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NMBZ HOLDINGS LIMITED

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

CONDENSED AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL SUMMARY	Inflation adjusted		Historical Cost	
	31 December 2021 Audited	31 December 2020 Audited Restated	31 December 2021	31 December 2020
	ZWL	ZWL	ZWL	ZWL
Operating profit before impairment charge and loss on net monetary position	3 450 115 150	1 385 000 759	4 102 728 519	1 856 050 489
Total comprehensive income	2 248 387 353	1 656 058 822	3 790 755 331	2 704 776 561
Basic earnings per share (cents)	463	338	728	449
Deposits from customers	16 340 531 967	10 066 569 255	16 340 531 967	6 262 750 864
Total gross loans and advances	9 996 817 479	3 941 259 126	9 996 817 479	2 451 989 687
Total shareholders' funds and shareholders' liabilities	9 025 526 399	6 742 881 414	7 297 154 066	3 388 155 345

CHAIRMAN'S STATEMENT

INTRODUCTION

For the greater part of 2021, there was a growing sense of cautious optimism that finally the worst of the COVID-19 pandemic was behind us. However, towards the end of the year, our resilience was put to the test once more as the spread of new variants necessitated the reintroduction of various restrictions. That presented challenges to businesses emanating from a slowdown in the global economy and supply chain disruptions. Despite these factors, the Zimbabwean economy continued to show signs of resilience and recovery.

The various economic stabilization initiatives, including the foreign exchange auction system introduced in June 2020, resulted in a significant drop in inflation with , year-on-year inflation (Y.o.Y) dropping from a high of 837% recorded in July 2020, to 60.74% as of December 2021. Month-on-month inflation (M.o.M) averaged 4.05% during the year 2021.

During the period under review, the local currency depreciated by 32.9% from ZW$81.7866/US$ to ZW$108.666/US$. In 2021, total foreign currency receipts inflows into the economy increased by 53% to US$9.7 billion, a record high compared to US$6.3 billion in 2020. The performance was driven by increased commodity prices, increased capacity utilization across sectors, international remittances, and gold incentives put in place by the government.

Notwithstanding the economic headwinds, the economy achieved an economic growth rate of 7.8% on the back of the continuation of the tight monetary and fiscal consolidation, a good agricultural season and the stabilization effect brought by the auction system.

GROUP RESULTS

FINANCIAL PERFORMANCE

Operating income increased from ZW$3.4 billion to ZW$6.98 billion for the year ended 31 December 2021, largely driven by growth in transaction volumes and values during the period under review. Total comprehensive income for the period amounted to ZW$2.25 billion (Dec 2020 ZW$1.66 billion).The Group achieved a basic earnings per share of 463 cents (Dec 2020 – 338 cents)

Operating expenses at ZW$3.5 billion, were 72% above the 2020 levels, reflecting the effects of inflation and exchange rate depreciation. The Bank continues to pay special focus on its digitization strategy which is expected to increase efficiencies resulting in cost reduction.

FINANCIAL POSITION

Total assets closed the year at ZW$29.4 billion, up 67% from ZW$ 17.6 billion as at 31 December 2020, funded by strong growth in customer deposits as the banking subsidiary continues to grow its customer base. Customer deposits and other liabilities increased by 85% reflecting strong personal and commercial inflows following the easing of Covid-19 restrictions.

The Group's investment property portfolio was valued at ZW$3.5 billion as at 31 December 2021 while property and equipment stood at ZW$4.1 billion.The revaluation gains largely reflect the changes in the macro economic environment.

Loans and advances and other assets stood at ZW$12.4 billion as at 31 December 2021, increasing by 93% from prior period levels. The banking subsidiary maintained a high-quality loan book, closing the year with an NPL ratio of 1.33%

The Bank maintained a sound liquidity position with a liquidity ratio of 41% and this was above the statutory minimum of 30%.

CAPITAL

The capital adequacy ratio of the banking subsidiary remained strong at 57.48% compared to a regulatory minimum of 12%. The subsidiary maintained adequate capital levels to cover all risks and was compliant with the minimum capital of the equivalent of USD30 million.

DIVIDEND

The Board has resolved not to declare a dividend in order to fund the growth initiatives being pursued by the Group as well as buttress the regulatory capital position of the Group's banking subsidiary.

BLOCKED FUNDS

The banking subsidiary owed USD13.4 million to various line of credit providers as at 31 December 2021 which have been registered as Blocked Funds with the Reserve Bank of Zimbabwe (RBZ) in line with regulatory directives. In 2021, the Government of Zimbabwe assumed the obligation to settle these Blocked Funds in terms of section 52 of the Finance Act no 7 of 2021. The Blocked funds are listed under Annex 1 of the Finance Act no 7 of 2021. In terms of section 52 of the Finance Act no 7 of 2021, outstanding blocked funds may be liquidated through the issuance of Government-backed zero coupon or non-interest-bearing foreign exchange savings bonds or such other debt instruments denominated in foreign currency. The timing of issuance of the Government-backed instruments is yet to be advised.

LONDON STOCK EXCHANGE LISTING

At the 2021 Annual General Meeting, the Company sought and obtained shareholder approval to delist from the London Stock Exchange following a determination that the regulatory compliance and administrative costs that the Company was incurring annually were high and outweighed any benefits derived or to be derived from the dual listing. Having obtained shareholder approval, the Company applied and obtained approval to delist from the London Stock Exchange with effect from 8 July 2021. The delisting did not adversely affect any of our shareholders as the company's shares continue to be listed on the Zimbabwe Stock Exchange where the company has always maintained its primary listing. The number of shares held on the London Stock Exchange was 198 443 shares. The Company is in the process of winding up administrative processes related to the delisting.

DIRECTORATE

Mr. Benefit Washaya retired at the end of December 2021 after serving as the Bank's Chief Executive Officer for fourteen years. He was replaced by Mr. Gerald Gore, formerly the Deputy Chief Executive Officer, who was appointed Chief Executive Officer with effect from 1 January 2022. Mr. Benson Ndachena also resigned from his post as Chief Finance Officer with effect from 1 October 2021 to pursue other interests. He was replaced by Mrs. Margret Chipunza who assumed the role of Chief Financial Officer with effect from 30 September 2021. I thank Mr. Washaya and Mr. Ndachena for their sterling contribution to the Group and I wish them well in their future endeavors. I am confident in the ability of the incoming Executive team to take NMB into our next growth phase.

OUTLOOK AND STRATEGY

The Bank will continue to accelerate the digitization strategy with the main aim being to provide seamless digital financial solutions to both corporate and individual clients. The Group will continue to fund and support the productive sectors of the economy as part of our drive to support the growth of the Zimbabwean economy. I will be coming back to the market with further developments on this front.

CHAIRMAN'S STATEMENT (Continued)

APPRECIATION

I thank our valued clients, depositors, shareholders, regulatory authorities and other key stakeholders for their continued support. To my fellow board members, management and staff, I extend my heartfelt gratitude for their continued diligence, dedication and relentless efforts which have culminated in the achievement of these commendable results.

B. A. CHIKWANHA

CHAIRMAN

10 APRIL 2022

CHIEF EXECUTIVE OFFICER'S STATEMENT

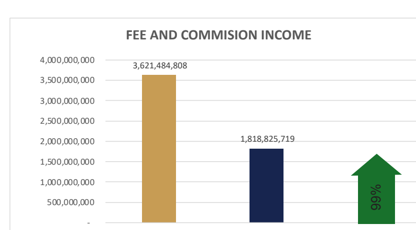
INTRODUCTION

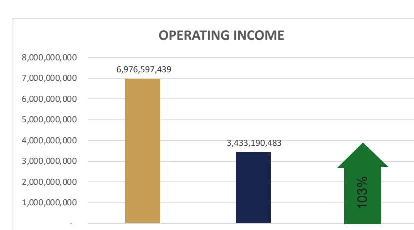
The Group and its clients showed great resilience and adaptability in the wake of the constant evolving challenges brought about by the Covid-19 pandemic. The operating environment maintained a relative stability in the first half although it became susceptible to deterioration in the base currency as the year progressed. Year-on-year inflation closed the year on 60.1%, while month-on-month inflation averaged 4.5%. The economy saw renewed inflationary pressures largely driven by exchange rate deterioration. This inevitably resulted in an increase in the cost of running the business. The Group continued on its digitization drive bringing efficiency and convenience to our customers.

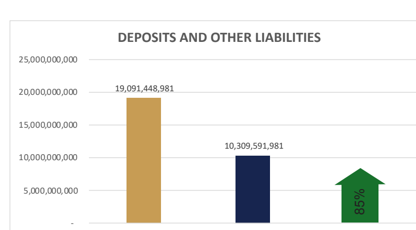
PERFORMANCE REVIEW

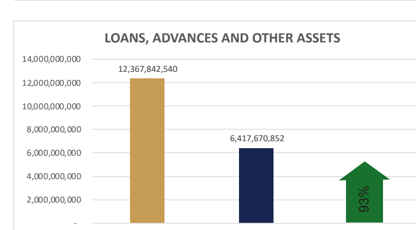
The Group operated profitably for the period under review achieving profit before tax of ZW$2.8 billion (2020 ZW$1.1 billion). The Group's performance was largely driven by the success of our digital transformation strategy and support for key productive sectors of the economy.

The banking subsidiary's digitalisation strategy paid off leading to a 99% growth in fees and commission income and 103% growth in operating income as depicted below.









The banking subsidiary's innovative products and services led to growth in its corporate and institutional depositors culminating in an increase of 85% in deposits and other liabilities which closed the year at ZW$19.1 billion. Loans and other assets grew from ZWL6.4 billion to ZWL12.4 billion as at 31 December 2021 as the bank continues to partner our clients in their growth path.

BUSINESS REVIEW

The banking subsidiary continued to make inroads into new markets and cement relationships with existing clients through the following main business units:

Digital Banking

The Digital Banking department has been seized with automation and improvement of end-to-end customer journeys, including digitalising the customer account opening processes. We made it possible for customers to open accounts digitally and transact without the need to visit the branch or interact with any of our staff. The account opening solution rolled out during the year cover both low KYC account as well as full KYC account opening and gives low KYC account holders a platform to upgrade their accounts digitally. This has made our processes efficient and cost effective while delivering real convenience to our customers. Our digital banking platforms saw over ZWL170 billion worth of transactions in 2021, almost five times 2020 levels, as transaction activity recovered and customers favoured digital payment solutions and reduced their reliance on cash and branch. The division contributed gross income amounting to ZW$2.3 billion in 2021 up, 109% from ZW$0.65 billion in 2020.

CHIEF EXECUTIVE OFFICER'S STATEMENT (continued)

BUSINESS REVIEW (Continued)

Consumer Banking

The Consumer Banking and Value-Added Services (CBVAS) unit has evolved from traditional retail banking and now comprises a suite of financial services that are largely delivered through digital channels. Our combination of physical (branches and agencies) and digital touch points (USSD (*241#) and NMBConnect platforms) have improved access to banking products for our existing and potential customers across the country particularly the previously non and underbanked. Demand for credit remained strong during the period driven by household needs and our digital platforms enabled the vast majority of individual clients, particularly civil servants, to apply for personal loans without the need to physically visit the bank, which was a first in the market. The absence of long term funding has curtailed long term mortgage lending. Funding for housing has largely been restricted to short term equity release facilities. We deepened our Bancassurance offerings as we onboarded five new insurance partners under our multi-agency license. We are well on course to be the insurance payment partner of choice in the market as we digitalise premium payments across all insurance types. The banking subsidiary setup a dedicated Money Transfer Agency (MTA) center to conveniently serve the general public receiving cash from the diaspora. The center has flexible trading hours and customer experience that is next to none as we have shorter queues. Apart from lending income, the division contributed gross fees and commissions of ZW$1.59 billion compared to ZW$450 million in the previous year.

Business banking

The Business Banking division continued to develop strong business relationships in the market across a diversified range of sectors including key areas supporting economic activity. We remained relevant to our Corporate and SME clients by providing customised lending products which meet their exact needs. The Agriculture sector was bolstered by the floating of a ZW$2 billion Agrobond whose proceeds are being deployed in various agricultural value chains. The Bank signed a USD15 million credit line with a developmental finance partner which is currently being disbursed in selected long-term projects. This is up and above another line of US$20 million from a regional funder which was fully utilized.

RISK MANAGEMENT

As a result of its strong balance sheet and prudent approach to risk management, the Group remains well placed to withstand these aftershocks of the Covid-19 pandemic as well as providing support to customers when they need it most. The Group, has the 3 lines of defense model in place with respect to Enterprise Risk Management (ERM). Firstly, the frontline and support functions have clearly defined roles and responsibilities in risk management. Secondly, the Risk Management and Compliance Divisions then independently review the first line activities and finally, the Internal Audit department which is also independent of first and second line of defense.

The Group has maintained a strong capital base to cover for Pillar 1 Risks (Credit, Market and Operational Risks) as well as the additional risks identified through the Internal Capital Adequacy Assessment Process (ICAAP). The Bank's core capital was above the set minimum regulatory requirement of USD 30 million equivalent for tier 1 banks with our capital adequacy ratio at 57.48% against a regulatory minimum of 12%.

CORPORATE SOCIAL INVESTMENTS AND SUSTAINABILITY

During the period under review, the Group channelled its Corporate Social Investments towards education and support to disadvantaged and vulnerable groups. The Group donated Covid-19 PPEs and foodstuffs to Emerald Hill Children's Home and Friends of Dzikwa Society which assist orphans and vulnerable children in providing for their education and well-being. The Group also participated in cancer awareness campaigns by donating a desktop computer to KidzCan Zimbabwe and sponsoring their fundraising initiatives, the KidzCan MudRun.

Pursuant to the banking subsidiary's digitization thrust, the Group sponsored the Global Renaissance Investments 13th Edition Online Digital Indaba and Awards. The Group is committed to providing sustainable solutions to its customers as well as to its own operations. The Bank continued to raise affordable long-term funding through lines of credit to support key economic sectors by financing their capital expenditure projects in manufacturing, agriculture and construction. On the green solutions side, the Group doubled its solar power output and the Head Office now 100% off-grid.

OUTLOOK AND STRATEGY

The Group is setting itself up to take advantage of the opportunities that are presenting themselves in the market. We are poised for growth and diversification which will see us launch a number of new business units in the very near future. I am excited about the prospects and am confident that these initiatives will be of great benefit to our customers and stakeholders.

APPRECIATION

I thank the Board and shareholders for entrusting me to lead the team and take the Group to the next growth phase. I would also want to appreciate our former CEO Mr Washaya for his immense contribution to the group. I am sincerely grateful to our valued clients, depositors, shareholders, stakeholders and regulatory authorities for their support.

MR G. GORE

CHIEF EXECUTIVE OFFICER

10 APRIL 2022

DIRECTORS' REPORT EXTRACT
for the year ended 31 December 2021

1. **RESPONSIBILITY**

The Directors of the Group are mandated by the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe to maintain adequate accounting records and to prepare consolidated and separate financial statements that present a true and fair view of the state of affairs of the Group and Company at the end of each financial year. The information contained in these consolidated and separate financial statements has been prepared on a going concern basis and is in accordance with the provisions of the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe, the Banking Act (Chapter 24:20) of Zimbabwe and International Financial Reporting Standards (IFRSs).

2. **INTERNAL FINANCIAL CONTROLS**

The board is responsible for ensuring that effective internal control systems are implemented within the Group. The Group maintains internal controls and systems designed to provide reasonable assurance of the integrity and reliability of its records, safeguard the assets of the Group and prevent and detect fraud and errors. The Audit Committee in conjunction with the external and internal auditors of the Group reviews and assesses the internal control systems of the Group in key risk areas.

3. **GOING CONCERN**

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

4. **STATEMENT OF COMPLIANCE**

The condensed consolidated financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs) and have been prepared in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe and the Banking Act (Chapter 24:20) of Zimbabwe. The detailed impact of this adoption is disclosed in note 3.12 (Changes in accounting policy).

The Directors have been able to achieve full compliance with IFRSs in previous reporting periods up to 31 December 2017. However, the 31 December 2021 and the comparative periods dating back to the year ending 31 December 2018 financial reporting period could only achieve partial compliance to the IFRS reporting framework due to developments detailed below.

The IFRS Conceptual Framework states that to achieve fair presentation to the financial statements, companies should consider the underlying economic substance of the transaction over and above the legal form. International Accounting Standard (IAS 21) "*The Effects of Changes in Foreign Exchange Rates*" requires the Directors to determine the functional currency of the reporting entity in preparing the entity's financial statements. In arriving at this conclusion, the entity is required to apply certain parameters which the Directors duly applied in their judgement. Furthermore, IAS 21 also requires the reporting entity to make certain judgements in determining the appropriate exchange rates to apply for certain transactions conducted in currencies other than the functional currency of the reporting entity.

As explained in Note 2.4.5, "*Determination of the functional currency*", it is our opinion that following the Monetary Policy pronouncements of 1 October 2018 and 20 February 2019, as well as the issuance of Exchange Control Directive RU 28 of 2019 on 22 February 2019, the country's functional currency appeared to have changed from the United States Dollar in terms of the IAS 21 considerations. However, the Government of Zimbabwe issued Statutory Instrument (SI 33) of 2019 on 22 February 2019, which prescribes the rate of USD1:RTGS$1 in accounting for all transactions and events before the effective date of the statutory instrument.

Furthermore, it is our interpretation that the SI 33 of 2019 issued in terms of the Presidential Powers Temporary Measures Act [Chapter 10:20], ranks supreme to any contrary legislation including quasi-legislations, which therefore implies that in preparing the financial statements, we sought to comply with the provisions of SI 33 of 2019 ahead of the IAS 21 requirements; consequently, the Group could not fully apply the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

This, in our opinion resulted in non-compliance with IAS 21 and IAS 8 and that non-compliance had a significant impact on the true and fair presentation of the Group's financial position and would therefore urge users of the financial statements to exercise due caution.

The consolidated and separate financial statements were approved by the Board of Directors on 10 April 2022.

MR B. A. CHIKWANHA	**MR G. GORE**
CHAIRMAN	**CHIEF EXECUTIVE OFFICER**
10 APRIL 2022	**10 APRIL 2022**

AUDITOR'S STATEMENT

The Group's consolidated inflation adjusted financial statements from which these abridged financial statements have been extracted, have been audited by the Group's external auditors Ernst & Young Chartered Accountants (Zimbabwe) ,who have issued a qualified audit opinion as a result of the following matters: non-compliance with International Accounting Standard (IAS) 21, "The Effects of Changes in Foreign Exchange Rates", International Accounting Standard (IAS) 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the consequential impact of applying IAS29 "Financial Reporting in Hyperinflationary Economies" on an incorrect base in prior year, inappropriate valuation of investment properties, freehold land and buildings and inappropriate accounting of blocked funds .The audit report also includes key audit matters in respect of impairment of loans and advances, suspense accounts and presumed risk on revenue recognition. The auditor's opinion on the Group's consolidated inflation adjusted financial results is available for inspection at the Holding Company's registered office. The Audit Partner for this engagement is Mr Walter Mupanguri (PAAB Practicing Number 0367).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

		Inflation Adjusted		Historical Cost*	
	Note	31 Dec 2021 ZWL	31 Dec 2020 ZWL Restated	31 Dec 2021 ZWL	31 Dec 2020 ZWL
Interest income	4	3 141 164 126	1 223 052 222	2 568 881 470	501 216 271
Interest expense	4.1	(875 617 869)	(229 842 526)	(739 070 816)	(90 638 279)
Net interest income		**2 265 546 257**	**993 209 696**	**1 829 810 654**	**410 577 992**
Fee and commission income	5.1	3 621 484 808	1 818 825 719	2 927 160 013	815 541 357
Net foreign exchange gains		156 701 217	207 087 364	76 798 658	217 274 144
Revenue		6 043 732 282	3 019 122 779	4 833 769 325	1 443 393 493
Other income	5.2	932 865 157	414 067 704	2 107 418 588	1 226 846 996
Operating income		**6 976 597 439**	**3 433 190 483**	**6 941 187 913**	**2 670 240 489**
Operating expenditure	6	(3 526 482 289)	(2 048 189 724)	(2 838 459 394)	(814 190 000)
Operating income before impairment charge and loss on monetary position		**3 450 115 150**	**1 385 000 759**	**4 102 728 519**	**1 856 050 489**
Impairment losses on financial assets measured at amortised cost	16.3	(248 106 738)	(205 702 991)	(248 106 738)	(127 974 740)
Loss on net monetary position		(436 377 804)	(45 434 726)	-	-
Profit before taxation		**2 765 630 608**	**1 133 863 042**	**3 854 621 781**	**1 728 075 749**
Taxation	7	(894 399 755)	231 218 282	(912 597 374)	85 514 320
Profit for the period		**1 871 230 853**	**1 365 081 324**	**2 942 024 406**	**1 813 590 069**
Other comprehensive income					
Revaluation of land and buildings, net of tax	5.3	377 156 500	290 977 498	848 730 924	891 186 492
Total comprehensive income for the year		**2 248 387 353**	**1 656 058 822**	**3 790 755 331**	**2 704 776 561**
Earnings per share (ZWL cents)					
- Basic	9.3	463	338	728	449
- Diluted	9.3	409	319	643	424

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

	Note	Inflation Adjusted 31 Dec 2021 ZWL	Inflation Adjusted 31 Dec 2020 ZWL Restated	Historical Cost* 31 Dec 2021 ZWL	Historical Cost* 31 Dec 2020 ZWL
SHAREHOLDERS' FUNDS					
Share capital	10.2.1	5 745 840	5 745 840	84 116	84 116
Share premium		1 216 013 250	1 216 013 250	19 121 607	19 121 607
Treasury shares reserve		(8 531)	-	(7 168)	-
Functional currency translation reserve		462 166 697	462 166 697	11 619 648	11 619 648
Revaluation reserve		1 451 092 241	1 073 935 740	1 915 997 366	1 067 266 442
Share option reserve		33 048 171	-	27 768 409	-
Retained earnings		5 620 018 688	3 748 787 835	5 085 120 044	2 143 095 638
Total equity		**8 788 076 356**	**6 506 649 362**	**7 059 704 023**	**3 241 187 451**
Redeemable ordinary shares	11	14 335 253	23 042 082	14 335 253	14 335 253
Subordinated term loan	12	223 114 790	213 189 970	223 114 790	132 632 641
Total shareholders' funds and shareholders' liabilities		**9 025 526 399**	**6 742 881 414**	**7 297 154 066**	**3 388 155 345**
LIABILITIES					
Deposits and other liabilities	13	19 091 448 981	10 309 591 981	19 091 448 981	6 413 943 465
Current tax liabilities		236 048 645	91 949 809	236 048 645	57 205 065
Deferred tax liabilities		1 000 737 483	467 809 599	741 543 501	174 727 794
Total liabilities		**20 328 235 109**	**10 869 351 389**	**20 069 041 127**	**6 645 876 324**
Total shareholders' funds and liabilities		**29 353 761 508**	**17 612 232 803**	**27 366 195 193**	**10 034 031 669**
ASSETS					
Cash and cash equivalents	14	4 872 262 099	3 157 902 536	4 872 262 099	1 964 637 240
Investment securities	15	4 010 434 252	1 738 887 717	4 010 434 252	1 081 820 457
Loans, advances and other assets	16	12 367 842 540	6 417 670 852	11 849 962 849	3 730 886 733
Trade and other investments		36 499 730	17 484 463	36 499 730	10 877 672
Investment properties	19	3 518 133 464	2 657 783 640	3 518 133 464	1 653 496 476
Intangible assets	17	367 911 726	57 077 174	13 407 688	4 133 707
Property and equipment	18	4 180 677 696	3 565 426 421	3 065 495 111	1 588 179 384
Total assets		**29 353 761 508**	**17 612 232 803**	**27 366 195 193**	**10 034 031 669**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

Inflation Adjusted

	Share Capital ZWL	Share Premium ZWL	Treasury shares ZWL	Functional Currency Translation Reserve ZWL	Share Option Reserve ZWL	Revaluation Reserve ZWL	Retained Earnings ZWL	Total ZWL
Balance as at 1 January 2020	5 745 840	1 216 013 250	-	462 166 697	4 295 423	782 958 243	2 383 706 511	4 854 885 964
Profit for the year	-	-	-	-	-	-	1 365 081 324	1 365 081 324
Revaluation of land and buildings, net of tax	-	-	-	-	-	290 977 498	-	290 977 498
Unwinding of share option reserve	-	-	-	-	(4 295 423)	-	-	(4 295 423)
Balance at 31 December 2020	**5 745 840**	**1 216 013 250**	**-**	**462 166 697**	**-**	**1 073 935 740**	**3 748 787 835**	**6 506 649 362**
Profit for the year	-	-	-	-	-	-	1 572 574 508	1 572 574 508
Revaluation of land and buildings,net of tax	-	-	-	-	-	377 156 500	-	377 156 500
Acquisition of treasury share	-	-	(8 531)	-	-	-	-	(8 531)
Employee share schemes value of employee services	-	-	-	-	33 048 171	-	-	33 048 171
Balance at 31 December 2021	**5 745 840**	**1 216 013 250**	**(8 531)**	**462 166 697**	**33 048 171**	**1 451 092 241**	**5 321 362 343**	**8 489 420 011**

Historical Cost*

	Share Capital ZWL	Share Premium ZWL	Treasury shares ZWL	Functional Currency Translation Reserve ZWL	Share Option Reserve ZWL	Revaluation Reserve ZWL	Retained Earnings ZWL	Total ZWL
Balances at 1 January 2020	84 116	19 121 607	-	11 619 648	62 563	176 079 950	329 505 569	536 473 453
Profit for the year	-	-	-	-	-	-	1 813 590 069	1 813 590 069
Revaluation of land and buildings, net of tax	-	-	-	-	-	891 186 492	-	891 186 492
Unwinding of share option reserve	-	-	-	-	(62 563)	-	-	(62 563)
Balances at 31 December 2020	**84 116**	**19 121 607**	**-**	**11 619 648**	**-**	**1 067 266 442**	**2 143 095 638**	**3 241 187 451**
Profit for the year	-	-	-	-	-	-	2 942 024 406	2 942 024 406
Revaluation of land and buildings, net of tax	-	-	-	-	-	848 730 924	-	848 730 924
Acquisition of treasury shares	-	-	(7 168)	-	-	-	-	(7 168)
Employee share schemes value of employee services	-	-	-	-	27 768 409	-	-	27 768 409
Balances at 31 December 2021	**84 116**	**19 121 607**	**(7 168)**	**11 619 648**	**27 768 409**	**1 915 997 366**	**5 085 120 044**	**7 059 704 023**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

	Note	Inflation Adjusted 31 Dec 2021 ZWL	Inflation Adjusted 31 Dec 2020 ZWL Restated	Historical Cost* 31 Dec 2021 ZWL	Historical Cost* 31 Dec 2020 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		2 765 630 608	1 133 863 042	3 854 621 781	1 728 075 749
Non-cash items:					
- Net monetary (Loss)/Gain		436 377 804	45 434 726	-	-
- Depreciation(excluding right of use assets)	6	84 468 840	111 168 797	65 921 613	22 310 284
- Depreciation –Right of use assets	6	49 484 694	17 868 262	38 605 828	8 579 715
- Amortisation of intangible assets	6	3 697 644	39 246 884	2 865 483	915 580
- Impairment losses on financial assets measured at amortised costs	16	248 106 738	205 702 991	248 106 738	127 974 740
- Investment properties fair value gains	19	(833 158 854)	(367 520 068)	(1 843 565 394)	(1 182 737 157)
- Trade and other investments fair value gains adjustment		(10 897 181)	(5 860 291)	(8 444 751)	(9 265 541)
- Profit on disposal of property and equipment		(582 361)	(12 669 303)	(462 020)	(7 091 399)
- Loss/(profit) on disposal of investment properties		(6 802 556)	3 533 622	(5 788 412)	(10 867 431)
- Dividend received		25 314 881	-	17 177 307	-
- Unrealised foreign exchange gain		(110 073 088)	(329 076 141)	(110 073 088)	(204 729 321)
- Non-cash employee benefits expense share-based payments		33 048 171	-	27 768 409	-
Operating cash flows before changes in operating assets and liabilities		2 684 615 340	841 692 521	2 286 733 494	473 165 219
Changes in operating assets and liabilities					
Increase in deposits and other liabilities		8 781 857 000	4 679 232 358	12 677 505 516	2 911 107 622
Increase in loans, advances and other assets		(6 047 638 810)	(4 429 303 072)	(8 123 746 315)	(1 356 425 376)
Net cash generated from operations		5 531 665 706	1 091 621 807	6 866 396 552	2 027 847 465
TAXATION					
Corporate tax paid		(537 351 953)	(136 721 493)	(505 915 301)	(73 473 484)
Net cash inflow from operations		**4 881 481 576**	**954 900 314**	**6 334 577 394**	**1 954 373 981**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of intangible assets	17	(15 664 870)	(12 583 601)	(12 139 463)	(3 652 103)
Acquisition of investment securities		(3 779 108 984)	(1 566 631 859)	(2 928 613 795)	(974 654 302)
Proceeds on disposal of property and equipment		10 192 641	16 571 920	582 361	7 122 008
Acquisition of trade and other investments		(25 314 881)	-	(17 177 307)	-
Acquisition of property and equipment	18	(156 094 715)	(410 137 563)	(123 319 135)	(110 752 486)
Proceeds on disposal of investment properties		42 179 066	24 724 497	34 553 053	15 381 940
Acquisition of investment properties	19	(57 522 943)	(661 072 877)	(44 577 303)	(245 405 846)
Net cash used in investing activities		(3 981 334 686)	(2 609 129 484)	(3 090 691 589)	(1 311 960 789)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of lease liabilities	16.4	(60 120 942)	(49 713 476)	(46 590 617)	(14 658 020)
Purchase of treasury shares		(8 531)	-	(7 168)	-
Net cash outflow from financing activities		(60 129 472)	(49 713 476)	(46 597 785)	(14 658 020)
Net increase/(decrease) in cash and cash equivalents		840 017 418	(1 703 942 645)	3 197 288 021	627 755 172
Net foreign exchange and monetary adjustments on cash and cash equivalents		874 342 145	2 653 439 317	(289 663 162)	844 577 801
Cash and cash equivalents at beginning of the year		3 157 902 536	2 208 405 864	1 964 637 240	492 304 267
Cash and cash equivalents at the end of the year	14	4 872 262 099	3 157 902 536	4 872 262 099	1 964 637 240
Additional information on operational cashflows on interest					
Interest received		2 976 563 465	1 171 971 825	2 434 269 087	501 216 271
Interest paid (including interest on lease liability)		(762 185 009)	(186 475 075)	(643 327 091)	(90 638 279)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. REPORTING ENTITY

The Holding Company is incorporated and domiciled in Zimbabwe and is an investment holding company. Its registered office address is 19207 Liberation Legacy Way, Harare. Its principal operating subsidiary is engaged in commercial and retail banking. NMB Bank Limited is a registered commercial bank and was incorporated in Zimbabwe on 16 October 1992 and commenced trading on 1 June 1993. The Bank operated as an Accepting House until 6 December 1999 when the licence was converted to that of a Commercial Bank. The Bank is exposed to the following risks in its operations: liquidity risk, credit risk, market risk, operational risk, foreign currency exchange rate risk and interest rate risk.

2. ACCOUNTING CONVENTION

Statement of compliance

The condensed consolidated financial statements are prepared and presented on the basis that they reflect the information necessary to be a fair summary of the annual financial statements from which they are derived. This includes financial results that agree with or can be recalculated from the related information in the audited consolidated financial statements and that contain the information necessary so as not to be misleading in the circumstances. The information contained in these consolidated financial results does not contain all the disclosures required by International Financial Reporting Standards, the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe and the Banking Act (Chapter 24:20) of Zimbabwe, which are disclosed in the full consolidated annual financial statements from which this set of condensed financial statements were derived. For a better understanding of the Group`s financial position, its financial performance and cash flows for the year, these condensed financial statements should be read in conjunction with the audited consolidated annual financial statements.

2.1 Basis of preparation

The condensed consolidated financial statements including comparatives, have been prepared under the inflation adjusted accounting basis to account for changes in the general purchasing power of the ZWL. The restatement is based on the Consumer Price Index at the statement of financial position date. The indices are derived from the monthly inflation rates which are issued by the Zimbabwe National Statistics Agency (ZIMSTAT). The indices used are shown below. These condensed consolidated financial statements are reported in Zimbabwean dollars and rounded to the nearest dollar.

Dates	Indices	Conversion factor
31-Dec-18	88.81	44.7862
31-Dec-19	551.63	7.2104
31-Dec-20	2474.52	1.6074
31-Dec-21	3977.46	1.00000

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

- All comparative figures as of and for the periods ended 31 December 2018 31 December 2019, 31 December 2020 and 31 December 2021 have been restated by applying the change in the index to 31 December 2021;
- Income statement transactions have been restated by applying the change in the index from the approximate date of the transactions to 31 December 2021;
- Gains and losses arising from the monetary assets or liability positions have been included in the income statement;
- Non-monetary assets and liabilities have been restated by applying the change in the index from the date of the transaction to 31 December 2021;
- Property and equipment and accumulated depreciation have been restated by applying the change in the index from the date of their purchase or re-assessment to 31 December 2021;
- Equity has been restated by applying the change in index from the date of issue to 31 December 2021;

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

2.1 Basis of preparation (Continued)

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

Functional and presentation currency

For the purposes of the consolidated financial statements, the results and financial position of the Group are expressed in Zimbabwe dollars which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

Comparative financial information

The Group financial statements comprise the consolidated and separate statements of financial position, comprehensive income, changes in equity and cash flows. The comparative information covers a period of twelve months. .

2.2 Basis of consolidation

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

2.3 Comparative financial information

The comparative information covers a period of the previous twelve months.

2.4 Use of estimates and judgements

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2021 is included in the following notes:

2.4.1 Deferred tax

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

2.4.2 Valuation of properties

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

Statutory Instrument 142 of 2020 introduced the Zimbabwe Dollar (ZWL) as the sole legal tender effective 24 June 2020. This appears to have been a follow up measure to the Monetary Policy Statement (MPS) of 22 February 2020 which added the RTGS$ to the then basket of currencies. The MPS established an Inter-Bank Foreign Exchange market which was subsequently replaced by the Foreign Exchange Auction System on 23 June 2020 which continued to function up to the reporting year end date. These events have created complex valuation challenges for the short term.

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

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

Overstating the property values

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

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

Property sub-sectors will respond differently to the new currency

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

Ignoring market dynamics (supply and demand)

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

It is, therefore, unlikely that property values will strictly track the movement in the Foreign Exchange Auction System rate.

2.4.3 Investment securities

The Group has Treasury Bills and Government Bonds for which there is currently no market information to facilitate the application of fair value principles in determining fair value disclosures. Directors have made a significant judgment in determining that the carrying amount approximates fair value. (refer to note 14.1).

2.4.4 Impairment losses on loans and advances

The Bank adopted IFRS 9 with effect from 1 January 2018.

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

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

No impairment loss is recognised on equity investments.

With the exception of purchased or originated credit-impaired (POCI) financial assets (which are considered separately below), ECLs are measured through a loss allowance at an amount equal to:

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

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

The impairment loss on loans and advances is disclosed in more detail under note 8 and note 16.3.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

2.4.5 Determination of the functional currency

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

Between 2014 and 2016, the Zimbabwean economy experienced a massive liquidity crisis which eventually prompted the Monetary Authorities to introduce the bond notes in November 2016 whilst encouraging the public to continue using the other currencies in the multi-currency basket. The bond notes were introduced at an official fixed exchange rate of 1:1 with the USD and the Monetary Authorities specifically directed financial institutions not to open separate vault and cash accounts for the USD and the bond notes. The introduction of the bond notes gave rise to a three (3) tier pricing system wherein sellers and service providers would quote three (3) separate prices (USD, bond notes and RTGS/ electronic transfers) for their merchandise and services respectively. Significant discounts were being offered for USD payments whilst a premium would be added for prices quoted in bond notes or electronic settlement via the Real Time Gross Settlement System (RTGS). These developments triggered a debate around the functional currency of Zimbabwe. It should be noted that the Group never participated in the three tier pricing and none of its products had multiple prices during the same period.

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

On 22 February 2020, the Reserve Bank of Zimbabwe (RBZ) issued an Exchange Control Directive, RU 28 of 2020 which established an interbank foreign exchange market to formalise the buying and selling of foreign currency through the Banks and Bureaux de change. In order to establish an exchange rate between the current monetary balances and foreign currency, the Monetary Authorities denominated the existing RTGS balances in circulation as RTGS Dollars. Initial trades on 22 February 2020 were at USD1: RTGS$2.5.

On the same date, Statutory Instrument 33 of 2020 was also issued and it specified that for accounting and other purposes, all assets and liabilities that were in USD immediately before the 22nd of February 2020 were deemed to have been valued in RTGS Dollars at a rate of 1:1 with the USD.

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

In light of the developments summarised above, the Directors concluded that the Group's functional currency remains the Zimbabwe dollar (ZWL) following its change from US$ with effect from 22 February 2020.

On 24 June 2020, the Monetary Authorities announced that the multi-currency regime, which the country was operating in since February 2009 had been discontinued and the country had adopted a mono-currency regime meaning that the sole legal tender would be the Zimbabwe Dollar (ZWL).

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

2.4.6 Lease arrangements

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

2.4.7 COVID-19

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

2.5 Going concern

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

3. ACCOUNTING POLICIES

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

3.1 Fair value measurement principles

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

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

3.2 Investment properties

Investment properties are measured at fair value. Gains and losses arising from a change in fair value of investment properties are recognised in the statement of comprehensive income. The fair value is determined at the end of each reporting period, by a registered professional valuer.

3.3 Share based payments

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

3.4 Property and equipment

The residual value and the useful life of property and equipment are reviewed at least each financial year-end. If the residual value of an asset increases by an amount equal to or greater than the asset's carrying amount, then the depreciation of the asset ceases. Depreciation will resume only when the residual value decreases to an amount below the asset's carrying amount.

3.5 Intangible assets

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

3.6 Taxation

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

3.6 Taxation (Continued)

Current tax

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

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

Deferred taxation

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

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

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

3.7 Cash and cash equivalents

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

3.8 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

3.9 Interest income

For all financial instruments measured amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income includes income arising out of the banking activities of lending and investing.

3.10 Interest expense

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

3.11 Shareholders' funds and shareholders' liabilities

Shareholders' funds and shareholders' liabilities refer to the investment made by the shareholders in the Group and it consists of share capital, share premium, share options reserve, retained earnings, revaluation reserve, functional currency translation reserve, redeemable ordinary shares and subordinated term loans.

3.12 Leases

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

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

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

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

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

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

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

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

3.13 FINANCIAL INSTRUMENTS

Measurement methods

Amortised cost and effective interest rates

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, an adjustment for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition - the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest Income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

a). Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
b). Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

3.13 FINANCIAL INSTRUMENTS (Continued)

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss; transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial asset or financial liability respectively, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated. When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

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

3.13.1 Financial Assets

(i) Classification and subsequent measurement

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

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

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

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

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

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

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

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

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

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

Equity instruments

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

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

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

(ii) Impairment

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

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

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

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

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

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3.13.1 Financial Assets (Continued)

Expected Credit Losses

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

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

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

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

Credit-impaired financial assets

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

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

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

Purchased or originated credit-impaired (POCI) financial assets

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

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

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

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

Definition of default

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

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

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

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

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

Significant increase in credit risk

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

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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3.13.1 Financial Assets (Continued)

(iii) Modification of loans

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

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

3.13.2 Financial Liabilities

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

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

(iv) Derecognition other than on a modification

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

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

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

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

3.13.3 Financial guarantee contracts and loan commitments

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

i) Classification and subsequent measurement

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

- Financial liabilities at fair value through profit or loss: this classification is applied to financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
-
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability.

(ii) Derecognition

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

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

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

3.13.4 Critical accounting estimates and judgements

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

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

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

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

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

Note 2.4 *(Use of estimates and judgements)* provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

3.13.5 Measurement of the expected credit loss allowance

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

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

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

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3.13.5 Measurement of the expected credit loss allowance (Continued)

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

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

Probability of Default (PD)

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

Exposure at Default (EAD)

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

Loss Given Default (LGD)

The Bank defines Loss Given Default as an estimate of the ultimate credit loss in the event of a default. The Bank's LGD models were built using historical experience of defaulted debt instruments and observed recoveries. The Bank used the linear regression approach to construct LGD models for Corporate, SME and Retail portfolios. For Treasury Bills and Interbank Placements, the Bank took a conservative approach of taking a fixed 100% as the LGD at any given point in the lifetime of an instrument. The LGD models are used at portfolio level to evaluate 12-month LGDs for financial instruments with no significant increase in credit risk since initial recognition and lifetime is applied LGDs for financial instruments for which significant increase in credit risk has occurred. 12-month LGDs were derived as historical loss rates while lifetime LGDs were derived using a combination of 12-month LGDs and forward looking macroeconomic factors such as GDP and Inflation.

The Bank's ECL model combines the output of the PD, EAD and LGD and computes an Expected Credit Loss that takes into account time value of money using the Effective Interest Rates (EIR) and time to maturity of the debt instruments. The final ECL is a probability-weighted amount that is determined by evaluating three (3) possible outcomes of Best Case ECL, Baseline Case ECL, and Worst Case ECL. The Bank has modelled these three cases in such a way that the Best Case represents a scenario of lower than market average default rates, the Base Case represents scenarios of comparable market average default rates and the Worst Case represent scenarios of higher than market average default rates.

3.13.6 Regulatory guidelines and International Financial Reporting Standards requirements in respect of the Bank's activities

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

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

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

4. INTEREST INCOME

	Inflation adjusted		Historical cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Loans and advances to banks	29 561 183	26 590 644	23 026 792	10 198 110
Loans and advances to customers	2 596 769 619	1 138 351 849	2 124 634 459	466 881 802
Investment securities	514 833 324	58 109 729	421 220 219	24 136 359
	3 141 164 126	1 223 052 222	2 568 881 470	501 216 271

4.1 INTEREST EXPENSE

	Inflation adjusted		Historical cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Due to banks	730 673 778	127 803 193	615 311 431	56 744 354
Due to customers	111 290 749	88 209 158	39 111 639	32 844 245
Other borrowed funds	33 653 342	13 830 175	84 647 746	1 049 680
	875 617 869	229 842 526	739 070 816	90 638 279

5. NON INTEREST INCOME

5.1 FEE AND COMMISSION INCOME

	Inflation adjusted		Historical cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Retail banking customer fees	775 129 976	503 072 043	634 060 843	220 625 391
Corporate banking credit related fees	171 723 633	160 234 274	136 989 552	64 826 957
Financial guarantee fees	144 708 708	11 682 939	114 700 496	3 858 135
International banking commissions	215 971 415	39 161 295	171 404 938	17 771 535
Digital banking fees	2 313 951 076	1 104 675 168	1 870 004 184	508 459 339
	3 621 484 808	1 818 825 719	2 927 160 013	815 541 357

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5.2 OTHER INCOME

	Inflation adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Trade and other investments fair value gains	10 897 181	5 860 291	8 444 751	9 265 541
Profit on disposal of property and equipment	582 361	12 669 303	462 020	7 091 399
Fair value gains on investment properties	833 158 854	367 520 068	2 029 063 294	1 182 737 157
Profit/(Loss) on disposal of investment properties	6 802 556	(3 533 621)	5 788 412	10 867 431
Rental income	17 181 160	12 233 541	13 971 595	5 641 865
Recoveries	12 646 659	9 450 891	10 811 556	3 406 069
Other operating income	51 596 386	9 867 231	38 876 960	7 837 535
	932 865 157	414 067 704	2 107 418 588	1 226 846 996

5.3 Other comprehensive income

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL	31 December 2021 ZWL	31 December 2020 ZWL
Revaluations of land and buildings	501 004 915	362 907 135	1 408 660 239	1 183 829 028
Tax effect	(123 848 415)	(71 929 637)	(559 929 315)	(292 642 536)
	377 156 500	290 977 498	848 730 924	891 186 492

6. OPERATING EXPENDITURE

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
The operating profit is after recognising the following:				
Administration costs**	1 664 325 920	994 479 788	1 323 531 566	395 919 343
Audit fees:				
- Current year	24 146 515	22 466 905	20 773 858	8 388 890
- Prior year	-	4 523 956	-	1 553 413
Amortisation of intangible assets	3 697 644	39 246 884	2 865 483	915 580
Depreciation (excluding right of use assets)	84 468 840	111 168 797	65 921 613	22 310 284
Depreciation – right of use assets	49 484 694	17 868 262	38 605 828	8 579 715
Directors' remuneration	29 193 264	55 773 451	22 664 842	13 902 765
- Fees for services as directors	28 031 939	21 393 814	21 687 517	3 520 400
- Services rendered	-	33 998 682	-	10 344 405
- Expenses	1 161 325	380 955	977 325	37 960
Staff costs - salaries, allowances and related costs	1 671 165 412	802 661 681	1 364 096 204	362 620 010
	3 526 482 289	2 048 189 724	2 838 459 394	814 190 000

**Included in administration costs are lease finance costs amounting to ZWL4 299 555 (2020: ZWL5 581 443) in respect of property leases which the Group uses for the purpose of carrying on its trade.

7. TAXATION

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL	31 December 2021 ZWL	31 December 2020 ZWL
Current tax	684 758 881	209 044 511	684 758 881	130 053 612
Deferred tax	209 640 874	(440 262 793)	227 838 493	(215 567 932)
	894 399 755	(231 218 282)	912 597 374	(85 514 320)

8. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

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

8.1 Lifetime expected credit losses

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

8.2 Twelve month expected credit losses

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

8.3 Regulatory guidelines and International Financial Reporting Standards requirements

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

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

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

8.4 Suspended interest

Interest on loans and advances is accrued to income until such time as reasonable doubt exists about its collectability, thereafter and until all or part of the loan is written off, interest continues to accrue on customers' accounts, but is not included in income. Such suspended interest is deducted from loans and advances in the statement of financial position. This policy meets the requirements of the Banking Regulations 2000 issued by the RBZ. Impairment losses are applied to write off loans and advances in part or in whole when they are considered partly or wholly irrecoverable. The aggregate impairment losses which are made during the year are dealt with as per paragraph 8.3.

9. EARNINGS PER SHARE

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

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

9.1 Earnings

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Profit for the year	1 871 230 853	1 365 081 324	2 942 024 406	1 813 590 069

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9.2 Number of shares

	Inflation adjusted		Historical Cost	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
9.2.1 Basic earnings per share				
Weighted average number of ordinary shares for basic and headline earnings per share	404 171 689	404 171 689	404 171 689	404 171 689
Treasury share issue	(14 000)	-	(14 000)	-
	404 157 689	404 171 689	404 157 689	404 171 689
9.2.2 Diluted earnings per share				
Number of shares at beginning of period	428 114 328	404 171 689	428 114 328	404 171 689
Effect of dilution:				
Share options exercised	-	-	-	
Treasury share issue	(14 000)	-	(14 000)	-
Shares issued – scrip dividend	-	-	-	-
	428 100 328	404 171 689	428 100 328	404 171 689
Share options approved but not granted	29 556 854	23 942 639	29 556 854	23 942 639
	457 657 182	428 114 328	457 657 182	428 114 328

9.3 Earnings per share (ZWL cents)

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Basic	463.00	337.75	727.94	448.72
Diluted	408.87	318.86	642.84	423.62

10. SHARE CAPITAL

10.1 Authorised

	31 December 2021 Shares million	31 December 2020 Shares million	31 December 2021 ZWL	31 December 2020 ZWL
Ordinary shares of ZWL0.00028 each	600	600	168 000	168 000

10.2 Issued and fully paid

	Inflation adjusted			
	31 December 2021 Shares million	31 December 2020 Shares million	31 December 2021 ZWL	31 December 2020 ZWL Restated
10.2.1 Ordinary shares				
Ordinary shares	404	404	5 745 840	5 745 840

	Historical Cost			
	31 December 2021 Shares million	31 December 2020 Shares million	31 December 2021 ZWL	31 December 2020 ZWL
Ordinary shares	404	404	84 116	84 116

	Inflation Adjusted			
	31 December 2021 Shares million	31 December 2020 Shares million	31 December 2021 ZWL	31 December 2020 ZWL Restated
10.2.2 Redeemable ordinary shares				
Redeemable ordinary shares	104	104	29 040	46 678

	Historical Cost			
	31 December 2021 Shares million	31 December 2020 Shares million	31 December 2021 ZWL	31 December 2020 ZWL
Redeemable ordinary shares	104	104	29 040	29 040

Of the unissued ordinary shares of 196 million shares (2020 - 196 million), options which may be granted in terms of the 2012 ESOS amount to 23 942 639 (2020 – 23 942 639). No share options were exercised from the Scheme as at 31 December 2021.

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

11. REDEEMABLE ORDINARY SHARES

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Nominal value (note 10.2.2)	29 040	46 678	29 040	29 040
Share premium	14 306 213	22 995 404	14 306 213	14 306 213
	14 335 253	23 042 082	14 335 253	14 335 253

On 30 June 2013, the Group received USD14 831 145 capital from Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO), Norwegian Investment Fund for Developing Countries (Norfund) and AfricInvest Financial Sector Holdings (AfricInvest) who were allocated 34 571 429 shares each (total 103 714 287) for individually investing USD4 943 715. This amount, net of share issue expenses, was used to recapitalise the Bank in order to contribute towards the minimum capital requirements previously set by the Reserve Bank of Zimbabwe of ZWL200 million by 31 December 2020. FMO and Norfund came together with Rabobank to form ARISE which is a development finance institution primarily focusing on investing in African financial institutions to support and enhance financial service delivery in Africa.

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

The share buy-back agreement created a potential obligation for NMBZ Holdings Limited to purchase its own instruments. The shares issued gave rise to a potential financial liability and are classified as redeemable ordinary shares.

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12. SUBORDINATED TERM LOAN

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
At 1 January	213 189 970	204 490 471	132 632 641	28 360 340
Monetary adjustment	(106 834 140)	(158 904 860)	-	-
Exchange revaluation	116 758 960	167 604 359	90 482 149	104 272 301
	223 114 790	213 189 970	223 114 790	132 632 641

In 2013, the Group received a subordinated term loan amounting to USD1.4 million from a Development Financial Institution which attracts an interest rate of LIBOR plus 10% and has a seven year maturity date (13 June 2021) from the first disbursement date.

The above liability would, in the event of the winding up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer. The Group defaulted on a principal repayments with respect to this subordinated loan during the year ended 31 December 2020 as a result of the prevailing nostro funding challenges affecting the economy. There was a breach on the Aggregate Unhedged Open Foreign Currency Positions Ratio covenant which stood at 19.05% (instead of a maximum 10%) between the Group and the Development Financial Institution at the reporting date of 31 December 2021. However, there were no defaults on interest payments.

On 22 February 2020, the Reserve Bank of Zimbabwe (RBZ) issued an Exchange Control directive, RU 28 of 2020 which established an interbank foreign exchange market to formalise the buying and selling of foreign currency through the Banks and Bureaux de change. In order to establish an exchange rate between the current monetary balances and foreign currency, the Monetary Authorities denominated the existing RTGS balances in circulation, as RTGS dollars. The RBZ pegged the initial trades at US$/RTGS$1:2.5. In order to manage the transition, the RBZ also advised on the same date that all foreign liabilities or legacy debts due to suppliers and service providers, declared dividends e.t.c would be treated separately after registering such debts with the RBZ Exchange Control Department for an orderly expunging of these debts.

Consequently, the Group registered its legacy debts, which included the subordinated term loan and offshore lines of credit and transferred the ZWL equivalent of these debts at a rate of US$/ZWL1:1 to the RBZ in terms of the RBZ directive. As such, in terms of SI 33 of 2020 and the RBZ directive. These legacy debts and the related amounts transferred to the RBZ in terms of the RBZ directive on the legacy debts, have been translated using the interbank rate at reporting date. The RBZ approved the legacy debt in respect of the subordinated term loan during the reporting period.

13. DEPOSITS AND OTHER LIABILITIES

13.1 Deposits and other liabilities by type

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Deposits from banks and other financial institutions**	1 501 000 000	2 577 410 155	1 501 000 000	1 603 493 431
Current and deposit accounts from customers*	14 839 531 967	7 489 159 100	14 839 531 967	4 659 257 433
Total deposits	16 340 531 967	10 066 569 255	16 340 531 967	6 262 750 864
Trade and other payables*	2 750 917 014	243 022 726	2 750 917 014	151 192 601
	19 091 448 981	10 309 591 981	19 091 448 981	6 413 943 465

* The carrying amounts of current and deposit accounts and trade and other payables approximate the related fair values due to their short term nature. These relate to the Group and Company's operational liabilities to suppliers, employees and regulators. Expense provisions and deferred income are also included.

Included in trade and other payables are lease liabilities ranging from 1 to 5 years in respect of leased properties in which the Group is a lessee.

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

** Included in deposits from banks and other financial institutions are loan balances of ZWL1 310 287 160 (2020 ZWL707 186 403), ZWL677 596 574 (2020 ZWL365 711 501) and ZWL898 231 833 (2020 ZWL484 792 463) due to Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden (FMO), Swedfund and Afreximbank. The carrying amounts of deposits from other banks and other financial institutions approximate the related fair values. All the loan balances except for Afreximbank are part of the Group's Blocked Funds which were registered with the Reserve Bank of Zimbabwe (RBZ) for an orderly expunging of the debts. In 2021, the Government of Zimbabwe assumed the obligation to settle these Blocked Funds in terms of Part XIII of the Finance Act no 7 of 2021 under section 52. The Blocked funds are listed under Annex 1 of the Finance Act no 7 of 2021. In 2019, the Group transferred the ZWL equivalent of the legacy debts at a rate of US$/ZWL1:1 to the RBZ as per requirement of the Exchange Control directive RU 28 of 2019. In terms of section 52 of the Finance Act no 7 of 2021, outstanding blocked funds may be liquidated through the issuance of Government-backed zero coupon or non-interest bearing foreign exchange savings bonds or such other debt instruments denominated in foreign currency. The timing of issuance of the Government-backed instruments is yet to be advised.

The line of credit balances have been translated at 31 December 2021 at the closing rate of USD/ZWL108.6668. Consequently, the amount transferred to the RBZ for the settlement of these debts has been translated at the same closing rate as it represents the Bank's right to the settlement of the related lines of credit. During the period under review, the RBZ approved the legacy debt in respect of the FMO and Swedfund lines of credit.

13.2 Maturity analysis

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Less than 1 month	14 205 365 648	8 838 785 649	14 205 365 648	5 498 905 442
1 to 3 months	2 119 332 623	1 204 071 615	2 119 332 623	749 093 396
3 to 6 months	3 352 794	14 918 982	3 352 794	9 281 600
6 months to 1 year	8 136 999	3 448 023	8 136 999	2 145 131
1 to 5 years	3 915 150	5 080 852	3 915 150	3 160 969
Over 5 years	428 753	264 134	428 753	164 326
	16 340 531 967	10 066 569 255	16 340 531 967	6 262 750 864

The maturity analysis covers the Group's total deposits only and does not include other trade payables.

13.3 Sectoral analysis of deposits

	Inflation Adjusted			
	31 December 2021 ZWL	31 December 2020 ZWL	31 December 2021 ZWL	31 December 2020 ZWL
Agriculture	1 387 269 110	219 284 744	1 387 269 110	136 424 405
Banks and other financial institutions	3 796 417 880	2 577 410 155	3 796 417 880	1 603 493 431
Distribution	1 488 263 538	912 031 881	1 488 263 538	567 405 668
Individuals	1 414 092 308	999 933 536	1 414 092 308	622 092 240
Manufacturing	1 283 388 908	1 193 672 563	1 283 388 908	742 623 796
Mining companies	266 931 246	175 016 593	266 931 246	108 883 701
Municipalities and parastatals	3 209 246 646	442 349 395	3 209 246 646	275 200 417
Services	2 796 044 633	3 099 030 155	2 796 044 633	1 928 010 754
Transport and telecommunications	698 877 698	447 840 234	698 877 698	278 616 452
	16 340 531 967	10 066 569 255	16 340 531 967	6 262 750 864

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13.4 Lease Liabilities

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
At 1 January	38 489 785	24 075 651	23 945 788	3 338 967
Monetary adjustment	(35 737 223)	(16 520 304)	-	-
Remeasurements	137 709 592	59 422 257	106 717 804	29 233 252
Finance costs accrual	16 581 799	21 225 657	12 850 036	6 031 589
Payment of lease liabilities	(60 120 942)	(49 713 476)	(46 590 617)	(14 658 020)
	96 923 011	38 489 785	96 923 011	23 945 788

14 CASH AND CASH EQUIVALENTS

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Balances with the Central Bank**	931 500 994	668 953 254	931 500 994	416 178 289
Current, nostro accounts* and cash	3 320 761 105	2 241 474 125	3 320 761 105	1 394 496 343
Interbank placements	620 000 000	249 142 632	620 000 000	155 000 000
Expected Credit loss allowance -	(1 667 475)	-	(1 037 392)	
	4 872 262 099	3 157 902 536	4 872 262 099	1 964 637 240

*Nostro accounts are foreign domiciled bank accounts operated by the Bank for the facilitation of offshore transactions on behalf of clients.
**Balances with the Central Bank, other banks and cash are used to facilitate customer and the Bank's transactions which include payments and cash withdrawals.

15 FINANCIAL INSTRUMENTS

15.1 Investment securities

	Note	Inflation Adjusted		Historical Cost	
		31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Amortised cost – Gross		1 738 887 717	1 081 820 457	1 081 820 457	1 086 000 591
Additions		3 779 108 984	-	2 928 613 795	-
Monetary adjustment		(1 507 562 449)	663 786 290	-	-
Impairment allowance – Stage 1		-	(6 719 030)	-	(4 180 134)
		4 010 434 252	1 738 887 717	4 010 434 252	1 081 820 457

The Group holds Treasury Bills and Government Bonds amounting to ZWL4 010 434 252 with interest rates ranging from 5% to 18%. The Treasury Bills are measured at amortised cost in line with the Bank's business model to collect contractual cashflows and the contractual terms are such that the financial assets give rise to cashflows that are solely payments of principal and interest. Of the total Treasury Bills balance of ZWL4 010 434 252, a total of ZWL173 295 710 had been pledged as security against interbank borrowings.

15.2 Fair values of financial instruments

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

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

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

Valuation models

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

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

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

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

15.2.1 Financial instruments measured at fair value - fair value hierarchy

Inflation Adjusted

	31 Dec 2021 ZWL	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Trade investments	36 499 730	-	-	36 499 730

	31 Dec 2020 ZWL Restated	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Trade investments	17 484 463	-	-	17 484 463

Historical Cost

	31 Dec 2021 ZWL	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Trade investments	36 499 730	-	-	36 499 730

	31 Dec 2020 ZWL	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Trade investments	10 877 672	-	-	10 877 672

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15.2.2 Financial instruments not measured at fair value

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

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Assets				
Cash and cash equivalents	4 872 262 099	3 157 902 536	4 872 262 099	1 964 637 240
Loans, advances and other assets	12 367 842 540	6 417 670 852	11 849 962 849	3 730 886 733
Investment securities	4 010 434 252	1 738 887 717	4 010 434 252	1 081 820 457
Total	21 250 538 892	11 314 461 105	20 732 659 200	6 777 344 430
Liabilities				
Deposits and other liabilities	19 091 448 981	10 309 591 981	19 091 448 981	6 413 943 465
	19 091 448 981	10 309 591 981	19 091 448 981	6 413 943 465

16. TOTAL LOANS, ADVANCES AND OTHER ASSETS

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Fixed term loans – Corporate	5 746 121 781	2 511 763 500	5 746 121 781	1 562 652 442
Fixed term loans – Retail	2 019 254 634	452 175 134	2 019 254 634	281 313 339
Mortgages	275 931 218	150 240 679	275 931 218	93 469 773
Overdrafts	1 543 300 801	580 842 483	1 543 300 801	361 361 619
	9 584 608 434	3 695 021 796	9 584 608 434	2 298 797 173
Other assets	2 783 234 106	2 722 649 056	2 265 354 415	1 432 089 560
	12 367 842 540	6 417 670 852	11 849 962 849	3 730 886 733

16.1 Maturity analysis

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Less than 1 month	2 401 390 517	1 661 790 915	2 401 390 517	1 033 855 947
1 to 3 months	1 431 473 214	465 844 158	1 431 473 214	289 817 298
3 to 6 months	203 053 128	198 444 019	203 053 128	123 458 690
6 months to 1 year	2 388 287 992	458 238 997	2 388 287 992	285 085 872
1 to 5 years	2 548 786 997	966 483 277	2 548 786 997	601 281 710
Over 5 years	1 023 825 632	190 457 760	1 023 825 632	118 490 170
Total advances	9 996 817 479	3 941 259 126	9 996 817 479	2 451 989 687
Allowances for impairment losses on loans and advance	(412 209 045)	(245 581 296)	(412 209 045)	(152 784 373)
ECL at 1 January	(245 581 296)	(123 409 128)	(152 784 373)	(17 115 343)
Monetary adjustment	92 796 923	95 898 408	-	-
ECL charged through profit or loss	(264 094 871)	(223 425 215)	(264 094 871)	(139 000 331)
Bad debts written off	4 670 199	5 354 639	4 670 199	3 331 301
Suspended interest on credit impaired financial assets	-	(656 034)	-	(408 141)
	9 584 608 434	3 695 021 796	9 584 608 434	2 298 797 173
Other assets	2 783 234 106	2 722 649 056	2 265 354 415	1 432 089 560
	12 367 842 540	6 417 670 852	11 849 962 849	3 730 886 733

The Bank is continuing recovery efforts in respect of loans written off in the year under review amounting to ZWL 4 670 199 (2020: ZWL3 331 301).

16.2 Sectoral analysis of utilisations

	Inflation Adjusted				Historical Cost			
	31 December 2021 ZWL	%	31 December 2020 ZWL Restated	%	31 December 2021 ZWL	%	31 December 2020 ZWL	%
Agriculture	2 318 591 003	23%	926 121 812	23%	2 318 591 003	23%	576 171 487	23%
Distribution	1 926 140 534	19%	393 781 675	10%	1 926 140 534	19%	244 984 807	10%
Individuals	2 910 290 289	29%	621 849 137	16%	2 910 290 289	29%	386 873 236	16%
Manufacturing	1 210 481 793	12%	553 746 809	14%	1 210 481 793	12%	524 335 301	21%
Mining	197 072 200	2%	1 880 310	0%	197 072 200	2%	1 169 804	0%
Services	1 434 241 660	14%	1 443 879 383	37%	1 434 241 660	14%	718 455 052	29%
	9 996 817 479	100%	3 941 259 126	100%	9 996 817 479	100%	2 451 989 687	100%

The material concentration of loans and advances is with individuals and households at 28% (2020 - 16%) and agriculture sector at 22 % (2020 - 23%).

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16.3 Impairment analysis of financial assets measured at amortised cost

	Inflation Adjusted			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2021	6 334 971 630	40 733 154	10 716 810	6 386 421 594
Monetary adjustment	(3 841 169 845)	(25 638 998)	(6 745 568)	(3 873 554 412)
Transfers	(214 391 501)	130 119 876	84 271 624	-
- to 12 months to ECL	52 459 726	(48 201 159)	(4 258 567)	-
- to lifetime ECL not credit impaired	(183 390 925)	183 588 428	(197 503)	-
- to lifetime ECL credit impaired	(83 460 302)	(5 267 393)	88 727 694	-
Net movement in financial assets	10 177 119 964	44 863 257	45 201 181	10 267 184 402
Balance as at 31 December 2021	**12 456 530 248**	**190 077 290**	**133 444 047**	**12 780 051 584**
Loss allowance analysis				
At 1 January 2021	219 649 613	14 795 512	11 136 171	245 581 296
- ECL – Loans, advances & guarantees	208 079 873	14 795 512	11 136 171	234 011 556
- Guarantees and facilities approved not drawn down	3 183 236	-	-	3 183 236
- ECL – Investment securities	6 719 030	-	-	6 719 030
- ECL – Interbank placements	1 667 475	-	-	1 667 475
Monetary adjustment	(249 777 567)	(466 878)	(5 009 506)	(255 253 951)
Transfers	(40 706 191)	9 978 774	30 727 417	-
- to 12 month ECL	699 244	(684 725)	(14 520)	-
- to lifetime ECL not credit impaired	(15 320 301)	15 336 280	(15 979)	-
- to lifetime ECL credit impaired	(26 085 134)	(4 672 781)	30 757 916	-
Static exposures	163 546 259	754 488	(250 123)	164 050 624
Net increase/(decrease) in ECL	237 444 962	(6 867 899)	17 529 674	248 106 738
Loans and advances	234 086 914	(6 867 899)	17 529 674	244 748 689
Guarantees and facilities approved not drawn down	(10 734 968)	-	-	(10 734 968)
Investment securities	8 235 821	-	-	8 235 821
Interbank placements	5 857 195	-	-	5 857 195
Bad debts written off	-	-	-	-
Revaluation exchange on loans and advances ECL	9 724 338	-	-	9 724 338
Balance as at 31 December 2021	**339 881 415**	**18 193 997**	**54 133 633**	**412 209 045**
Loans and advances	324 953 626	18 193 997	54 133 633	397 281 257
Guarantees and facilities approved not …drawn down	(7 551 732)	-	-	(7 551 732)
Investment securities	14 954 851	-	-	14 954 851
Interbank placements	7 524 669	-	-	7 524 669
	339 881 415	**18 193 997**	**54 133 633**	**412 209 045**

16.4 Impairment analysis of financial assets measured at amortised cost

	Inflation Adjusted			
		Restated		
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2020	6 426 862 063	84 577 398	52 505 069	6 563 944 529
Monetary adjustment	(4 761 733 749)	(65 723 158)	(40 800 486)	(4 868 257 393)
Transfers	(30 130 583)	25 137 653	4 992 931	-
- to 12 months to ECL	18 517 332	(18 091 161)	(426 171)	-
- to lifetime ECL not credit impaired	(44 639 519)	44 902 766	(263 247)	-
- to lifetime ECL credit impaired	(4 008 396)	(1 673 952)	5 682 349	-
Net movement in financial assets	4 699 973 899	21 481 431	528 385	4 721 983 715
Balance as at 31 December 2020	**6 334 971 630**	**65 473 324**	**17 225 898**	**6 417 670 852**
Loss allowance analysis				
At 1 January 2020	144 633 700	5 910 353	28 711 589	179 255 642
- ECL – Loans, advances & guarantees	88 787 186	5 910 353	28 711 589	123 409 128
- Guarantees and facilities approved not drawn down	49 783 364	-	-	49 783 364
- ECL – Investment securities	2 902 216	-	-	2 902 216
- ECL – Interbank placements	3 160 934	-	-	3 160 934
Monetary adjustment	(123 990 214)	(4 592 800)	(22 311 118)	(150 894 132)
Transfers	(8 912 856)	7 400 613	1 512 244	-
- to 12 month ECL	1 838 973	(1 805 831)	(33 142)	-
- to lifetime ECL not credit impaired	(9 983 409)	10 041 453	(58 044)	-
- to lifetime ECL credit impaired	(768 420)	(835 009)	1 603 431	-
Net increase/(decrease) in ECL	196 402 189	6 077 346	3 223 456	205 702 991
Loans and advances	197 281 914	6 077 346	8 578 095	211 937 354
Guarantees and facilities approved not drawn down	(7 914 614)	-	-	(7 914 614)
Investment securities	6 072 058	-	-	6 072 058
Interbank placements	962 832	-	-	962 832
Bad debts written off	-	-	(5 354 639)	(5 354 639)
Revaluation exchange on loans and advances ECL	11 516 793	-	-	11 516 793
Balance as at 31 December 2020	**219 649 613**	**14 795 512**	**11 136 171**	**245 581 296**
Loans and advances	208 079 873	14 795 512	11 136 171	234 011 556
Guarantees and facilities approved not drawn down	3 183 236	-	-	3 183 236
Investment securities	6 719 030	-	-	6 719 030
Interbank placements	1 667 475	-	-	1 667 475
Balance as at 31 December 2020	**219 649 613**	**14 795 512**	**11 136 171**	**245 581 296**

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

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Included in advances and other accounts are loans to officers				
At 1 January	104 106 938	221 310 259	64 768 423	27 693 040
Monetary adjustment	(43 107 148)	(247 246 232)	-	-
Net additions during the year	16 745 627	138 188 395	12 976 994	42 142 962
	77 745 417	112 252 422	77 745 417	69 836 002
ECL on staff loans – Stage 1	-	(8 145 484)	-	(5 067 579)
	77 745 417	104 106 938	77 745 417	64 768 423

17 INTANGIBLE ASSETS

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Cost				
Balance 1 January 2020	344 106 764	344 106 764	5 469 725	5 469 725
Acquisitions	12 583 601	12 583 601	3 652 103	3 652 103
Balance at 31 December 2020	356 690 365	356 690 365	9 121 828	9 121 828
Inflation adjustment	298 867 326	298 867 326	-	-
Acquisitions	15 664 870	15 664 870	12 139 463	12 139 463
Balance at 31 December 2021	671 222 561	671 222 561	21 261 291	21 261 291
Accumulated amortisation				
Balance 1 January 2020	260 366 307	260 366 307	4 072 541	4 072 541
Amortisation for the year	39 246 884	39 246 884	915 580	915 580
Balance at 31 December 2020	299 613 191	299 613 191	4 988 121	4 988 121
Amortisation for the year	3 697 644	3 697 644	2 865 483	2 865 483
Balance at 31 December 2021	303 310 835	303 310 835	7 853 604	7 853 604
Carrying amount				
At 31 December 2021	367 911 726	367 911 726	13 407 688	13 407 688
At 31 December 2020	57 077 174	57 077 174	4 133 707	4 133 707

18. PROPERTY AND EQUIPMENT

	Inflation Adjusted						
	Capital work in progress	Computers	Motor Vehicles	Furniture & Equipment	Right of Use Assets**	Freehold Land & Buildings*	Total
Cost/Revaluation amount	ZWL Restated	ZWL Restated	ZWL Restated	ZWL Restated	ZWL Restated	ZWL Restated	ZWL Restated
At 1 January 2020	510 417 938	549 086 574	92 700 780	329 743 180	114 408 185	1 943 146 034	3 539 502 691
Additions	294 037 581	111 920 472	-	4 179 509	-	-	410 137 563
Remeasurement – Right of use assets	-	-	-	-	59 422 257	-	59 422 257
Capitalisations	(112 285 170)	37 024 873	4 402 000	58 230 614	-	12 627 683	-
Revaluations	-	-	-	-	-	386 526 963	386 526 963
Disposals	-	(1 453 125)	(24 233 962)	(22 071 750)	-	-	(47 758 837)
At 31 December 2020	**692 170 349**	**696 578 793**	**72 868 818**	**370 081 553**	**173 830 442**	**2 342 300 681**	**4 347 830 636**
Additions	58 759 268	73 163 145	-	24 172 302	-	-	156 094 715
Remeasurement – Right of use assets	-	-	-	-	41 566 951	-	41 566 951
Capitalisations	(26 963 103)	-	-	-	-	26 963 103	-
Revaluations	-	-	-	-	-	501 004 915	501 004 915
Disposals	-	(765 073)	(4 100 238)	-	-	-	(4 865 311)
At 31 December 2021	**723 966 515**	**768 976 865**	**68 768 580**	**394 253 855**	**215 397 394**	**2 870 268 699**	**5 041 631 908**
Accumulated depreciation							
At 1 January 2020 - restated	-	148 685 254	40 815 524	150 293 775	-	10 912 729	350 707 282
Charge for the year	-	47 588 166	7 737 014	11 168 351	-	2 710 722	69 204 253
Right of use Assets	-	-	-	-	13 854 547	-	13 854 547
At 1 January 2020	**-**	**315 484 364**	**78 041 981**	**259 529 671**	**22 269 408**	**21 897 951**	**697 223 377**
Charge for the year – Property and equipment	-	78 618 107	6 268 869	23 699 854	-	2 581 968	111 168 797
Charge for period – Right of use assets	-	-	-	-	17 868 262	-	17 868 262
Disposals	-	(1 453 125)	(24 233 962)	(18 169 133)	-	-	(43 856 221)
At 31 December 2021	**-**	**392 649 346**	**60 076 888**	**265 060 392**	**40 137 670**	**24 479 919**	**782 404 216**
Charge for the year – Property and equipment	-	22 711 799	661 884	10 472 128	-	84 802	33 930 613
Charge for period – Right of use assets	-	-	-	-	49 484 694	-	49 484 694
Remeasurement – Right of use assets	-	-	-	-	-	-	-
Disposals	-	(765 073)	(4 100 238)	-	-	-	(4 865 311)
At 31 December 2021	**-**	**414 596 072**	**56 638 534**	**275 532 520**	**89 622 365**	**24 564 721**	**860 954 212**
Carrying amount							
At 31 December 2021	723 966 515	354 380 794	12 130 046	118 721 335	125 775 029	2 845 703 978	4 180 677 696
At 31 December 2020	692 170 349	303 929 447	12 791 929	105 021 161	133 692 772	2 317 820 761	3 565 426 421

*Assets measured using the revaluation model.
** Right-of-Use Assets recognised in respect of leased properties in which the Group is a lessee. The Right-of-Use Assets are depreciated over the shorter of the lease term including extension options where the Group is certain to exercise such and the useful life of the underlying asset.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the year ended 31 December 2021

18. PROPERTY AND EQUIPMENT (Continued)

	Historical Cost						
Cost/Revaluation amount	**Capital work in progress Restated**	**Computers Restated**	**Motor Vehicles Restated**	**Furniture & Equipment Restated**	**Right of Use Assets** Restated**	**Freehold Land & Buildings* Restated**	**Total Restated**
At 1 January 2020	14 824 374	11 615 145	1 769 802	6 848 941	4 096 580	268 382 880	307 537 722
Additions	294 037 581	111 920 472	-	4 179 509	-	-	410 137 563
Remeasurement – Right of use assets	-	-	-	-	29 233 252	-	29 233 252
Capitalisations	(58 590 341)	15 356 278	1 994 819	36 227 220	-	5 012 023	-
Disposals	-	(46 837)	(372 492)	(396 841)	-	-	(816 170)
Revaluations	-	-	-	-	-	1 183 829 028	1 183 829 028
At 31 December 2020	**8 615 429**	**83 147 758**	**3 392 129**	**44 827 238**	**33 329 832**	**1 457 223 931**	**1 630 536 317**
Additions	49 831 811	55 339 763	-	18 147 561	-	-	123 319 135
Remeasurement – Right of use assets	-	-	-	-	62 662 850	-	62 662 850
Capitalisations	(24 265 270)	-	-	-	-	24 265 270	-
Disposals	-	(694 870)	(62 694)	-	-	-	(757 564)
Revaluations	-	-	-	-	-	1 408 660 239	1 408 660 239
At 31 December 2021	**34 181 970**	**137 792 651**	**3 329 435**	**62 974 799**	**95 992 682**	**2 890 149 441**	**3 224 420 977**
Accumulated depreciation							
At 1 January 2020	-	5 035 595	1 230 711	4 107 841	1 310 867	567 480	12 252 494
Charge for the year – Property and equipment	-	5 048 413	341 867	2 257 704	-	14 662 300	22 310 284
Charge for period – Right of use assets	-	-	-	-	8 579 715	-	8 579 715
Disposals	-	(40 080)	(372 492)	(372 989)	-	-	(785 561)
At 1 January 2020	**-**	**315 484 364**	**78 041 981**	**259 529 671**	**22 269 408**	**21 897 951**	**697 223 377**
Charge for the year – Property and equipment	-	78 618 107	6 268 869	23 699 854	-	2 581 968	111 168 797
Charge for period – Right of use assets	-	-	-	-	17 868 262	-	17 868 262
Disposals	-	(1 453 125)	(24 233 962)	(18 169 133)	-	-	(43 856 221)
At 31 December 2021	**-**	**10 043 928**	**1 200 086**	**5 992 556**	**9 890 582**	**15 229 780**	**42 356 932**
Charge for the year – Property and equipment	-	22 698 711	661 884	10 872 074	-	29 215 683	63 448 352
Charge for period – Right of use assets	-	-	-	-	38 605 828	-	38 605 828
Remeasurement – Right of use assets	-	-	-	-	15 144 683	-	15 144 683
Disposals	-	(694 870)	(62 694)	-	-	-	(757 564)
At 31 December 2021	**-**	**32 047 769**	**1 799 276**	**16 864 630**	**63 641 093**	**44 445 463**	**158 798 230**
Carrying amount							
At 31 December 2021	34 181 970	105 744 882	1 530 159	46 110 169	32 351 589	2 845 703 978	3 065 622 747
At 31 December 2020	8 615 429	73 103 830	2 192 043	38 834 682	23 439 250	1 441 994 151	1 588 179 384

19. INVESTMENT PROPERTIES

Immovable properties (Freehold land and buildings and investment properties) were revalued as at 31 December 2021 on the basis of valuations carried out by independent professional valuers, PMA Real Estates (Private) Limited.

The following shows reconciliation between the opening and closing balances for investment properties (level 3 fair values) :

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	**31 December 2020 ZWL Restated**	**31 December 2021 ZWL**	**31 December 2020 ZWL**
At 1 January	2 657 783 640	1 657 448 814	1 653 496 476	229 867 982
Additions	57 522 943	661 072 877	44 577 303	245 405 846
Disposals	(30 331 973)	(28 258 119)	(23 505 709)	(4 514 509)
Fair value gains	833 158 854	367 520 068	1 843 565 394	1 182 737 157
At 31 December	3 518 133 464	2 657 783 640	3 518 133 464	1 653 496 476

Valuation technique and significant unobservable inputs

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

Valuation Technique	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
The Direct Comparison Method was applied on all residential properties	• Weighted average expected market rental growth (5%); and • Average market yield of 10%.	The estimated fair value would increase / (decrease) if: • Expected market rental growth were higher/ (lower); and • The risk adjusted discount rates were lower/ (higher).

Below is an indication of the sensitivity analysis following changes on the significant unobservable inputs:-

	Changes in fair value following changes in:	
Change (%)	**Expected market rental growth**	**Discount rates**
+5%	16 964 637	59 683 332
+3%	10 178 782	35 809 999
+1%	3 392 927	11 936 666
-1%	(3 392 927)	(11 936 666)
-3%	(10 178 728)	(35 809 999)
-5%	(16 964 637)	(59 683 332)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the year ended 31 December 2021

20. CAPITAL COMMITMENTS

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	**31 December 2020 ZWL Restated**	**31 December 2021 ZWL**	**31 December 2020 ZWL**
Capital expenditure contracted for	-	-	-	-
Capital expenditure authorised but not yet contracted for	-	290 414 317	-	290 414 317
Balance at 31 December	-	290 414 317	-	290 414 317

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

21. CONTINGENT LIABILITIES

	Inflation adjusted		Historical Cost	
	31 December 2021 ZWL	**31 December 2020 ZWL Restated**	**31 December 2021 ZWL**	**31 December 2020 ZWL**
Guarantees	279 941 484	172 661 549	279 941 484	107 418 549
Facilities approved but not drawn down	64 924 022	76 567 295	64 924 022	47 635 086
Expected credit losses on facilities approved but not drawdown	(1 975 959)	(2 396 371)	1 975 959	(1 490 863)
Expected credit losses on guarantees	(1 741 141)	(786 855)	1 741 141	(489 529)
Balance at 31 December	341 148 406	246 045 617	348 582 608	153 073 243

22. EXCHANGE RATES

The following exchange rates have been used to translate the foreign currency balances to United States dollars at year end:

		31 December 2021 Mid - rate ZWL	**31 December 2020 Mid - rate ZWL**
United States Dollar	USD	108.6660	81.3486
British Sterling	GBP	146.6994	111.5978
South African Rand	ZAR	15.9250	5.9190
European Euro	EUR	123.0211	100.3522
Botswana Pula	BWP	9.2264	7.5734

23. EVENTS AFTER REPORTING DATE

There were no material events after the reporting date which could significantly affect the consolidated financial statements of the Group.

NMB BANK LIMITED

Registered Commercial Bank. A Member of The Deposit Protection Scheme

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

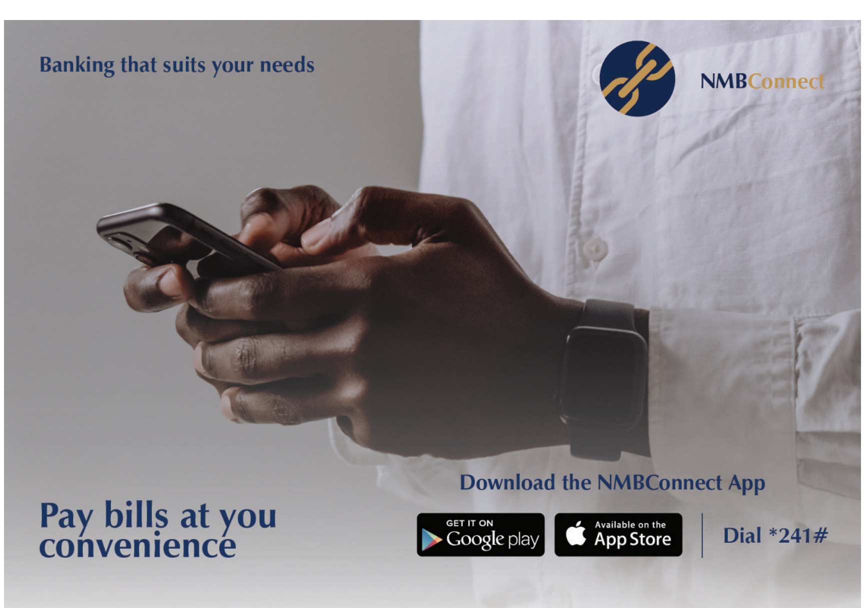
	Note	Inflation Adjusted 31 December 2021 ZWL	Inflation Adjusted 31 December 2020 ZWL Restated	Historical Cost * 31 December 2021 ZWL	Historical Cost * 31 December 2020 ZWL
Interest income		3 141 164 126	1 223 052 222	2 568 881 470	501 216 271
Interest expense		(875 617 869)	(229 842 526)	(739 070 816)	(90 638 279)
Net interest income		2 265 546 257	993 209 696	1 829 810 654	410 577 992
Fee and commissions income		3 621 484 808	1 818 825 719	2 927 160 013	815 541 357
Net foreign exchange gains		156 701 217	207 087 364	76 798 658	217 274 144
Revenue		6 043 732 282	3 019 122 779	4 833 769 325	1 443 393 493
Other income	a	932 865 157	414 067 704	2 107 418 588	1 226 846 996
Operating income		6 976 597 439	3 433 190 483	6 941 187 913	2 670 240 489
Operating expenditure	b	(3 493 434 118)	(2 052 485 147)	(2 810 690 985)	(814 252 563)
Operating income before impairment charge and loss on net monetary position		3 483 163 321	1 380 705 336	4 130 496 928	1 855 987 926
Impairment losses on loans and advances financial assets measured at amortised cost		(248 106 738)	(205 702 991)	(248 106 738)	(127 974 740)
Loss on net monetary position		(443 686 160)	(54 511 977)		-
Profit before taxation		2 791 370 423	1 120 490 368	3 882 390 190	1 728 013 186
Taxation credit/(charge)		(894 399 755)	231 293 929	(912 597 374)	85 514 320
Profit for the period		1 896 970 668	1 351 784 297	2 969 792 815	1 813 527 506
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of land and buildings, net of tax	c	377 056 299	290 977 498	848 730 924	891 186 492
Total comprehensive income for the year		**2 274 026 967**	**1 642 761 795**	**3 818 523 740**	**2 704 713 998**
Earnings per share (ZWL cents)					
- Basic	d	11 493	8 190	17 992	10 987

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

	Note	Inflation Adjusted 31 December 2021 ZWL	Inflation Adjusted 31 December 2020 ZWL Restated	Historical Cost* 31 December 2021 ZWL	Historical Cost* 31 December 2020 ZWL
SHAREHOLDER'S FUNDS					
Share capital	e	1 167 413	1 167 413	16 506	16 506
Share Premium		2 069 689 473	2 069 689 473	31 474 502	31 474 502
Functional currency translation reserve		462 166 697	462 166 697	11 619 648	11 619 648
Revaluation reserve		1 450 992 040	1 073 935 740	1 915 997 366	1 067 266 442
Retained earnings		4 816 210 665	2 919 239 997	5 112 718 793	2 142 925 978
Total shareholders' funds		**8 800 226 288**	**6 526 199 320**	**7 071 826 816**	**3 253 303 076**
LIABILITIES					
Deposits and other liabilities		19 089 012 156	10 305 503 436	19 089 012 156	6 411 399 844
Current tax liabilities		236 124 162	92 071 197	236 124 162	57 280 584
Deferred tax liabilities		1 000 737 483	467 831 302	741 557 003	174 741 298
Subordinated term loan		223 114 790	213 189 970	223 114 790	132 632 641
Amount owing to Holding company		2 143 122	3 444 794	2 143 122	2 143 122
Total liabilities		**20 551 131 713**	**11 082 040 699**	**20 291 951 233**	**6 778 197 489**
Total shareholder's funds and liabilities		**29 351 358 000**	**17 608 240 019**	**27 363 778 049**	**10 031 500 565**
ASSETS					
Cash and cash equivalents	f	4 872 262 099	3 157 902 536	4 872 262 099	1 964 637 240
Investment securities		4 010 434 252	1 738 887 717	4 010 434 252	1 081 820 457
Loans, advances and other assets		12 365 439 033	6 413 678 071	11 847 545 705	3 728 355 629
Trade and other investments		36 499 730	17 484 463	36 499 730	10 877 672
Investment properties	g	3 518 133 464	2 657 783 640	3 518 133 464	1 653 496 476
Intangible assets		367 911 726	57 077 174	13 407 688	4 133 707
Property and equipment		4 180 677 696	3 565 426 417	3 065 495 111	1 588 179 384
Total assets		**29 351 358 000**	**17 608 240 019**	**27 363 778 049**	**10 031 500 565**

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



STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

Inflation adjusted

	Share Capital ZWL	Share Premium ZWL	Functional Currency Translation Reserve ZWL	Revaluation Reserve ZWL	Retained Earnings ZWL	Total ZWL
Balances at 1 January 2020	1 167 413	2 069 689 473	462 166 697	782 958 243	1 567 455 700	4 883 437 526
Profit for the period	-	-	-	-	1 351 784 297	1 351 784 297
Revaluation gains on land and buildings, net of tax	-	-	-	290 977 498	-	290 977 498
Balances at 31 December 2020	1 167 413	2 069 689 473	462 166 697	1 073 935 740	2 919 239 997	6 526 199 320
Profit for the period	-	-	-	-	1 896 970 668	1 896 970 668
Revaluation gains on land and buildings, net of tax	-	-	-	377 056 299	-	377 056 299
Balances at 31 December 2021	**1 167 413**	**2 069 689 473**	**462 166 697**	**1 450 992 040**	**4 816 210 665**	**8 800 226 288**

Historical Cost*

	Share Capital ZWL	Share Premium ZWL	Functional Currency Translation Reserve ZWL	Revaluation Reserve ZWL	Retained Earnings ZWL	Total ZWL
Balances at 1 January 2020	16 506	31 474 502	11 619 648	176 079 950	329 398 472	548 589 078
Profit for the period	-	-	-	-	1 813 527 506	1 813 527 506
Revaluation gains on land and buildings, net of tax	-	-	-	891 186 492	-	891 186 492
Balances at 31 December 2020	16 506	31 474 502	11 619 648	1 067 266 442	2 142 925 978	3 253 303 076
Profit for the period	-	-	-	-	2 969 792 815	2 969 792 815
Revaluation gains on land and buildings, net of tax	-	-	-	848 730 924	-	848 730 924
Balances at 31 December 2021	16 506	31 474 502	11 619 648	1 915 997 366	5 112 718 793	7 071 826 816

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

STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

	Inflation Adjusted 31 December 2021 ZWL	Inflation Adjusted 31 December 2020 ZWL Restated	Historical Cost* 31 December 2021 ZWL	Historical Cost* 31 December 2020 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	2 791 370 423	1 120 490 368	3 882 390 190	1 728 013 186
Non-cash items				
- Net monetary (Loss)	443 686 160	54 511 977	-	-
- Depreciation(excluding right of use assets)	84 468 840	111 168 797	65 921 613	22 310 284
- Depreciation –Right of use assets	49 484 694	17 868 262	38 605 828	8 579 715
- Amortisation of intangible assets	3 697 644	39 246 884	2 865 483	915 580
- Impairment losses on financial assets measured at amortised costs	248 106 738	205 702 991	248 106 738	127 974 740
- Investment properties fair value gains	(833 158 854)	(367 520 068)	(1 843 565 394)	(1 182 737 157)
- Trade and other investments fair value gains adjustment	(10 897 181)	(5 860 291)	(8 444 751)	(9 265 541)
- Profit on disposal of property and equipment	(582 361)	(12 669 303)	(462 020)	(7 091 399)
- Loss/(profit) on disposal of investment properties	(6 802 556)	3 533 622	(5 788 412)	(10 867 431)
- Dividend received	25 314 881	-	17 177 307	-
- Unrealised foreign exchange gain	(110 073 088)	(329 076 141)	(110 073 088)	(204 729 321)
Operating cash flows before changes in operating assets and liabilities	2 684 615 340	837 397 098	2 286 733 494	473 102 656
Changes in operating assets and liabilities				
Increase/(decrease) in deposits and other liabilities	8 783 508 719	4 679 232 358	12 677 612 312	2 911 107 622
Increase in loans, advances and other assets	(6 047 638 810)	(4 429 303 072)	(8 123 746 315)	(1 356 425 376)
Net cash generated from operations	5 420 485 249	1 087 326 385	6 840 599 491	2 027 784 902
Taxation				
Corporate tax paid	(537 351 953)	(136 721 493)	(505 915 301)	(73 473 484)
Net cash inflow from operating activities	4 883 133 296	950 604 892	6 334 684 190	1 954 311 418
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of intangible assets	(15 664 870)	(12 583 601)	(12 139 463)	(3 652 103)
Acquisition of investment securities	(3 779 108 984)	(1 566 631 859)	(2 928 613 795)	(974 654 302)
Proceeds on disposal of property and equipment	10 312 983	16 571 920	462 020	7 122 008
Acquisition of trade and other investments	(25 314 881)	-	(17 177 307)	-
Acquisition of property and equipment	(156 094 715)	(410 137 563)	(123 319 135)	(110 752 486)
Proceeds on disposal of investment properties	42 179 066	24 724 497	34 553 053	15 381 940
Acquisition of investment properties	(57 522 943)	(661 072 877)	(44 577 303)	(245 405 846)
Net cash outflow from investing activities	(3 981 214 345)	(2 609 129 484)	(3 090 811 930)	(1 311 960 789)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of lease liabilities	(60 120 942)	(49 713 476)	(46 590 617)	(14 658 020)
Net cash outflow from financing activities	(60 120 942)	(49 713 476)	(46 590 617)	(14 658 020)
Net increase/(decrease) in cash and cash equivalents	841 798 009	(1 708 238 067)	3 197 281 643	627 692 609
Net foreign exchange and monetary adjustments on cash and cash equivalents	872 561 555	2 657 734 739	(289 656 784)	844 640 364
Cash and cash equivalents at beginning of the year	3 157 902 536	2 208 405 864	1 964 637 240	492 304 267
Cash and cash equivalents at the end of the year (note f)	4 872 262 099	3 157 902 536	4 872 262 099	1 964 637 240
ADDITIONAL INFORMATION ON OPERATING CASHFLOWS FROM INTEREST				
Interest received	2 976 563 465	1 171 971 825	2 434 269 087	501 216 271
Interest paid (including interest on lease liabilities)	(762 185 009)	(186 475 075)	(643 327 091)	(90 638 279)

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

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

a. OTHER INCOME

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Trade and other investments fair value gains	10 897 181	5 860 291	8 444 751	9 265 541
Profit on disposal of property and equipment	582 361	12 669 303	462 020	7 091 399
Fair value gains on investment properties	833 158 854	367 520 068	2 029 063 294	1 182 737 157
Profit/(Loss) on disposal of investment properties	6 802 556	(3 533 622)	5 788 412	10 867 431
Rental income	17 181 160	12 233 541	13 971 595	5 641 865
Recoveries	12 646 659	9 450 891	10 811 556	3 406 069
Other operating income	51 596 385	9 867 231	38 876 960	7 837 534
	932 865 157	414 067 704	2 107 418 588	1 226 846 996

b. OPERATING EXPENDITURE

The operating profit is after recognising the following:

	Inflation Adjusted 31 December 2021 ZWL	Inflation Adjusted 31 December 2020 ZWL Restated	Historical Cost 31 December 2021 ZWL	Historical Cost 31 December 2020 ZWL
Administration costs**	1 664 325 920	994 479 788	1 323 531 566	395 919 343
Audit fees:				
- Current year	24 146 515	22 466 905	20 773 858	8 388 890
- Prior year	-	4 523 956	-	1 553 413
Amortisation of intangible assets	3 697 644	39 246 884	2 865 483	915 580
Depreciation (excluding right of use assets)	84 468 840	111 168 797	65 921 613	22 310 284
Depreciation – right of use assets	49 484 694	17 868 262	38 605 828	8 579 715
Directors' remuneration	29 193 264	55 773 451	22 664 842	13 902 765
- Fees for services as directors	28 031 939	21 393 814	21 687 517	3 520 400
- Services rendered	-	33 998 682	-	10 344 405
- Expenses	1 161 325	380 955	977 325	37 960
Staff costs – salaries, allowances and related costs	1 638 117 241	806 957 105	1 336 327 795	362 682 573
	3 493 434 118	2 052 485 147	2 810 690 985	814 252 563

c. OTHER COMPREHENSIVE INCOME

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Revaluations of land and buildings	470 264 616	362 907 135	1 058 537 209	1 111 487 793
Tax effect	(93 208 317)	(71 929 637)	(209 806 284)	(220 301 301)
	377 056 299	290 977 498	848 730 924	891 186 492

d. EARNINGS PER SHARE

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

		Inflation Adjusted		Historical Cost	
		31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
d.1	**Earnings**				
	Profit for the year	1 896 970 668	1 351 784 297	2 969 792 815	1 813 527 506
d.2	**Number of shares**				
	Weighted average shares in issue	16 506 050	16 506 050	16 506 050	16 506 050
d.3	**Basic earnings per share**				
	Basic and diluted	11 493	8 190	17 992	10 987

e. SHARE CAPITAL

e.1 Authorised
The authorised ordinary share capital at 31 December 2021 is at the historical cost figure of ZWL25 000 (2020 - ZWL25 000) comprising 25 million ordinary shares of ZWL0.001 each.

e.2 Issued and fully paid
The issued share capital at 31 December 2021 is at the inflation adjusted figure of ZWL1 167 413 (2020 restated – ZWL1 167 413) and historical cost of ZWL16 506 (2020 – 16 506) comprising 16 506 050 (2020 – 16 506 050) ordinary shares of ZWL0.001 each in historical cost terms.

f. CASH AND CASH EQUIVALENTS

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
Balances with the Central Bank**	931 500 994	668 953 254	931 500 994	416 178 289
Current, nostro accounts* and cash	3 320 761 106	2 241 474 125	3 320 761 106	1 394 496 343
Interbank placements	620 000 000	249 142 632	620 000 000	155 000 000
Expected Credit loss allowance	-	(1 667 475)	-	(1 037 392)
	4 872 262 099	3 157 902 536	4 872 262 099	1 964 637 240

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

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

g. INVESTMENT PROPERTIES

	Inflation Adjusted		Historical Cost	
	31 December 2021 ZWL	31 December 2020 ZWL Restated	31 December 2021 ZWL	31 December 2020 ZWL
At 1 January	2 657 783 640	1 657 448 814	1 653 496 476	229 867 982
Additions	57 522 943	661 072 877	44 577 303	245 405 846
Disposals	(30 331 973)	(28 258 119)	(23 505 709)	(4 514 509)
Fair value gains	833 158 854	367 520 068	1 843 565 394	1 182 737 157
At 31 December 2021	3 518 133 464	2 657 783 640	3 518 133 464	1 653 496 476

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g. INVESTMENT PROPERTIES (continued)

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

Rental income amounting to ZWL14 617 316 (2020: ZWL7 610 897) was received and no operating expenses were incurred on the leased investment properties in the current year due to the net leasing arrangement on the properties.

The Bank has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop the investment properties or for repairs, maintenance and enhancements.

Measurement of fair value

Fair value hierarchy

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

Level 3

The fair value for investment properties of ZWL3 518 133 464 (2020: ZWL2 657 783 640) has been categorised under level 3 in the fair value hierarchy based on the inputs used for the valuation technique described below.

Valuation technique and significant unobservable inputs

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

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

Below is an indication of the changes in fair values following change to the key unobservable limits:

	Changes in fair value following changes in:		
	Expected market rental growth	Occupancy rates	Risk adjusted discount rates
+5%	82 674 824	177 364 674	217 959 661
+3%	49 604 894	106 418 804	130 775 796
+1%	16 534 965	35 472 935	43 591 932
-1%	(16 534 965)	(35 472 935)	(43 591 932)
-3%	(49 604 894)	(106 418 804)	(130 775 796)
-5%	(82 674 824)	(177 364 674)	(217 959 661)

Below is an indication of the sensitivity analysis at different void periods.

Void periods	Change in fair value
1 month	444 365 259
2 months	253 650 555
4 months	(127 778 851)

h. CORPORATE GOVERNANCE AND RISK MANAGEMENT

1. RESPONSIBILITY

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

2. CORPORATE GOVERNANCE

The Bank adheres to principles of corporate governance derived from the National Code on Corporate Governance Zimbabwe, King IV Report, the United Kingdom Combined Code and Reserve Bank of Zimbabwe corporate governance guidelines. The Bank is cognisant of its duty to conduct business with due care and in good faith in order to safeguard all stakeholders' interests. Board and Director evaluations are carried out an annual basis, wherein the effectiveness of the Board is reviewed, including its gender and skills mix. Furthermore, the independence of Independent Non-Executive Directors is reviewed on an annual basis. The Bank has in place an Ethics Charter ("Code of Ethics") that all Board and staff members are required to adhere to. Also the Bank adheres to its Environmental and Social Risk Management Framework, wherein its main objectives are to:

- Identify and assess environmental and social risks and opportunities associated with a Client's activities and its sphere of influence;
- Promote improved social and environmental performance of a Client's companies; and
- Avoid, or where avoidance is not possible, minimize, mitigate, or compensate for adverse impacts on workers, affected communities, and the environment.

3. BOARD OF DIRECTORS

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

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

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

NAME	MAIN BOARD	AUDIT	CREDIT	ALCO & FINANCE	LOANS REVIEW	HUMAN CAPITAL	RISK & COMPLIANCE	ICT & DIGITAL
No. of Meetings Held	4	6	4	4	4	4	4	4
B A Chikwanha	4	-	4	-	-	4	-	4
C Chikaura	4	6	4	4	-	4	4	-
J Maguranyanga	4	6	-	-	4	4	4	-
C. Glover	4	-	-	4	4	-	4	4
S. Chitehwe	4	6	-	4	4	-	-	4
J de la Fargue	4	-	4	4	-	4	4	-
J Tichelaar	4	-	-	4	4	4	-	4
G Taputaira	4	6	-	-	4	-	4	4
B P Washaya*	4	-	4	4	-	-	4	4
B Ndachena **	3	-	-	3	-	-	-	-
M Chipunza***	1	-	-	1	-	-	-	-

KEY

Meetings planned	**Meetings attended**

*B P Washaya retired from the Group with effect from 31 December 2021.
**B Ndachena resigned from the Group with effect from 30 September 2021.
***M Chipunza joined the Group with effect from 1 September 2021

4. RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Board Asset and Liability Management Committee (ALCO) and the Board Risk and Compliance Committee, which are responsible for defining the Group's risk universe, developing policies and monitoring implementation. The Board also has the Board Credit Committee (BCC) which is responsible for sanctioning credits and the Board Loans Review Committee (LRC), which is responsible for monitoring asset quality and adherence to the credit risk management policy..

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

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

Risk management is premised on four (4) mutually reinforcing pillars, namely:

a. Adequate board and senior management oversight;
b. Adequate strategy, policies, procedures and limits;
c. Adequate risk identification, measurement, monitoring and information systems; and
d. Comprehensive internal controls and independent reviews.

4.1 Credit risk

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

The Group has an automated credit processes from loan origination, appraisal, monitoring and collections. The system has a robust loan monitoring and reporting module which is critical in managing credit risk. In view of the group's move into the mass market, retail credit has become a key area of focus. The group has put in place robust personal loan monitoring systems and structures to mitigate retail loan delinquencies. This includes a rigorous scheme assessment and a dedicated pre-delinquency team and a separate recoveries team.

Credit Management

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

Credit Monitoring and Financial Modelling

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

Credit Administration

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

Recoveries

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

4.2 Market risk

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

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

4.3 Liquidity risk

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

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

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

4.4 Operational risk

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

4.5 Legal and compliance risk

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

4.6 Reputational risk

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

4.7 Strategic risk

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

4.8 Environmental, Social & Governance (ESG) Risk

Environment, Social and Governance (ESG) or sustainability risk is the consideration of non-financial risks arising from the environment (flora and fauna) as well as societal issues. The Group is not only concerned about making profits, but is also keen on assessing the impact it has on the planet and the people it interacts with. There is a growing number of frameworks and standards aimed at addressing global concerns on sustainability. Global risk reports show that environmental and societal risks have overtaken economic and geopolitical risks in terms of both likelihood and impact.

To manage this risk, during the reporting period, the Bank appointed an ESG risk manager within the Risk Department. This function
is responsible for ESG policy implementation, coordination, reviews and reporting. The Group commits to responsible financing through abiding to its Exclusion List and continues to enhance its ESG policies, processes and procedures as well as to train staff on sustainability issues. The Group conducts risk reviews to identify and measure sustainability risks and in the process implement relevant and adequate controls around these risks.

4.9 Risk Ratings

4.9.1 Reserve Bank of Zimbabwe Ratings

The Reserve Bank of Zimbabwe conducted an onsite inspection on the Group's banking subsidiary on 30 June 2021. Below are the final ratings from the onsite examination.

4.9.1.1 CAMELS* Ratings

CAMELS Component	Latest RBS** Ratings 30/06/2021	Previous RBS Ratings 24/11/2016	Previous RBS Ratings 30/6/2013
Capital Adequacy	2	2	2
Asset Quality	2	3	4
Management	2	3	3
Earnings	2	2	2
Liquidity	2	3	2
Sensitivity to Market Risk	2	2	2
Composite Rating	2	3	3

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

**RBS stands for Risk-Based Supervision.

4.9.1.2 Summary RAS ratings

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RAS Component	Latest RAS*** Ratings 30/06/2021	Previous RAS Ratings 24/11/2016	Previous RAS Ratings 30/6/2013
Overall Inherent Risk	Moderate	High	High
Overall Risk Management Systems	Acceptable	Acceptable	Acceptable
Overall Composite Risk	Moderate	Moderate	Moderate
Direction of Overall Composite Risk	Stable	Stable	Stable

*** RAS stands for Risk Assessment System.

4.9.1.3 Summary risk matrix – 30 June 2021 on - site examination

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

KEY

High	Moderate	Low

Level of Inherent Risk

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

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

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

Adequacy of Risk Management Systems

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

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

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

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

Overall Composite Risk

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

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

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

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

Direction of Overall Composite Risk

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

4.9.2 External Credit Ratings

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

Security class	2021	2020	2019
Long term	BB+	-	BB-

The 2020 rating which was due to expire in August 2020 was withdrawn by GCR on 23 June 2020 following the Bank's waiver of external ratings. The Bank waived the 2020/2021 external ratings in line with a general dispensation extended by the Reserve Bank of Zimbabwe due to the COVID-19 pandemic.

The 2021/2022 external ratings were obtained during the month of February 2022 with a long term rating of BB+.

4.10 Regulatory Compliance

There was no regulatory breach resulting in penalties during the period under review. The Bank is committed to comply with and adhere to all regulatory requirements.

5. CAPITAL MANAGEMENT

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

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings (including current year profit), statutory reserve and other equity reserves. The other component of regulatory capital is Tier 2 capital, which includes subordinated term debt, revaluation reserves and portfolio provisions.

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

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

The Bank's regulatory capital position at 31 December was as follows:

	Inflation Adjusted		Historical Cost	
	2021 ZWL	2020 ZWL Restated	2021 ZWL	2020 ZWL
Share capital	1 167 413	1 167 413	16 506	16 506
Share premium	2 069 689 473	2 069 689 473	31 474 502	31 474 502
Retained earnings	4 816 210 665	2 919 239 997	5 112 718 793	2 142 925 978
Functional currency translation reserve	462 166 697	462 166 697	11 619 648	11 619 648
	7 349 234 248	5 452 263 580	5 155 829 449	2 186 036 634
Less: capital allocated for market and operational risk	(301 228 069)	(309 435 086)	(301 228 069)	(192 509 961)
Tier 1 capital	7 048 006 179	5 142 828 494	4 854 601 381	1 993 526 673
Tier 2 capital (subject to limit as per Banking Regulations)	948 997 410	657 870 772	1 420 672 035	1 119 443 122
Fair valuation gains on land and buildings	377 056 299	290 977 498	848 730 924	891 186 492
Subordinated debt	223 114 790	213 189 970	223 114 790	132 632 641
Stage 1 & 2 ECL provisions – (limited to 1,25% of risk weighted asset	348 826 321	153 703 305	348 826 321	95 623 989
Tier 1 & 2 capital	7 997 003 590	5 800 699 266	6 275 273 416	3 112 969 795
Tier 3 capital (sum of market and operational risk capital)	301 228 069	309 435 086	301 228 069	192 509 961
Total capital base	8 298 231 659	6 110 134 352	6 576 501 485	3 305 479 756
Total risk weighted assets	14 437 581 509	12 713 020 339	14 437 581 509	7 649 919 150
Tier 1 ratio	48.82%	40.45%	33.62%	26.06%
Tier 2 ratio	6.57%	5.17%	9.84%	14.63%
Tier 3 ratio	2.09%	2.43%	2.09%	2.52%
Total capital adequacy ratio	57.48%	48.06%	45.55%	43.21%
RBZ minimum required	12.00%	12.00%	12.00%	12.00%

6. SEGMENT INFORMATION

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

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

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

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

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

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

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

	Inflation Adjusted						
	Consumer Banking ZWL	Corporate Banking ZWL	Treasury Banking ZWL	International Banking ZWL	Digital Banking ZWL	Other ZWL	Total ZWL
For the year ended 31 December 2021							
Income							
Third party income	1 587 391 703	2 372 527 396	360 453 413	136 916 603	2 293 433 317	435 014 477	7 185 736 909
Interest and similar expense	(901 000 616)	(274 184 494)	(925 708 194)	(83 510 007)	(482 332 105)	(1 455 779 454)	(4 122 514 869)
Net operating income	**686 391 087**	**2 098 342 902**	**(565 254 782)**	**53 406 597**	**1 811 101 212**	**(1 020 764 977)**	**3 063 222 040**
Other material non-cash items							
Impairment losses on financial assets measured at amortised cost	(137 184 587)	(104 753 676)	(6 168 475)	-	-	-	(248 106 738)
Depreciation of property and equipment	(10 955 020)	(40 925)	(30 001)	(19 047)	(2 503 285)	(35 936 416)	(49 484 694
Depreciation of right of use assets	-	-	-	-	-	-	-
Amortisation of intangible assets	-	-	-	-	-	-	-
Segment profit/(loss)	**538 251 481**	**1 993 548 301**	**(571 453 258)**	**53 387 550**	**1 808 597 926**	**(1 056 701 393)**	**2 765 630 608**
Income tax charge	-	-	-	-	-	(894 399 755)	(894 399 755)
Revaluation of land and buildings, net of tax	-	-	-	-	-	377 156 500	377 156 500
Total comprehensive income for the year	**538 251 481**	**1 993 548 301**	**(571 453 258)**	**53 387 550**	**1 808 597 926**	**(1 573 944 647)**	**2 248 387 353**
As at 31 December 2021							
Assets and liabilities							
Capital expenditure (property and equipment and intangible assets)	102 220 873	6 837 129	-	914 364	14 833 425	82 484 022	207 289 814
Total assets	**4 676 399 192**	**7 388 467 133**	**4 248 748 764**	**1 439 654 008**	**156 303 367**	**11 444 189 043**	**29 353 761 508**
Total liabilities	**8 379 147 480**	**5 931 139 155**	**3 807 931 291**	**560 895 684**	**-**	**1 649 121 499**	**20 328 235 109**

6. SEGMENT INFORMATION

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the year ended 31 December 2021

	Inflation Adjusted						
	Consumer Banking ZWL	Corporate Banking ZWL	Treasury Banking ZWL	International Banking ZWL	Digital Banking ZWL	Other ZWL	Total ZWL
For the year ended 31 December 2020							
Income							
Third party income	450 058 754	569 970 915	64 490 091	21 698 637	653 177 115	1 903 637 497	3 663 033 009
Interest and similar expense	(16 364 779)	(86 853 359)	(126 624 388)	-	-	(1 925 340 506)	(2 155 183 033)
Net operating income	**433 693 974**	**483 117 556**	**(62 134 297)**	**21 698 637**	**653 177 115**	**(21 703 009)**	**1 507 849 976**
Other material non-cash items:							
Impairment losses on financial assets measured at amortised cost	(82 025 452)	(115 291 034)	(8 386 504)	-	-	-	(205 702 991)
Depreciation of property and equipment	(24 196 102)	(359 468)	(305 552)	(40 302)	(11 057 574)	(75 209 800)	(111 168 797)
Depreciation of right of use assets	-	-	-	-	-	(17 868 262)	(17 868 262)
Amortisation of intangible assets	-	-	-	-	-	(39 246 884)	(39 246 884)
Segment profit/(loss)	**327 472 420**	**367 467 054**	**(70 826 353)**	**21 658 335**	**642 119 541**	**(154 027 956)**	**1 133 863 042**
Income tax charge	-	-	-	-	-	231 218 282	231 218 282
Revaluation of land and buildings, net of tax	-	-	-	-	-	290 977 498	290 977 498
Total comprehensive income -- for the year	**327 472 420**	**367 467 054**	**(70 826 353)**	**21 658 335**	**642 119 541**	**368 167 824**	**1 656 058 822**
As at 31 December 2020							
Assets and liabilities							
Capital expenditure (property and equipment and intangible assets)	11 854 610	-	223 618	35 751	1 914 669	409 165 398	423 194 046
Total assets	**2 805 835 675**	**4 433 074 212**	**2 549 245 770**	**863 791 223**	**93 781 892**	**6 866 504 028**	**17 612 232 800**
Total liabilities	**4 480 265 887**	**3 171 334 613**	**2 036 071 653**	**299 906 620**	**-**	**881 772 617**	**10 869 351 390**

6.1 GEOGRAPHICAL INFORMATION

The Bank operates in one geographical market, Zimbabwe.

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IN PURSUIT OF EXCELLENCE

A Member of the Deposit Protection Scheme

Building a better
working world

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Independent Auditor's report

To the Shareholders of NMBZ Holdings Limited

Report on the Audit of the Consolidated and Separate Inflation Adjusted Financial Statements

Introductions

We have audited the accompanying inflation adjusted financial statements of NMBZ Holdings Limited and its subsidiaries (the Group), as set out on pages 14 to 50, which comprise the inflation adjusted statement of financial position as at 31 December 2021 and the related inflation adjusted statement of comprehensive income, the inflation adjusted statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section, the accompanying financial statements present fairly, in all material respects the financial positions of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and the manner required by the Companies and Business Entities Act (Chapter 24:31) and the Banking Act (Chapter 24:20).

Basis for qualified opinion

<u>Matter 1: Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates and IAS 8 - Accounting Polices, Changes in Accounting Estimates and Errors.</u>

Impact of the prior year modification on the current year audit opinion and opening balances

Historical date of change in functional currency
As explained in note 2.19 to the inflation adjusted financial statements, the Bank changed its functional and reporting currency from United States Dollar (US$) to Zimbabwe Dollars (ZWL) on 22 February 2019 in compliance with Statutory Instrument 33 of 2019.

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

Management has not restated the prior year amounts in line with the requirements of IAS8, consequently, the following corresponding elements remain misstated on the inflation adjusted financial statements; Property, plant and equipment, Intangible assets, Deferred tax liability, Capital reserves, Revaluation reserve, retained earnings, Net foreign exchange gains and Revaluation of land and buildings. Our opinion on the current period's consolidated inflation adjusted financial statements is therefore modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

On date of change in functional currency, management translated elements on the financial statements using different exchange rates which resulted in a misbalance which was recorded directly in equity as a functional currency translation reserve of ZWL 462 166 697(2020: ZWL 462 166 697). This is not in line with the requirements of IFRS.

Exchange rates used in prior year
Further contributing to the adverse opinion was the use of inappropriate exchange rates which did not meet IAS21 requirements for a spot rate from 22 February 2019 to 22 June 2020. The interbank exchange rate was used to translate foreign denominated transactions and balances to ZWL functional currency; however, the rate was not available for immediate delivery therefore not a spot rate in terms of IFRS. The misstatements could however not be quantified as an appropriate exchange rate had not been identified.

Management has not made retrospective adjustments in terms of IAS 8 to correct this matter. Corresponding numbers relating to Fee and commission income, Operating expenditure, net exchange gains/losses and retained earnings on the consolidated inflation adjusted financial statements. Our opinion on the current period's consolidated inflation adjusted financial statements is modified because of the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures.

Matter 2: Accounting for blocked funds

Included in Loans, advances and other assets of ZWL 12 367 842 540(2020: ZWL 6 417 670 852) on Note 20 to the inflation adjusted consolidated financial statements for the year ended 31 December 2021 are local balances denominated in the Bank's functional currency. Of this, local balances amounting to ZWL1 507 838 292 (2020: ZWL1 128 781 333) which are held with the central bank have been treated as foreign currency and translated at the foreign auction exchange rate of 31 December 2021 in contravention of IAS 21 which defines 'foreign currency' as a currency other than the functional currency of the entity resulting in an overstatement of the balance. Our prior year audit report was also modified due to this matter.

The prior year audit report was also modified for this issue. Our opinion on the current period's inflation adjusted consolidated financial statements is also modified because of the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures. Management has not made adjustments in terms of IAS 8 to correct this matter therefore the matter continues to impact the following amounts on the consolidated inflation adjusted statement of comprehensive income:

- Net foreign exchange gains ZWL 156 701 217 (2020: ZWL 207 087 364)

Matter 3: Valuation of investment properties and premises

The Bank's investment properties and premises are carried at ZWL 3 518 133 464 (2020: ZWL 2 657 783 640) and ZWL 2 845 703 978 (2020: ZWL 2 317 820 761) respectively as at 31 December 2021 as described on Notes 23 and 25. The investment properties were valued using USD denominated inputs and converted to ZWL at the closing auction rate. We believe that applying a conversion rate to a USD valuation to calculate ZWL property values may not be an accurate reflection of market dynamics, as risks associated with currency trading do not always reflect the risks associated with property trading.

Consequently, property values may be materially misstated, and we are unable to determine what adjustments may be necessary to correctly account for these amounts.

The prior year audit report was also modified due to inappropriate valuation of investment property and freehold land and buildings using foreign currency inputs and translating to ZWL using the auction rate. Management has not made retrospective adjustments to correct this matter and thus the matter continues to impact the following elements of the statement of comprehensive income as a result of misstatements in prior year balances:

- Revaluation gain ZWL 377 156 500 (2020: 290 977 498)
- Other Income ZWL 932 865 157 (2020: 414 067 704)
- Tax expense ZWL (894 399 755) (2020: ZWL 231 218 282)

Matter 4: Application of IAS29 - Financial Reporting in Hyperinflationary Economies

Furthermore, notwithstanding that IAS 29 has been applied correctly, it is noted that its application was based on prior and current periods' financial information which was not in compliance with IAS 21 / IAS 8 as described above. Had the correct base numbers been used, the same elements as stated on matter 1, 2 and 3 would have been materially different except for Loans, advances and other assets, Investment property and Property, plant and equipment.

Consequently, Monetary loss of ZWL 436 377 804 (2020: ZWL45 434 726) would be impacted as a result of misstatements above.

Our opinion in the prior year was also modified for this mater.

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

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 Inflation adjusted financial statements section of our report. of the Bank in We are independent of the Group in accordance with the 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 the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and 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 judgment, were of most significance in our audit of the financial statements of the current period. In addition to the matter(s) described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the matter
Issue 1: Impairment of loans and advances	
45% of the Group's total assets comprises of loans and advances which are disclosed on note 20 to the financial statements. The loans are significant to the Group in value and comprise of a large volume of balances of varying magnitude. A significant amount of audit effort is therefore required to independently verify the existence of the loans. The Group is exposed to credit risk on its portfolio. Significant judgement is exercised by Management in assessing the impairment of advances as disclosed on note 20.3 to the financial statements. Due to the size of the Group's loan book and the significant degree of estimate in determining the impairment of loans and advances, the issue was considered to be a key audit matter. Management applied judgment on: • Amount and timing of cash flows • Evaluation of the borrower's financial situation and the net realisable value of collateral. There is subjectivity involved in determination of the amounts of advances deemed uncollectable and requiring impairment by Management. The determination of uncollectible amounts is based on a client-by-client basis. We refer to Note 2.3.5 which details the methods, judgments and assumptions applied by management in estimating the impairment of loans and advances. The matter required significant interactions between the auditor and Management.	In evaluating the adequacy of impairment of loans and advances we performed the following procedures: • Tested internal controls over the credit granting and monitoring and assessed whether these were in accordance with laid down Group policies and procedures. • We analysed customer payment trends during the year and period after year end but before the issuance of the financial statements. • We reviewed the financial performance, financial position, cash flows and future projections for selected material advances. • We reviewed security for selected loans and advances and assessed whether it adequately covered the outstanding loan balance. • We tested the valuation of security pledged on the loan balances by comparing its values to recent market valuations. • We selected material advances and analysed the accuracy of the classification of loans into various credit risk grades and credit quality portfolios as prescribed by the regulator and International Financial Reporting Standards respectively. • We reviewed the assumptions applied by management in determining the credit loss history. • We reviewed correspondence received from legal representatives to test the completeness of the impaired loans and advances.

Key Audit Matter	How our audit addressed the matter
Issue 2 : Suspense accounts with long outstanding reconciling items	
The Bank has experienced significant increase in volumes of transactions processed in its accounting systems arising from the extensive use of its digital platforms like mobile banking, POS and Zimswitch. Accordingly, due to the increase in transactions, there have been some delays in reconciling all accounts including the bank's suspense accounts.	In validating the suspense accounts, we performed the following procedures: • We updated our understanding of how the bank's suspense accounts operate. We obtained an understanding of the system of internal control with regards to the review and approval thereof and evaluate the precision and sensitivity of thresholds applied by management in the review process. • We tested the suspense account reconciliations at year end to confirm that these have been appropriately performed and we followed up on reconciling items.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the matter</th></tr>
<tr><th colspan="2">Issue 3: Presumed risk in Revenue Recognition</th></tr>
<tr><td>The banks income which comprises of Interest Income and Fees & Commission Income was an area of most significance for the audit in the current year due to Interest income is a significant component of the bank's financial statements, both streams of income are highly automated therefore completeness & accuracy is an area of audit focus and that the bank's operations are largely dependent on interest income generation.</td><td>In validating the recognition of revenue, we performed the following procedures:
We updated our understanding of the revenue recognition process, performed a walkthrough to confirm our understanding and evaluated the design effectiveness of controls related to the significant risk identified.
We compared results with those of prior periods and those expected for the current period and discussed significant variations with management for reasonability.
Our Technology Risk team confirmed the automated aspects of the interest, fees and commission income calculations are configured correctly and have been operating effectively throughout the audit period and performed recalculations on automated revenue lines.
We performed year end cut off procedures for the revenue transactions.
We reviewed the treatment of income on impaired financial instruments. Technology Risk Team also recalculated the income for suspended interest.
We performed revenue validity tests of invoices, and contracts for non-automated revenue lines.
We involved EY internal experts to review the process followed by the independent valuators to confirm appropriateness of methodology and assumptions for property valuation purposes in the determination of fair value adjustments.
We selected manual journal entries processed to all revenue accounts to confirm validity and business rationale as well as the appropriateness of manual adjustments processed.
We inquired about the policies and procedures related to accrued income.
We also reviewed the compliance of the banking operations to the transaction fees in line with directives issued by the regulator.</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises of the Chairman's Statement, Directors' Profiles and the Report of the Directors but does not include the inflation adjusted financial statements and our auditor's report thereon. Our opinion on the 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 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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, the Group did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and we disagree with the inputs used in the valuation of properties as well as the application of IAS 29 - Financial Reporting in Hyperinflationary Economies on incorrect base numbers. We have concluded that the other information is materially misstated for the same reasons.

Responsibilities of the Directors for the Inflation adjusted Financial Statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31) and the Banking Act (Chapter24;20), and for such internal control as the directors determine is necessary to enable the preparation of inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditor's Responsibilities for the Audit of the Inflation adjusted Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 based on these inflation adjusted financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 enough 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 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 inflation adjusted financial statements, including the disclosures, and whether the 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 inflation adjusted 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 the directors 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 inflation adjusted 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.

The engagement partner on the audit resulting in this independent auditor's report is Walter Mupanguri (PAAB Number 367).

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

14 April 2022