benchmarking ECL and the model output is considered as the final ECL.

(f) Forward – looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECLs both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The key economic variables identified were GDP growth, interest rates and import cover ratio. These economic variables and their associated impact on the ECL vary by financial instrument. Expert judgment has also been applied in this process.

(g) Write – offs -

The Bank will write off retail accounts following charge off of the account if the equivalent of an instalment is not recovered cumulatively over a 12-month period post charge off. Corporate accounts are written off once security has been realised depending on the residual balance and further recovery prospects. The corporate write off policy is not rules based, or time bound.

(h) ECL model governance

The models used for PD, EAD and LGD calculations are governed on a day to day through the Impairments Committee. This committee comprises of senior managers in risk, finance and the business. Decisions and key judgements made by the Impairments Committee relating to the impairments and model overrides will be taken to Board Risk, Board Loans and Board Audit Committee.

(i)Maximum exposure to credit risk by credit quality grade before credit enhancements

The Bank has an internal rating scale which is mapped into the Basel II grading system. The internal rating is broadly classified into; performing loans, standard monitoring and non-performing.

Performing loans

Loans and advances not past due and which are not part of renegotiated loans are considered to be performing assets, these are graded as per RBZ credit rating scale as grade 1 - 3.

Standard monitoring grade

These are loans and advances which are less than 90 days past due and in some cases not past due but the business has significant concern on the performance of that exposure, as per RBZ credit rating scale these are grade 4 - 7.

Non-performing grade

These are loans and overdrafts on which interest is no longer accrued or included in income unless the customer pays back. These non-performing (past due) assets include balances where the principal amount and / or interest is due and unpaid for 90 days or more, as per RBZ credit rating scale these are grade 8 - 10.

Loans and advances renegotiated

During the year the Bank renegotiated loans and advances to customers amounting ZWL8.3 million (2020: ZWL 38 million). Re- negotiations related to customers with operations that were directly impacted by COVID-19.

32.6 Maximum credit risk exposure

Historical and inflation adjusted 2021	Maximum credit risk exposure				ECL Reconciliation			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Corporate	3,749,499	675,856	-	4,425,355	41,661	3,006	-	44,667
Business banking	980,799	11,134	36,974	1,028,907	10,025	2,319	3,216	15,560
Retail	1,690,612	51,056	47,228	1,788,896	26,996	2,087	12,210	41,293
Total	**6,420,910**	**738,046**	**84,202**	**7,243,158**	**78,682**	**7,412**	**15,426**	**101,520**
Balances with central bank								
Savings bonds and treasury bills	1,800,591	-	-	1,800,591	9,228	-	-	9,228
Bank balances	2,609,265	-	-	2,609,265	203	-	-	203
Total	**4,409,856**	**-**	**-**	**4,409,856**	**9,431**	**-**	**-**	**9,431**
Balances with other banks and settlement balances								
Settlement balances - local currency	34,497	-	-	34,497	487	-	-	487
Bank balances - foreign currency	3,393,945	-	-	3,393,945	1,053	-	-	1,053
Total	**3,428,442**	**-**	**-**	**3,428,442**	**1,540**	**-**	**-**	**1,540**
Other assets								
RBZ receivable NOP support	896,944	-	-	896,944	36,439	-	-	36,439
RBZ receivable other	1,157	-	-	1,157	-	-	-	-
Other assets	1,304,239	-	-	1,304,239	-40	-	-	-40
Total	**2,202,340**	**-**	**-**	**2,202,340**	**36,399**	**-**	**-**	**36,399**
Total on balance sheet	**16,461,548**	**738,046**	**84,202**	**17,283,796**	**126,052**	**7,412**	**15,426**	**148,890**
Guarantees and letters of credit								
Guarantees	121,395	-	-	121,395	-	-	-	-
Letters of credit	814,954	-	-	814,954	-	-	-	-
Total	**936,349**	**-**	**-**	**936,349**	**-**	**-**	**-**	**-**

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2021, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

32.7 Expected credit losses analyis and reconciliation

Historical and inflation adjusted 2021	Stage 1 - 12 month ECL ZWL000	Stage 2 - Lifetime ECL not credit impaired ZWL000	Stage 3 - Lifetime ECL credit impaired ZWL000	Total ZWL000
Balance at beginning of the year	**136,887**	**9,206**	**5,683**	**151,776**
Movement with P&L impact				
New financial assets purchased or originated	72,589	-	-	72,589
Transfers from stage 1 to stage 2	(21,056)	21,056	-	-
Transfers from stage 2 to stage 3	-	(18,880)	18,880	-
Write offs	(74)	-	-	(74)
Total	**51,459**	**2,176**	**18,880**	**72,515**
Movement with no P&L impact				
Bad debts written off	-	-	(2,742)	(2,742)
Monetary adjustment	(62,294)	(3,970)	(6,395)	(72,659)
Balance at end of the year	**126,052**	**7,412**	**15,426**	**148,890**

Credit risk concentration of loans and advances were as follows;

Industry/Sector	Historical and inflation adjusted 2021 ZWL000	%	Inflation adjusted 2020 ZWL000	%	Historical 2020 ZWL000	%
Trade and services	1,943,212	27	453,989	12	282,442	12
Energy and minerals	-	-	41,579	1	25,868	1
Agriculture	1,147,601	16	475,587	13	295,879	13
Light and heavy industry	792,699	11	1,343,510	34	835,843	34
Physical persons	1,788,830	25	821,569	21	511,127	21
Transport and distribution	1,289,800	18	714,502	18	444,516	18
Financial services	281,016	4	45,792	1	28,486	1
Total	**7,243,158**	**100**	**3,896,528**	**100**	**2,424,161**	**100**

Collateral held for exposure

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers are as shown below:

	Inflation adjusted		Historical	
	2021 ZWL000	2020 ZWL000	2021 ZWL000	2020 ZWL000
Performing loans	4,436,118	2,820,035	4,436,118	1,754,438
Non-performing loans	13,190	-	13,190	-
Total	**4,449,308**	**2,820,035**	**4,449,308**	**1,754,438**

32.8 Liquidity risk

Liquidity risk is the risk that the Bank may fail to meet its payment obligations when they fall due and to replace funds when they are withdrawn, the consequences of which may be the failure to meet the obligations to repay deposits and fulfil commitments to lend. Liquidity risk is inherent in all banking operations and can be affected by a range of Bank specific and market wide events. The efficient management of liquidity is essential to the Bank in maintaining confidence in the financial markets and ensuring that the business is sustainable.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Bank's short, medium and long term funding and liquidity management requirements.

Liquidity risk management objectives are;

- Growing and diversifying the funding base to support asset growth and other strategic initiatives, balanced with a strategy to reduce the weighted cost of funds;
- To maintain the market confidence in the Bank;
- Maintaining adequate levels of surplus liquid asset holdings in order to remain within the liquidity risk appetite;
- Set early warning indicators to identify the emergence of increased liquidity risk or vulnerabilities;
- To maintain a contingency funding plan that is comprehensive.

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32.8 Liquidity risk (continued)
Liquidity risk management process

Liquidity risk is managed as;

a) Business as usual referring to the management of cash inflows and outflows of the bank in the ordinary course of business.

b) Stress liquidity risk – refers to management of liquidity risk during times of unexpected outflows. The Bank's Assets and Liabilities Committee ("ALCO") monitors and manages liquidity risk. The Bank's liquidity management process as carried out by the ALCO and Treasury units includes:

- Day to day funding and monitoring of future cash flows to ensure that funding requirements are met;
- Maintaining a high balance of cash or near cash balances that can easily be liquidated as protection against unforeseen funding gaps;
- Monitoring liquidity ratios against internal and regulatory benchmarks;
- Limits are set across the business to control liquidity risk;
- Early warning indicators are set to identify the emergence of increased liquidity risk and;
- Sources of liquidity are regularly reviewed by ALCO to maintain a wide diversification of source of funding;
- Managing concentration of deposits.

	Inflation adjusted		Historical	
	2021	2020	2021	2020
Liquidity ratios	ZWL000	ZWL000	ZWL000	ZWL000
Total liquid assets	10,124,491	10,671,361	10,124,491	6,639,012
Deposits and other short term liabilities	17,601,806	15,223,483	17,601,806	9,471,040
Liquidity ratio	**58%**	**70%**	**58%**	**70%**
Reserve Bank of Zimbabwe minimum	**30%**	**30%**	**30%**	**30%**

Liquidity profiling as at 31 December 2021

The amounts disclosed in the table below are the contractual undiscounted cash flows. The assets which are used to manage liquidity risk, which is mainly cash and bank balances and investment securities are also included on the table based on the contractual maturity profile.

On balance sheet items as at 31 December 2021 Historical and inflation adjusted 2021

Assets held for managing liquidity risk	Less than 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6 to 12 months ZWL000	1 to 5 years	5+ years ZWL000	Total ZWL000	Carrying amount ZWL000
Cash and bank balances	8,285,767	-	814,954	-	-	-	9,100,721	9,099,463
Derivative financial assets	1,791	-	-	-	-	-	1,791	1,791
Investment securities	1,142,886	503,881	652,839	496,586	103,393	-	2,899,585	2,899,585
Loans and receivables from banks	34,497	-	-	-	-	-	34,497	34,497
Loans and advances to customers	1,465,329	1,464,259	1,205,823	783,267	2,308,250	16,297	7,243,225	7,141,639
Other assets**	1,251,756	55,727	83,591	167,181	747,050	-	2,305,305	2,654,391
Total assets	**12,182,026**	**2,023,867**	**2,757,207**	**1,447,034**	**3,158,693**	**16,297**	**21,585,124**	**21,925,973**
Liabilities								
Derivative financial liabilities	1,272	-	-	-	-	-	1,272	1,272
Lease liabilities	5,685	11,370	16,964	33,229	161,894	84,162	313,304	171,032
Deposits from Banks	547,359	-	-	-	-	-	547,359	547,359
Deposits from customers	15,195,681	1,197,016	-	4,620	-	-	16,397,317	16,397,317
Provisions	-	-	201,281	-	-	-	201,281	201,281
Other liabilities	1,412,013	-	-	-	-	-	1,412,013	1,424,671
Current income tax liabilities	12,658	-	-	-	-	-	12,658	12,658
Balances due to Group companies	230,060	-	-	-	-	-	230,060	230,060
Total liabilities	**17,404,728**	**1,208,386**	**218,245**	**37,849**	**161,894**	**84,162**	**19,115,264**	**18,993,723**
Liquidity gap	(5,222,702)	815,481	2,538,962	1,409,185	2,996,799	(67,865)	2,469,860	2,932,250
Cumulative liquidity gap	(5,222,702)	(4,407,221)	(1,868,259)	(459,074)	2,537,725	2,469,860		

Contingent liabilities and commitments as at 31 December 2021

	Less than 1 month	1 to 3 months	3 to 6 months	6-Dec months	1 to 5 years	Total
Historical and inflation adjusted 2021	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Assets						
Commitment to lend	98,923	110,334	86,974	51,382	68,753	416,366
Total assets	**98,923**	**110,334**	**86,974**	**51,382**	**68,753**	**416,366**
Liabilities						
Commitment to lend	416,366	-	-	-	-	416,366
Total liabilities	**416,366**	**-**	**-**	**-**	**-**	**416,366**
Liquidity gap	(317,443)	110,334	86,974	51,382	68,753	-
Cumulative liquidity gap	(317,443)	(207,109)	(120,135)	(68,753)	-	-

33 Other risks Strategic risk

The roles of the chairman and the managing director are not vested in the same person. The executive team formulates the strategy under the guidance of the Board which approves it. The executive directors bear the responsibility to execute the approved strategy. The Board reviews the performance and suitability of the strategy at least quarterly.

Legal and compliance risk

The Risk Management Committee ensures that the management and operations of the Bank's business is done within the governance and regulatory control framework established internally, the Reserve Bank of Zimbabwe and other regulatory bodies. A dedicated legal and compliance unit is in place to monitor legal and compliance requirements and ensure that they are met on a daily basis.

Reputation risk

The Bank adheres to very strict reputation standards set for FMBcapital Holdings PLC based on its chosen set of values. The Human Resources Committee of the Board assists the Board in ensuring that staff complies with set policies and practices consistent with the reputation demands of both the Bank and the industry. The compliance unit and human resources function monitor compliance by both management and staff with the Bank's ethical codes and compliance standards in managing conduct risk.

Operational risk

This is the risk of losses arising from inadequate or failed internal processes, people and/or systems or from external events. A significant part of the Bank's operations are automated and processed in the core banking system. Key banking operations in corporate and investment banking, retail and business banking and treasury are heavily dependent on the Bank's core banking system. The core banking system also supports key accounting processes for financial assets, financial liabilities and revenue including customer interface on mobile, internet banking and related electronic platforms.

Practices to minimise operational risk are embedded across all transaction cycles. Risk workshops are held for the purpose of identifying major risks in the operating environment and methods of mitigating the risks. The Bank employs the standardised approach to determine capital required to cover operational risk. Each function carries out a risk and control assessment of their processes on a regular basis. The assessment results are reviewed by Operational Risk Management department. Internal Audit audits selected functions at given times.

Risks and Ratings

The Central Bank conducts regular examinations of Banks and financial institutions it regulates. The last on-site examination of the Bank was as at 30 June 2016 and it assessed the overall condition of the Bank to be satisfactory. This is a score of "2" on the CAMELS rating scale. The CAMELS rating evaluates banks on capital adequacy, asset quality, management and corporate governance, liquidity and funds management and sensitivity to market risks.

33 Risks and Ratings (continued)

The CAMELS and Risk Assessment System (RAS) ratings are summarised in the following tables;

CAMELS ratings

CAMELS component	Latest Rating - June 2016	
Capital	1	- Strong
Asset quality	2	- Satisfactory
Management	2	- Satisfactory
Earnings	1	- Strong
Liquidity and funds management	2	- Satisfactory
Sensitivity to market risk	1W	- Strong

Summary risk matrix - June 2016 on-site supervision

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

Interpretation of risk matrix

Level of inherent risk

Low - reflects 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 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 to 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 current information, risk is expected to be stable in the next 12 months.

External Credit Ratings

	Latest credit ratings	Previous credit ratings
Rating agent	2021/22	2020/21
Global Credit Rating Co.	A+(ZW)	A+(ZW)

34 Fair value of financial instruments not held at fair value

The disclosed fair values of these financial assets and financial liabilities measured at amortised cost approximate their carrying value because of their short term nature.

	Inflation adjusted				Historical			
	2021 Carrying amount ZWL000	Fair value ZWL000	2020 Carrying amount ZWL000	Fair value ZWL000	2021 Carrying amount ZWL000	Fair value ZWL000	2020 Carrying amount ZWL000	Fair value ZWL000
Financial Assets								
Cash and bank balances	9,099,463	9,099,463	10,220,207	10,220,207	9,099,463	9,099,463	6,358,334	6,358,334
Loans and receivables from banks	34,497	34,497	20,015	20,015	34,497	34,497	12,452	12,452
Loans and advances to customers	7,141,638	7,141,638	3,799,703	3,799,703	7,141,638	7,141,638	2,363,923	2,363,923
Other assets	1,408,360	1,408,360	1,293,817	1,293,817	1,408,360	1,408,360	804,927	804,927
Total assets	**17,683,958**	**17,683,958**	**15,333,742**	**15,333,742**	**17,683,958**	**17,683,958**	**9,539,636**	**9,539,636**
Financial Liabilities								
Deposits from banks	547,359	547,359	168,256	168,256	547,359	547,359	104,677	104,677
Deposits from customers	16,397,317	16,397,317	14,170,567	14,170,567	16,397,317	16,397,317	8,815,986	8,815,986
Lease liability	171,032	171,032	153,916	153,916	171,032	171,032	95,756	95,756
Other liabilities	1,376,135	1,376,135	2,452,331	2,452,331	1,376,135	1,376,135	1,525,677	1,525,677
Balances due to group companies	230,060	230,060	247,943	247,943	230,060	230,060	154,254	154,254
Total	**18,721,903**	**18,721,903**	**17,193,013**	**17,193,013**	**18,721,903**	**18,721,903**	**10,696,350**	**10,696,350**

35 Share-based payments

35.1 Local managerial share option scheme

This scheme benefits managerial employees. Managerial employees are granted shares in First Capital Bank. Share options issued have a vesting period of three years. The Bank has no legal or constructive obligation to repurchase or settle the options in cash.

The following assumptions were input into the valuation model, consistent with prior year:

- Volatility of 81.83%
- Nominal risk free rate of return of 20%

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35 Share-based payments (continued)

Movements during the period

The following reconciles the share options outstanding at the beginning and end of the year:

	2021		2020	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of the year	4,610,000	0.05	7,210,000	0.05
Granted during the year	4,470,000	0.07	280,000	0.07
Forfeited during the year	(1,060,000)	0.03	(1,014,247)	0.03
Exercised during the year	(1,620,000)	-	(1,865,753)	-
Outstanding at end of the year	**6,400,000**	**-**	**4,610,000**	**-**
Exercisable at end of the year	**1,320,000**	**0.13**	**2,400,000**	**0.06**
Weighted average contractual life of options outstanding at end of period	1.91	-	4.20	-

36 Related parties

The Bank is controlled by Afcarme Zimbabwe Holdings (Private) Limited incorporated and domiciled in Zimbabwe which owns 53% (2020: 53%) of the ordinary shares. 15% is held by an Employee Share Ownership Trust (ESOT) and the remaining 32% of the shares are widely held. The ultimate parent of the Bank is FMBcapital Holdings PLC incorporated in Mauritius. There are other companies which are related to First Capital Bank through common shareholdings or common directorship.

36.1 Directors and key management compensation

	Inflation adjusted		Historical	
	2021	2020	2021	2020
	ZWL000	ZWL000	ZWL000	ZWL000
Salaries and other short term benefits	161,059	92,132	161,059	28,032
Post-employment contribution plan	8,754	3,957	8,754	1,204
Share based payments	839	65	651	20
Total	**170,652**	**96,154**	**170,464**	**29,256**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank directly or indirectly. These include the Managing Director, Chief Finance Officer, Chief Risk Officer, Commercial Director, Chief Operations Officer, Consumer Banking Director, Chief Internal Auditor, Head of Compliance, Company Secretary and Head of Human Resources.

36.2 Loans to directors and key management

	Inflation adjusted		Historical	
	2021	2020	2021	2020
	ZWL000	ZWL000	ZWL000	ZWL000
Loans outstanding at begining of the year	**16,658**	**16,721**	**16,658**	**2,319**
Loans issued during the year	25,741	25,572	25,741	15,909
Loans repayments during the year	(2,322)	(15,518)	(2,322)	(1,570)
Loans outstanding at end of the year	**40,077**	**26,775**	**40,077**	**16,658**

36 Related parties (continued)

Of the loans advanced to directors and other key management personnel of ZWL1.4m (2020:1.7m) is secured and repayable over 15-17 years.The balance of ZWL38m is unsecured and repayable monthly over 4 years at average interest rates of 15% (2020:15%).Loans and advances to non-executive directors during the year ended 31 December 2021 were nil (2020: nil).

No impairment losses have recognised in respect of loans and advanced to related parties (2020: nill).

36.3 Deposits from directors and key management

	Inflation adjusted		Historical	
	2021	2020	2021	2020
Deposits at begining of the year	**13,831**	**16,721**	**13,831**	**332**
Deposits received during the year	71,581	25,572	71,581	23,627
Deposits repaid during the year	(81,416)	(15,518)	(81,416)	(10,128)
Deposits at end of the year	**3,996**	**26,775**	**3,996**	**13,831**

36.4 Balances with group companies

	Inflation adjusted		Historical	
	2,021	2,020	2,021	2,020
	ZWL000	ZWL000	ZWL000	ZWL000
Bank balances due from group companies	38,643	49,755	38,643	30,954
Bank balances due to group companies	-	(26,661)	-	(16,587)
Total bank balances due from the Group	**38,643**	**23,094**	**38,643**	**14,367**
Other balances due from group companies	-	29,288	-	18,221
Other balances due to group companies	(230,060)	(277,231)	(230,060)	(172,475)
Total other balances due to the Group	**(230,060)**	**(247,943)**	**(230,060)**	**(154,254)**

37 Events after the reporting date

There were no events noted after reporting date that required to be adjusted for or disclosed in the financial results of First Capital Bank Limited.

38 Going concern

The Directors have no reason to believe that the Bank will not be a going concern in the period ahead. Going concern assessment was performed by review of the economic conditions under which the Bank is expected to perform over the next 12 months, its ability to adapt its strategy, business and operating models to the projected macro environment, financial forecasts and business underwriting capacity. The Bank has sufficient capital, human and physical resources as well as sources of sustainable deposits which are well diversified and is therefore able to address short-term stress factors within reasonable parameters.

The impact of COVID-19 on the operations of the Bank has been considered in the impairment calculation on the Bank's financial assets. Whilst risks related to the pandemic remain elevated due to the considerably high level of uncertainty around its control, its impact on the Bank going forward has been assessed as not material based on the infection and mortality statistics as at the reporting date as well as coping mechanisms that have been implemented internationally, including widespread vaccinations.

The Bank's financial statements as at 31 December 2021 have therefore been prepared on the going-concern assumption.

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INDEPENDENT AUDITOR'S REPORT
To the shareholders of First Capital Bank Limited

Report on the audit of the consolidated and separate inflation adjusted financial statements

Opinion

We have audited the inflation adjusted financial statements of First Capital Bank Limited (hereafter, the Bank) and its subsidiary (together, the "Group") set out on pages 13 to 86, which comprise the consolidated and separate inflation adjusted statement of financial position as at 31 December 2021, and the consolidated and separate inflation adjusted statement of profit or loss and other comprehensive income, the consolidated and separate inflation adjusted statement of changes in equity and the consolidated and separate inflation adjusted statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate inflation adjusted financial statements present fairly, in all material respects, the inflation adjusted financial position as at 31 December 2021 of the Bank and Group, and its inflation adjusted financial performance and inflation adjusted cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Banking Act (Chapter 24:20).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate inflation adjusted financial statements section of our report. We are independent of the Bank in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate inflation adjusted financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Opinion section of our report, we have determined the matters described below to be the key audit matters.

Key audit matter	How the matter was addressed
1. Determination of expected credit losses on financial assets	
As disclosed in note 37.3 the expected credit losses (ECL) reflected in the inflation adjusted statement of financial position as at 31 December 2021 determined in accordance with International Financial Reporting Standard 9, "Financial Instruments" (IFRS 9), amounts to ZWL$148.89 million (2020 ZWL$151.78 million). This was considered a key audit matter as the determination of the ECL requires significant judgement such as: • Models used to determine provisions are complex and might not have taken into account all relevant factors such as macroeconomic data for forecasts and the data used for historical analysis might not be accurate. • The estimation of the key components of the expected credit loss("ECL") provisions involves significant judgement in determination of probability of default (PD), loss given default (LGD)and exposure at default (EAD). • The current economic environment is volatile which further heightens the risk of incorporating inaccurate forward-looking information. In addition, the increased foreign currency liquidity constraints may have impacted the financial position of companies and individuals which needs to be incorporated in the determination of the expected credit losses. The judgements and estimates used in the determination of the ECL have been detailed as per note 2 of the inflation adjusted financial statements.	To respond to the risk, we performed audit procedures which included: • Obtained an understanding of the business process around the impairment of financial assets and tested the design and implementation of relevant controls. • We evaluated the competence, objectivity and independence of specialists that we engaged; and • Tested the completeness and accuracy of loans and advances included in the ECL calculations. With the assistance of an auditor's specialist: • Reviewed the Bank's IFRS 9 based impairment provisioning policy, compared it with the requirements of IFRS 9 and performed an independent assessment on the appropriateness of the model. • Reviewed the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. • Obtained an understanding of the Bank's internal rating models for loans and advances and for a sample of loans and advances, we tested the appropriateness of the Bank's staging of loans and advances. • Reviewed the key data sources and assumptions for data used in the Expected Credit Loss (models (the Models) used by the Bank to determine impairment provisions. • Tested the appropriateness of determining Exposure at Default (EAD) and probability of default; and • Reviewed the calculation of the Loss Given Default (used in the ECL calculations, including the appropriateness of the discounting of ECL performed by management and the resultant arithmetical calculations. • Tested the rationale of management overlays which are performed through the Bank's benchmarking process. • Assessed whether forward looking information has been incorporated into the Bank's ECL computations for all financial assets subject to impairment in terms of IFRS 9 and whether it is appropriate in light of the current economic environment; and • We evaluated the impact of any findings identified on the expected credit loss provision. The disclosures and accounting pertaining to the ECL was found to be appropriate in terms of the relevant accounting standards.

INDEPENDENT AUDITOR'S REPORT (continued)

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed</th></tr>
<tr><td colspan="2">1. Valuation of properties</td></tr>
<tr><td>As disclosed in note 3 of the inflation adjusted financial statements, the Bank has owner occupied properties, investment properties and investment in Makasa Sun which are recognised at fair value. Fair valuation of these properties is an area of significant judgement and estimates which are further heighten by the hyperinflationary state of the local currency.

The valuations for 2021 were in Zimbabwean Dollars (ZWL). The directors made use of independent external valuers in determining the fair values of property. Valuations by their nature involve the use of judgement and estimates which involve significant unobservable inputs such as:
• Market rentals
• Risk yields

The current economic environment is volatile and leads to complexity in valuing property. The complexity and subjectivity of the ZWL inputs may result in material misstatements. We identified the valuation of property as representing a key audit matter due to the significance of the balance to the financial statements as a whole.

Judgements and estimates used in the valuation of properties have been disclosed as per note 3 and note 36.2 of the inflation adjusted financial statements.</td><td>To respond to the matter, we performed the following procedures:

• Assessed the independence, competence and objectivity of the external property valuer.

• Evaluated the valuation methodology used by the external property valuer.

• Discussed the valuations with management and the valuer and challenged key estimates adopted in the valuation including those relating to market selling prices, market rates, and capitalization rates, by comparing with available market data.

• Tested the completeness and accuracy of the ZWL inputs used in the valuation model.

• Engaged an auditor's property valuation expert to assess reasonability of the values determined by management by assessing the ZWL inputs against other independent data sources.

• Assessed whether fair value had been determined in accordance with the requirements of IFRS 13 Fair Value Measurement; and

• Reviewed financial statement disclosures for adequacy of disclosures around the key assumptions.

The disclosures and accounting pertaining to valuation of properties was found to be appropriate in terms of the relevant accounting standards.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's statement, Managing Director's Report, Directors' report, Directors' Statement of Responsibility and the historical cost financial information which we obtained prior to the date of this auditor's report. The other information does not include the consolidated and separate inflation adjusted financial statements and our auditor's report thereon. Our opinion on the consolidated and separate inflation adjusted financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate inflation adjusted financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate inflation adjusted financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the directors for the consolidated and separate inflation adjusted financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate inflation adjusted financial statements in accordance with International Financial Reporting Standards (IFRS), and the requirements of the Banking Act (Chapter 24:20) and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate inflation adjusted financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's responsibilities for the audit of the consolidated and separate inflation adjusted financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated and separate inflation adjusted financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate inflation adjusted financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated and separate inflation adjusted financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate inflation adjusted financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate inflation adjusted financial statements, including the disclosures, and whether the consolidated and separate inflation adjusted financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Per: Lawrence Nyajeka
Partner
PAAB Practice Certificate Number: 0598
Date: 27 March 2022