

FIGHT AGAINST CORONA



STEWARD BANK

Everyday Banking For Everyday People

Member of the Deposit Protection Corporation A Registered Commercial Bank

UNAUDITED ABRIDGED FINANCIAL STATEMENTS for the six months ended 31 August 2020



CHAIRMAN'S STATEMENT

INTRODUCTION

Steward Bank is a digital bank that uses technology to deliver mass-market solutions to its customers. Using technology, we are challenging traditional banking models and introducing a higher level of convenience for our customers. In the past two years, the Bank has embarked on a major technological upgrade of its systems and processes to ensure that it remains at the cutting edge of digital technology. The capacity enhancement will see the Bank launch new products and services that will change the banking landscape in Zimbabwe.

BUSINESS AND REGULATORY ENVIRONMENT

The Reserve Bank of Zimbabwe ("RBZ") introduced a national Foreign Exchange Auction System on the 23rd of June 2020. The Bank like other players in the banking sector and the wider economy welcomes the price discovery and price stability brought about by the foreign currency trading system.

The mid-term monetary policy statement that was released on the 21st of August 2020 saw an adjustment of export retentions to 70% across all sectors, a move that we and our customers applaud. The Bank's plans to increase its capital are in line with the amended deadline set by RBZ whereby banks must have a minimum of US\$30m in core capital by 31 December 2021.

COVID-19

The Bank focused on improving its digital strategies as a response to the disruptions to business caused by Covid-19. Measures have been implemented to ensure that both our staff and our customers are protected from the pandemic. 70% of our employees are now working remotely. The Bank has revised its Human Capital Policies to adapt to the new norms of remote working.

OPERATIONAL REVIEW

Embracing digital

Digital transformation is a key strategic imperative that is driving our approach to business. In collaboration with our key partners and other stakeholders, we are creating a rich ecosystem of digitally enabled services.

The Bank has now enabled customers to terminate funds received from remittances to a Visa Card, which allows them to do both local transactions and foreign transactions, which reduces the need for customers to demand cash payments. Further customers can now also terminate their funds to their Foreign Currency Accounts.

Purple Ark – enhancing our technology platforms

The Core Banking System Upgrade ("Purple Ark"), due to be completed in December 2020, will be instrumental in driving the digital agenda of the Bank. The upgrade will also enhance regulatory compliance initiatives whilst achieving the ability for the Bank to offer a wider scope of services on its digital platforms.

Financial Review

The Directors' commentary is based on the primary financial statements, being the inflation adjusted financial statements, having adopted IAS 29 ("Accounting in Hyperinflationary Economies"), in line with the recommendations of the Public Accountants and Auditors Board.

The first half of the year was used to consolidate the Bank's position by focusing on technology development and strengthening of its platforms. This resulted in a profit of \$123.5 million and an increase in expenses of 20%. However, as we complete the banking upgrade, we expect the Bank to now strengthen its market position and to increase its profitability. The implementation of the Core Banking System Upgrade will result in reduced operating costs as a result of increased operational and system efficiencies. The Bank has started exploiting opportunities in the export and agriculture sectors, which will improve its income streams.

SUSTAINABILITY

The business continues to actively participate in initiatives to minimize the impact of COVID-19 within the nation. The Bank, in partnership with Cassava Smartech Zimbabwe Limited, Econet Wireless Zimbabwe Limited and Higher Life Foundation is involved in the process of capacitating various national institutions to respond to the pandemic. The Bank also provided a platform for donations to be made towards the COVID-19 mitigation efforts.

OUTLOOK

The platform on which the Bank will develop its offerings is on a low cost digital model. This evolution is almost complete and required us to upgrade our digital infrastructure, a process which had fallen behind due to the prevailing foreign currency challenges. As we reach the conclusion of our Purple Ark upgrade, we believe we are poised for even greater growth. Our focus in the coming year is on developing a leaner, more digitally focused Bank and on exploiting our unique market opportunities, whilst playing to strengths of our partnerships and ecosystem models.

GRATITUDE

I would like to thank and express my sincere gratitude to our staff for their commitment to serving our customers and our customers for your loyalty even in the uncertain times brought about by the COVID19 pandemic. We are grateful to the Reserve Bank of Zimbabwe and the Financial Intelligence Unit as they continue to provide support not only to Steward Bank but to the whole financial system in Zimbabwe through timely interventions that are starting to bear fruit. As partners with government in Zimbabwe's development agenda, we are constantly innovating to find solutions that drive financial inclusion in the country.

On behalf of the Board

Bernard T.R. Chidzero
Board Chairman

29 October 2020

CORPORATE GOVERNANCE STATEMENT

The Board of Directors

The role of the Board includes, inter alia, the approval and adoption of the strategic and annual business plans, setting of objectives, review of key risk and performance areas, review of management's performance against set criteria and objectives and determining the overall policies and processes to ensure the integrity of the institution's risk and internal control management.

The Board of Directors is committed to upholding the highest standards of corporate governance by ensuring that business is conducted in a transparent, responsible and accountable manner as enshrined in the international and local corporate governance frameworks. Steward Bank has adopted the National Corporate Governance Code for Zimbabwe. The Board Charter is also available to directors for reference regarding their duties and obligations. Directors are free to take independent professional advice at the Bank's expense in furtherance of their duties.

As at 31 August 2020, the Bank's Board comprised seven (7) directors. The Board of Directors is led by an independent non-Executive Chairman and comprises a majority of Independent Non-Executive Directors. The Board has an appropriate balance of independence, skills, expertise, and depth of working knowledge of the Bank's business necessary to effectively discharge its responsibilities.

As at 31 August 2020, the Main Board held eight (8) meetings to assess risk, review performance and provide guidance to management.

Board Committees

The Board has established and delegated specific roles and responsibilities to standing Committees, to assist in discharging its mandate. Members of the Executive Committee and other management attend meetings of the various committees by invitation. Each Committee acts within written terms of reference approved by the Board and reviewed at least annually. All Board Committees are chaired by Independent non-Executive Chairpersons.

To assist the Board in the discharge of its responsibilities, the following standing Committees have been established namely:

- Board Audit Committee;
- Board Risk, Compliance and Capital Management Committee;
- Board Asset and Liability Committee;
- Board Credit Committee;
- Board Information Technology Committee; and
- Board Remuneration and Nominations Committee.

Board Audit Committee

All three members of the Audit Committee are independent non-Executive Directors with significant relevant financial and or accounting experience and significant understanding of the Bank's business.

The role of the Audit Committee is to provide an independent evaluation of the adequacy and efficiency of the institution's internal control systems, accounting practices, information systems and auditing processes. It also considers measures to enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of the Bank.

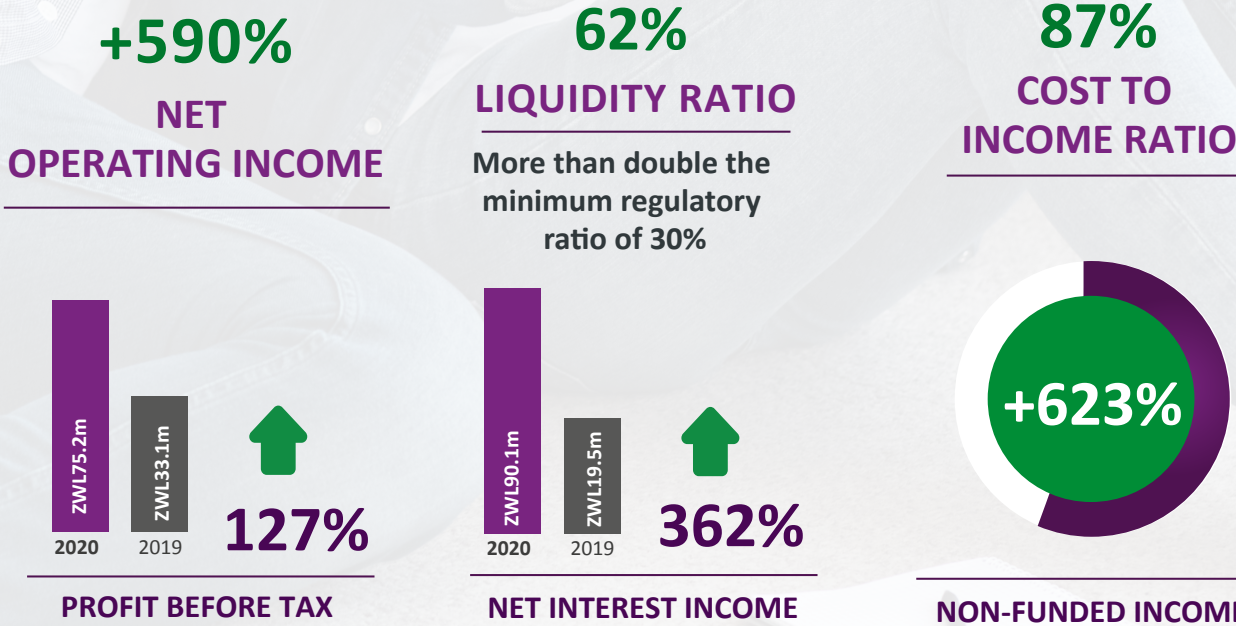
The Audit Committee meets at least 4 times a year or as necessary.

Board Risk, Compliance and Capital Management Committee

The Committee sets policy guidelines for monitoring risks that are inherent within the Bank and reviews all risk reports generated by the Risk Department. The Committee also sets policy guidelines for ensuring and monitoring compliance with all regulatory laws and directives and internal policies and procedures.



HIGHLIGHTS (Historical Cost)



Strategic Sustainable Business Pillars



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Risk, Compliance and Capital Management Committee (continued)
The Committee monitors adherence to the Bank's policy on Capital Management and allocation. It assists the Board of Directors in the discharge of its duties relating to corporate accountability and associated risks in terms of management, assurance and reporting.

The Committee meets at least 4 times a year or as necessary.

Board Asset and Liability Committee

The role of the Board Asset and Liability Committee is to oversee balance sheet management, to maximize profit whilst monitoring liquidity, interest rate, foreign currency and other market risks.

The Committee meets at least 4 times a year or as necessary.

Board Credit Committee

The Board Credit Committee is tasked with the overall review of the Bank's lending policies. The Committee considers credit applications beyond the mandate of the Management Credit Committee.

The Committee meets at least 4 times a year or as necessary.

Board Information Technology Committee

The Committee makes recommendations to the Board with respect to the overall scope of the digital strategy. It provides the necessary governance over the direction and ongoing progress of the digital strategy to ensure continued growth, consistent with the Bank's vision and values.

The Committee meets at least 4 times a year or as necessary.

Board Remuneration and Nominations Committee

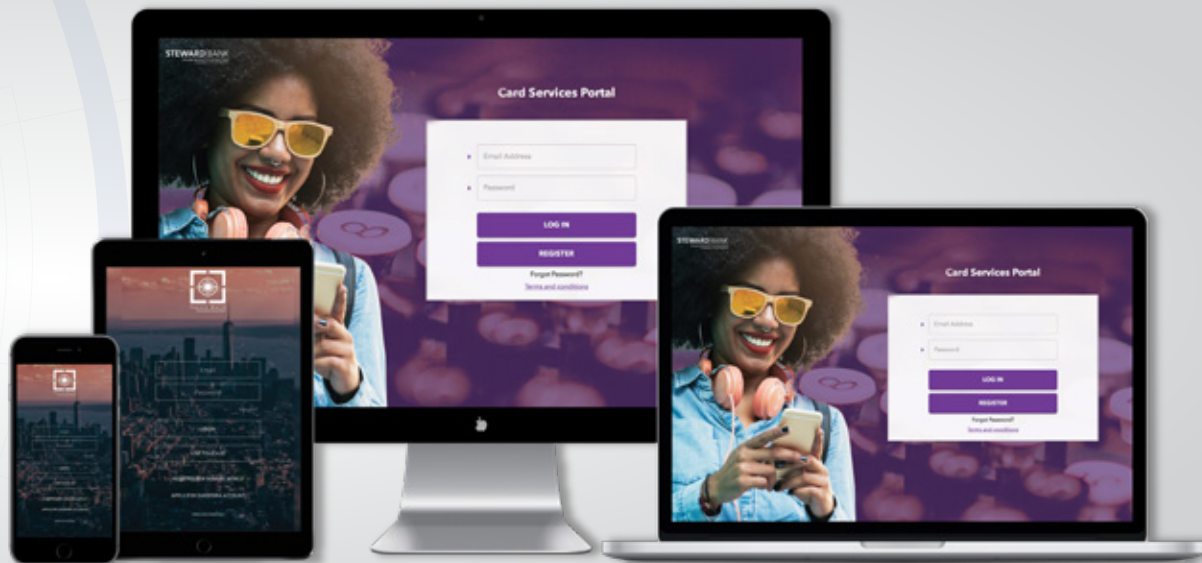
The Board Remuneration and Nominations Committee is responsible for establishing appropriate human resources strategies and policies for the Bank including remuneration policies. It also has oversight of policies and practices that promote and support equal opportunity and diversity. The Committee has the responsibility of setting the remuneration terms for Directors and Senior Executives. The Committee reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any changes.

The Committee meets at least 4 times a year or as necessary.

#DoingMyPart

Stay Safe Go Digital

Use electronic channels for your Banking requirements instead of coming to the Bank



STEWARD BANK
Everyday Banking For Everyday People

A Registered Commercial Bank Member of the Deposit Protection Corporation
www.stewardbank.co.zw

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Attendance

As at 31 August 2020, the Bank's Board of directors held 8 meetings and the record of each Director is depicted below:

Name of Director	Designation	Meetings Held	Meeting Attended
Bernard T.R. Chidzero*	Board Chairman Independent Non-Executive Director	8	6
Nyatwa N. Chadehumbe	Deputy Chairperson Independent Non-Executive Director	8	8
Peter M Mbizvo	Independent Non-Executive Director	8	8
Kwaku Akosah-Bempah	Independent Non-Executive Director	8	8
John H Gould	Independent Non-Executive Director	8	8
Krison V Chirairo	Non- Executive Director	8	8
Roy Chimanikire	Non- Executive Director	8	8

*Chairman

BOARD COMMITTEES

The Bank's Board Committees were properly constituted as at 31 August 2020. The record of attendance is as follows:

Audit Committee

Name of Director	Designation	Meetings Held	Meeting Attended
K Akosah-Bempah*	Non-Executive Chairman	3	3
N N Chadehumbe	Non-Executive Director	3	3
J H Gould	Non-Executive Director	3	3

*Chairman

Risk, Compliance and Capital Management Committee

Name of Director	Designation	Meetings Held	Meeting Attended
N N Chadehumbe*	Non-Executive Chairperson	2	2
P M Mbizvo	Non-Executive Director	2	2
R Chimanikire	Non-Executive Director	2	2

*Chairperson

Assets and Liabilities Committee

Name of Director	Designation	Meetings Held	Meeting Attended
K Akosah-Bempah*	Non-Executive Chairman	2	2
P M Mbizvo	Non-Executive Director	2	2
R Chimanikire	Non-Executive Director	2	2

*Chairman

Credit Committee

Name of Director	Designation	Meetings Held	Meeting Attended
B T R Chidzero*	Non-Executive Chairman	4	3
N N Chadehumbe	Non-Executive Director	4	4
J H Gould	Non-Executive Director	4	4

*Chairman

Information Technology Committee

Name of Director	Designation	Meetings Held	Meeting Attended
J H Gould*	Non-Executive Chairman	2	2
N N Chadehumbe	Non-Executive Director	2	2
K V Chirairo	Non-Executive Director	2	2

*Chairman

Remuneration and Nominations Committee

Name of Director	Designation	Meetings Held	Meeting Attended
P M Mbizvo*	Non-Executive Chairman	2	2
J H Gould	Non-Executive Director	2	2
B T R Chidzero	Non-Executive Director	2	2

*Chairman

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 AUGUST 2020

Notes	INFLATION ADJUSTED		HISTORICAL COST*	
	31 August 2020 ZWL	31 August 2019 ZWL	31 August 2020 ZWL	31 August 2019 ZWL
Interest and related income	155,467,564	257,092,442	95,923,337	20,669,718
Interest and related expense	(18,663,939)	(95,711,403)	(5,864,151)	(1,185,792)
Net interest income	136,803,625	161,381,039	90,059,186	19,483,926
Non-interest income	774,776,587	1,061,253,999	758,380,307	104,934,236
Impairment on financial assets charge -Expected credit loss allowances	(54,073,599)	(75,251,861)	(32,657,096)	(6,214,374)
Net operating income	857,506,613	1,147,383,177	815,782,397	118,203,788
Operating expenditure	(1,206,941,711)	(1,009,762,917)	(740,561,950)	(85,056,237)
Net monetary adjustment	545,000,506	35,038,630	-	-
Profit before tax	195,565,408	172,658,890	75,220,447	33,147,551
Income tax (expense)/credit	(72,033,468)	(296,432,072)	(6,159,433)	10,245,428
Profit/(loss) for the period	123,531,940	(123,773,182)	69,061,012	43,392,979
Other comprehensive income				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Gain arising on revaluation of property and equipment	-	-	186,964,050	184,980,430
Deferred tax on gain arising on revaluation of property and equipment	-	-	(46,217,513)	(47,632,461)
Total comprehensive income/(loss) for the period	123,531,940	(123,773,182)	209,807,549	180,740,948

STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2020

Notes	INFLATION ADJUSTED		HISTORICAL COST*	
	31 August 2020 ZWL	29 February 2020 ZWL	31 August 2020 ZWL	29 February 2020 ZWL
ASSETS				
Cash and cash equivalents	2,296,272,823	3,488,148,423	2,296,272,823	1,051,305,600
Loans and advances to customers	682,232,064	729,453,695	682,232,064	219,852,673
Debt instruments measured at amortised cost	782,243,414	3,683,790,961	782,243,414	1,110,271,008
Other receivables	326,495,686	1,228,276,509	326,495,685	370,194,675
Inventories	323,266,382	125,990,667	60,735,290	5,931,764
Investment property	436,106,144	320,427,768	436,106,144	96,574,878
Property and equipment	1,343,419,246	1,549,802,180	418,976,113	284,555,725
Intangible assets	715,465,575	715,063,891	206,405,485	151,882,159
Right of use assets	114,948,632	116,333,805	9,534,809	7,329,503
Total assets	7,020,449,966	11,957,287,899	5,219,001,827	3,297,897,985
EQUITY AND LIABILITIES				
EQUITY				
Share capital	4,077	4,077	4,077	4,077
Share premium	106,317,629	106,317,629	106,317,629	106,317,629
Adjustment to share capital and share premium	2,151,951,326	2,151,951,326	-	-
Other reserves	-	190,028,828	327,601,584	186,855,047
Retained earnings/(accumulated loss)	9,057,292	(304,503,478)	122,914,879	53,853,866
Total equity	2,267,330,324	2,143,798,384	556,838,169	347,030,619
LIABILITIES				
Deposits due to banks and customers	3,352,605,494	8,126,127,891	3,352,605,494	2,449,162,915
Provisions	53,052,406	66,081,554	53,052,406	19,916,557
Other liabilities	1,180,624,984	1,425,031,805	1,180,624,984	429,495,462
Lease liability	11,273,226	29,643,728	11,273,225	8,934,430
Deferred tax liability	155,563,532	166,604,537	64,607,549	43,358,002
Total liabilities	4,753,119,642	9,813,489,515	4,662,163,658	2,950,867,366
Total equity and liabilities	7,020,449,966	11,957,287,899	5,219,001,827	3,297,897,985

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 AUGUST 2020

	INFLATION ADJUSTED					Total ZWL
	Share capital ZWL	Share premium ZWL	Adjustment to share capital and share premium ZWL	Other reserves ZWL	Retained earnings ZWL	
Balance as at 1 March 2019	4,077	106,317,629	2,151,951,326	-	563,261,331	2,821,534,363
Total comprehensive loss	-	-	-	-	(123,773,182)	(123,773,182)
Loss for the period	-	-	-	-	(123,773,182)	(123,773,182)
Other comprehensive income	-	-	-	-	-	-
Dividends paid	-	-	-	-	(156,495,498)	(156,495,498)
Balance at 31 August 2019	4,077	106,317,629	2,151,951,326	-	282,992,651	2,541,265,683
Balance at 1 March 2020	4,077	106,317,629	2,151,951,326	190,028,828	(304,503,476)	2,143,798,384
Total comprehensive income	-	-	-	(190,028,828)	313,560,768	123,531,940
Profit for the period	-	-	-	-	123,531,940	123,531,940
Other comprehensive income	-	-	-	(190,028,828)	190,028,828	-
Dividends paid	-	-	-	-	(9,132,696)	(9,132,696)
Balance at 31 August 2020	4,077	106,317,629	2,151,951,326	-	9,057,292	2,267,330,324
Balance at 1 March 2019	4,077	106,317,629	-	22,958,617	6,248,007	135,528,330
Total comprehensive income	-	-	-	137,347,969	43,392,979	180,740,948
Profit for the period	-	-	-	-	43,392,979	43,392,979
Other comprehensive income	-	-	-	137,347,969	-	137,347,969
Dividends paid	-	-	-	-	(9,132,696)	(9,132,696)
Balance at 31 August 2019	4,077	106,317,629	-	160,306,586	40,508,290	307,136,582
Balance at 1 March 2020	4,077	106,317,629	-	186,855,047	53,853,866	347,030,619
Total comprehensive income	-	-	-	140,746,537	69,061,012	209,807,549
Profit for the period	-	-	-	-	69,061,012	69,061,012
Other comprehensive income	-	-	-	140,746,537	-	140,746,537
Dividends paid	-	-	-	-	(9,132,696)	(9,132,696)
Balance at 31 August 2020	4,077	106,317,629	-	327,601,584	122,914,879	556,838,169

* The Historical Cost amounts are shown as supplementary information only, since the amounts have not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies.

UNAUDITED ABRIDGED FINANCIAL STATEMENTS

for the six months ended 31 August 2020



The Future of Agribusiness is here!

corporateinvestment@stewardbank.co.zw | SMEBanking@stewardbank.co.zw



STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 AUGUST 2020

	INFLATION ADJUSTED		HISTORICAL COST*	
	31 August 2020 ZWL	31 August 2019 ZWL	31 August 2020 ZWL	31 August 2019 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	195,565,408	172,658,890	75,220,446	33,147,551
Adjustments for:				
Change in operating assets	3,599,200,688	5,332,499,369	(178,113,428)	(242,716,199)
Change in operating liabilities	(5,077,987,406)	(5,668,868,001)	1,670,385,806	517,899,990
Other non-cash items	357,588,207	(778,076,130)	(247,543,228)	(18,705,049)
Net cash (utilised in)/generated from operations	(925,633,103)	(941,785,872)	1,319,949,596	289,626,293
Taxation paid	(83,074,473)	(115,623,482)	(31,127,400)	(10,730,437)
Net cash (outflow)/inflow from operating activities	(1,008,707,576)	(1,057,409,354)	1,288,822,196	278,895,856
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(118,886,884)	(211,664,976)	(18,484,975)	(24,582,272)
Purchase of intangible assets	(64,281,140)	(182,171,430)	(25,369,998)	(21,156,961)
Net cash outflow from investing activities	(183,168,024)	(393,836,406)	(43,854,973)	(45,739,233)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	-	(78,636,828)	-	(9,132,696)
Net decrease in loans and borrowings	-	(47,790,704)	-	(2,250,000)
Net cash outflow from financing activities	-	(126,427,532)	-	(11,382,696)
Net (decrease)/increase in cash and cash equivalents	(1,191,875,600)	(1,577,673,292)	1,244,967,223	221,773,927
Cash and cash equivalents at the beginning of the period	3,488,148,423	5,864,706,980	1,051,305,600	276,112,073
Cash and cash equivalents at the end of the period	2,296,272,823	4,287,033,688	2,296,272,823	497,886,000

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 AUGUST 2020

1 GENERAL INFORMATION
Steward Bank Limited ("the Bank") was incorporated according to the laws of Zimbabwe on 9 October 1970 and was registered as a commercial bank in March 2008. Its registered office and principal place of business is 79 Livingstone Avenue, Harare. The Bank's ultimate holding company is Cassava Smartech Zimbabwe Limited.

The principal business of the Bank is to provide retail and corporate banking services in the key economic centres of Zimbabwe.

Functional and Presentation Currency

Items included in the abridged financial statements are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The abridged financial statements are presented in Zimbabwean dollar (ZWL).

2 BASIS OF PREPARATION

2.1 Statement of compliance

The Bank's abridged financial statements for the six months ended 31 August 2020 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) and interpretations as issued by the International Accounting Standards Board, the Banking Act of Zimbabwe (Chapter 24:20), the Companies Act of Zimbabwe (Chapter 24:03), the relevant Statutory Instruments ("SI"; SI 62 of 1996, SI 33 of 1999, SI 33 of 2019, and the presentation requirements of IAS 34, Interim Financial Reporting.

The financial statements have been prepared on the going concern basis, which the Directors believe to be appropriate.

2.2 Accounting policies

The significant accounting policies applied in the preparation of the abridged financial statements are consistent with the accounting policies applied in the preparation of the previous annual financial statements with the exception of changes referred to under paragraph 2.2.1 below.

2.2.1 New standards, amendments and interpretations, effective for accounting periods beginning on 1 January 2020 adopted by the Bank

IFRS 7 Financial Instruments: Disclosures (IFRS 7), IFRS 9 Financial Instruments (amendments) (IFRS 9) and IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39 and IFRS 7 requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendment will be applied retrospectively.

IAS 16 Property, Plant and Equipment (amendments) (IAS 16). Narrow-scope amendments to IAS 16 for the accounting of amounts received when selling items produced while an entity is preparing an asset for its intended use. The amendments clarify the accounting requirements in prohibiting the entity from deducting such amount from the cost of property, plant and equipment and instead recognising such sales proceeds and related cost in profit or loss. The amendments will be applied retrospectively.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments) (IAS 37). Narrow-scope amendments to IAS 37 in determining which costs to include in estimating the cost of fulfilling a contract for the purposes of assessing whether that contract is onerous. The amendments clarify that the cost of fulfilling the contract includes both the incremental costs of fulfilling the contract and an allocation of costs that relate directly to fulfilling contracts. The amendments will be applied retrospectively. Adjusting prior periods is not required, but rather adjusting the opening Retained Earnings with the cumulative effect of the amendments on transition date. The adoption of new and amended standards on 1 January 2020 did not affect the Bank's previously reported financial results, disclosures or accounting policies and did not impact the Bank's results upon transition.

2.2.2 IAS 29 Financial Reporting in Hyperinflationary Economies

The unaudited interim financial statements including comparatives, have been prepared under the inflation adjusted accounting basis to account for changes in the general purchasing power of the Zimbabwean dollar. The Public Accountants and Auditors Board (PAAB) issued a pronouncement on 11 October 2019 indicating that the economy had become hyper-inflationary. Following this, the Bank made a significant judgement that the factors and characteristics applying to IAS 29 Financial Reporting in Hyperinflationary Economies had been met in Zimbabwe.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the balance sheet date, and that corresponding figures for previous periods be stated in the same terms to the latest balance sheet date. The restatement has been calculated by means of conversion factors derived from the consumer price index (CPI) prepared by the Zimbabwe Statistical Office (Zimstats).

The conversion factors used to restate the financial statements as at 31 August 2020, using February 2019 as the base year are as follows:

Dates	Indices	Conversion Factor
31 August 2020	2,124.00	1.000
29 February 2020	640.16	3.318
31 August 2019	246.68	8.610

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

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

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED) FOR THE SIX MONTHS ENDED 31 AUGUST 2020

2 BASIS OF PREPARATION (CONTINUED)

2.2.2 IAS 29 Financial Reporting in Hyperinflationary Economies (continued)

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

Inventories: these are carried at the lower of indexed cost and net realisable value.

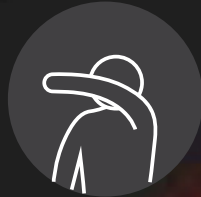
Deferred tax: this is provided in respect of temporary differences arising from the restatement of assets and liabilities.

	INFLATION ADJUSTED		HISTORICAL COST*	
	31 August 2020 ZWL	31 August 2019 ZWL	31 August 2020 ZWL	31 August 2019 ZWL
3 INTEREST AND RELATED INCOME				
Loans and advances to customers	52,920,303	43,452,000	34,630,073	3,493,454
Loans and advances relating to furniture customers	629,889	-	450,625	-
Debt instruments measured at amortised cost	77,267,764	213,640,442	43,748,546	17,176,264
Other	24,649,608	-	17,094,093	-
	155,467,564	257,092,442	95,923,337	20,669,718
4 INTEREST AND RELATED EXPENSE				
Trading activities	18,663,939	95,711,403	5,864,151	1,185,792
5 NON-INTEREST INCOME				
5.1 Fees and commission income				
Net dealing gains	26,484,929	10,837,089	16,868,674	871,280
Net commissions	828,621,302	1,281,032,511	529,581,276	95,067,173
	855,106,231	1,291,869,600	546,449,950	95,938,453
5.2 Other				
Fair value adjustment on financial instruments	(146,107,076)	(456,433)	(129,641,864)	(986,214)
Fair value adjustment on investment properties	115,678,376	-	339,531,267	33,378,056
Loss on revaluation of property and equipment, and intangible assets	(53,139,981)	-	-	-
Sundry income	-	(243,474,213)	-	(24,466,562)
Bad debts recovered	3,239,037	13,315,045	2,040,954	1,070,503
	(80,329,644)	(230,615,601)	211,930,357	8,995,783
	774,776,587	1,061,253,999	758,380,307	104,934,236
6 IMPAIRMENT ON FINANCIAL ASSETS CHARGE				
Expected credit loss	54,073,599	75,251,861	32,657,096	6,214,374
6.1 Breakdown of ECL charges on financial instruments for the period recognised in Profit or Loss:				
Loans and advances to customers	32,282,848	75,251,861	19,496,836	6,214,374
Debt instruments measured at amortised cost	21,659,009	-	13,080,697	-
Other receivables	131,742	-	79,564	-
Commitments to lend and guarantees	-	-	-	-
	54,073,599	75,251,861	32,657,096	6,214,374
7 OPERATING EXPENDITURE				
Administration expenses	680,165,680	604,573,104	447,811,864	53,078,936
Amortisation of intangible assets	15,888,565	29,867,215	6,062,206	2,626,231
Audit fees	8,319,778	1,693,120	5,525,685	126,045
Audit fees: Current year	8,319,778	1,693,120	5,525,685	126,045
Audit fees: prior year overruns	-	-	-	-
Depreciation of property and equipment and right of use	141,574,147	68,840,366	51,283,123	5,866,314
Directors' remuneration	6,327,454	8,070,432	4,444,166	815,836
- short-term benefits	6,327,454	8,070,432	4,444,166	815,836
- other emoluments	-	-	-	-
Occupancy expenses	30,645,001	37,972,735	22,437,182	2,133,694
Professional expenses	29,863,677	48,540,444	18,229,614	3,810,650
Staff costs	294,157,409	210,205,501	184,768,111	16,598,531
- Short term benefits	291,820,514	207,220,586	183,244,510	16,363,494
- post - employment benefits	2,336,895	2,984,915	1,523,600	235,037
	1,206,941,711	1,009,762,917	740,561,950	85,056,237
8 INCOME TAX				
The components of income tax expense are as follows:				
Current tax expense	83,074,473	85,489,446	31,127,400	3,647,781
Deferred tax (credit)/expense	(11,041,005)	210,942,626	(24,967,967)	(13,893,209)
Total income tax expense/(credit)	72,033,468	296,432,072	6,159,433	(10,245,428)
8.1 Income tax reconciliation				
Accounting profit before income tax	195,565,408	(476,357,884)	75,220,446	33,147,551
Taxation at normal rate of 24.72%	48,343,769	(122,662,155)	18,594,494	8,535,494
Origination and reversal of temporary differences:	(107,978,798)	(563,709,611)	(107,978,798)	(19,731,608)
Effect of non-deductible expenses:				
- Donations expenses	8,431,006	1,986,079	4,705,653	69,519
- Effect of tax rate change	-	-	-	-
- Other non-deductible expenses	123,237,491	980,817,759	90,838,084	881,167
	72,033,468	296,432,072	6,159,433	(10,245,428)
9 CASH AND CASH EQUIVALENTS				
Balances with the Reserve Bank of Zimbabwe	1,071,595,358	2,966,128,489	1,071,595,358	893,972,134
Balances with other banks	937,366,700	382,669,878	937,366,700	115,334,251
Cash balances	287,310,765	139,350,056	287,310,765	41,999,215
	2,296,272,823	3,488,148,423	2,296,272,823	1,051,305,600

FIGHT AGAINST CORONAVIRUS



Wash your hands with soap



Cover your mouth when coughing or sneezing



Avoid touching your eyes and mouth



Seek medical care early if you have a fever, cough and difficulty breathing

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED) FOR THE SIX MONTHS ENDED 31 AUGUST 2020

	INFLATION ADJUSTED		HISTORICAL COST*	
	31 August 2020 ZWL	29 February 2020 ZWL	31 August 2020 ZWL	29 February 2020 ZWL
10 LOANS AND ADVANCES TO CUSTOMERS				
10.1 Total loans and advances				
Corporate loans	262,432,055	417,874,006	262,432,055	125,944,550
Small-to-medium Enterprise loans	109,122,007	128,058,986	109,122,007	38,596,158
Consumer loans	379,755,982	351,133,979	379,755,982	105,829,533
	751,310,043	897,066,971	751,310,043	270,370,241
Less: Allowance for Expected Credit Losses	(69,077,979)	(167,613,276)	(69,077,979)	(50,517,568)
	682,232,064	729,453,695	682,232,064	219,852,673
10.2 Maturity analysis				
Less than one month	627,084	748,742	627,084	225,666
1 to 3 months	9,390,295	11,212,046	9,390,295	3,379,239
3 to 6 months	2,725,338	3,254,063	2,725,338	980,754
6 months to 1 year	90,203,932	107,703,828	90,203,932	32,461,244
1 to 5 years	378,947,968	452,465,277	378,947,968	136,370,137
Over 5 years	269,415,426	321,683,015	269,415,426	96,953,201
Gross loans and advances	751,310,043	897,066,971	751,310,043	270,370,241

	INFLATION ADJUSTED				HISTORICAL COST*			
	31 August 2020 ZWL	%	29 February 2020 ZWL	%	31 August 2020 ZWL	%	29 February 2020 ZWL	%
Mining	5,962,291	0.8%	7,118,997	0.8%	5,962,291	0.8%	2,145,620	0.8%
Manufacturing	104,570,516	13.9%	151,769,592	16.9%	104,570,516	13.9%	45,742,383	16.9%
Agriculture	152,303,037	20.3%	181,850,390	20.3%	152,303,037	20.3%	54,808,543	20.3%
Distribution	79,436,045	10.6%	103,817,602	11.6%	79,436,045	10.6%	31,289,960	11.6%
Services and communication	78,813,183	10.5%	76,161,893	8.5%	78,813,183	10.5%	22,954,707	8.5%
Individuals	330,224,971	44.0%	376,348,497	42.0%	330,224,971	44.0%	113,429,026	42.0%
	751,310,043	100.0%	897,066,971	100.0%	751,310,043	100.0%	270,370,241	100.0%

10.4 ECL Allowance for impairment of loans and advances

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Loans and Advances is, as follows:

	Stage 1 ZWL	Stage 2 ZWL	Stage 3 ZWL	Total ZWL
	Gross carrying amounts			
ECL allowance as at 1 March 2020	236,331,787	27,419,704	6,618,751	270,370,241
New loans and advances originated	641,984,845	67,100,334	16,649,750	725,734,929
Loans and advances derecognised or repaid (excluding write offs)	(211,157,064)	(24,788,439)	(8,849,625)	(244,795,128)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Gross carrying amount as at 31 August 2020	667,159,568	69,731,599	14,418,876	751,310,043
ECL allowance				
ECL allowance as at 1 March 2020	33,048,370	12,427,594	5,041,605	50,517,568
New loans and advances originated	54,349,587	18,607,082	3,360,233	76,316,902
Loans and advances derecognised or repaid (excluding write offs)	(40,148,969)	(14,014,545)	(4,193,030)	(58,356,544)
Transfers to Stage 1	2,624	-	(2,624)	-
Transfers to Stage 2	(111,287)	44,515	-	(66,772)
Transfers to Stage 3	(2,610,232)	-	2,610,232	-
Amounts written off	-	-	-	-
Gross carrying amount as at 31 August 2020	44,530,092	17,064,646	6,816,416	68,411,154

11 DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	INFLATION ADJUSTED		HISTORICAL COST	
	Unaudited 31 August 2020 ZWL	Audited 29 February 2020 ZWL	31 August 2020 ZWL	29 February 2020 ZWL
Opening Balance	3,801,918,648	10,140,212,996	1,145,873,937	477,411,158
Additions	1,699,391,515	16,633,008,139	986,305,208	1,972,610,416
Repayments received on maturity	(2,271,907,406)	(11,182,930,914)	(1,318,586,145)	(1,320,445,240)
Accrued interest	29,866,332	157,352,322	17,334,039	16,297,603
Net monetary adjustment	(2,428,342,051)	(11,945,723,895)	-	-
	830,927,039	3,801,918,648	830,927,039	1,145,873,937
Less: Allowance for ECL	(48,683,625)	(118,127,687)	(48,683,625)	(35,602,928)
Closing balance	782,243,414	3,683,790,961	782,243,414	1,110,271,008

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED) FOR THE SIX MONTHS ENDED 31 AUGUST 2020

11. DEBT INSTRUMENTS MEASURED AT AMORTISED COST (CONTINUED)

11.1 ECL Allowance for debt instruments measured at amortised cost

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Debt Instruments measured at Amortised Cost is, as follows:

	INFLATION ADJUSTED AND HISTORICAL			
	Stage 1 ZWL	Stage 2 ZWL	Stage 3 ZWL	Total ZWL
Gross carrying amounts				
Gross carrying amount as at 1 March 2020	1,055,702,067	90,171,870	-	1,145,873,937
New assets purchased	2,540,272,735	352,308,059	-	2,892,580,793
Assets derecognised or matured (excluding write offs)	(2,855,219,632)	(352,308,059)	-	(3,207,527,690)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Gross carrying amount as at 31 August 2020	740,755,170	90,171,870	-	830,927,039
ECL allowance				
Gross carrying amount as at 1 March 2020	30,752,351	5,104,227	-	35,856,577
New assets purchased	109,473,775	23,676,504	-	133,150,280
Assets derecognised or matured (excluding write offs)	(97,958,039)	(21,765,140)	-	(119,723,180)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Gross carrying amount as at 31 August 2020	42,268,087	7,015,590	-	49,283,677

12 OTHER RECEIVABLES

	31 August 2020 ZWL	29 February 2020 ZWL	31 August 2020 ZWL	29 February 2020 ZWL
Sundry receivables	318,873,037	1,003,398,125	318,873,036	302,417,770
Amounts due from related parties	7,918,768	225,596,898	7,918,768	67,993,461
Less: Allowance for ECL	(296,119)	(718,514)	(296,119)	(216,556)
	326,495,686	1,228,276,509	326,495,685	370,194,675

13 INVENTORIES

	31 August 2020 ZWL	29 February 2020 ZWL	31 August 2020 ZWL	29 February 2020 ZWL
Opening balance	125,990,667	125,990,667	5,931,764	5,931,764
Additions	197,275,715	-	54,803,526	-
Closing balance	323,266,382	125,990,667	60,735,290	5,931,764

Inventories consists of housing units developed by the Bank for re-sale.

14 INVESTMENT PROPERTY

	31 August 2020 ZWL	29 February 2020 ZWL	31 August 2020 ZWL	29 February 2020 ZWL
Opening balance	320,427,768	288,725,940	96,574,878	13,593,500
Fair value adjustments	115,678,376	31,701,828	339,531,267	82,981,378
Closing balance	436,106,144	320,427,768	436,106,144	96,574,878

Investment property comprises of buildings and undeveloped residential land.

15 PROPERTY AND EQUIPMENT

	INFLATION ADJUSTED							
	Land and buildings ZWL	Leasehold improvements ZWL	Furniture and fittings ZWL	Office equipment ZWL	Computer equipment ZWL	Motor Vehicles ZWL	Work in Progress ZWL	Total ZWL
At Cost or Valuation:								
28 February 2019	62,971,945	28,185,894	74,873,496	26,197,513	335,610,858	12,194,098	262,950,399	802,984,203
Additions	-	-	-	-	-	-	658,947,212	658,947,212
Exchange gain arising from change in functional and presentation currency	-	-	-	-	-	-	-	-
Transfer from Work-in-Progress	-	-	306,447	-	3,339,497	-	(3,645,944)	-
Revaluation adjustment	9,129,368	91,420,751	(14,099,263)	18,652,822	(21,779,441)	4,546,527	-	87,870,764
29 February 2020	72,101,313	119,606,645	61,080,680	44,850,335	317,170,914	16,740,625	918,251,668	1,549,802,180
Additions	-	-	-	-	-	-	118,886,884	118,886,884
Revaluation adjustment	(21,805,093)	(74,722,400)	(23,136,352)	(27,271,779)	(168,918,973)	(9,415,221)	-	(325,269,817)
31 August 2020	50,296,220	44,884,245	37,944,328	17,578,556	148,251,941	7,325,403	1,037,138,552	1,343,419,246
Accumulated depreciation and impairment:								
28 February 2019	457,952	1,782,206	3,786,434	1,894,990	32,155,172	693,890	-	40,770,644
Depreciation charge for the year	2,348,104	20,107,323	10,215,003	11,618,264	165,681,547	3,340,832	-	213,311,073
Eliminated on revaluation	(2,806,056)	(21,889,529)	(14,001,437)	(13,513,255)	(197,836,719)	(4,034,721)	-	(254,081,717)
29 February 2020	-	-	-	-	-	-	-	-
Depreciation charge for the period	523,495	14,487,915	5,676,569	12,781,463	87,166,083	5,004,938	-	125,640,463
Eliminated on revaluation	(523,495)	(14,487,915)	(5,676,569)	(12,781,463)	(87,166,083)	(5,004,938)	-	(125,640,463)
31 August 2020	-	-	-	-	-	-	-	-
Net carrying amount:								
At 31 August 2020	50,296,220	44,884,245	37,944,328	17,578,556	148,251,941	7,325,403	1,037,138,552	1,343,419,246
At 29 February 2020	72,101,313	119,606,645	61,080,680	44,850,335	317,170,914	16,740,624	918,251,669	1,549,802,180



Banking With A View



NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 31 AUGUST 2020

15 PROPERTY AND EQUIPMENT (CONTINUED)

	HISTORICAL COST*							Total ZWL
	Land and buildings ZWL	Leasehold improve- ments ZWL	Furniture and fittings ZWL	Office equipment ZWL	Computer equipment ZWL	Motor Vehicles ZWL	Work in Progress ZWL	
At Cost or Valuation:								
28 February 2019	2,964,781	1,327,019	3,525,118	1,233,405	15,800,888	574,110	12,379,962	37,805,283
Additions	-	-	-	-	-	(0)	82,009,969	82,009,969
Transfer from Work-in-Progress	-	-	12,322	-	167,165	-	(179,486)	-
Revaluation adjustment	18,766,093	34,721,657	14,871,887	12,284,199	79,625,230	4,471,407	-	164,740,474
29 February 2020	21,730,874	36,048,677	18,409,326	13,517,604	95,593,283	5,045,517	94,210,445	284,555,725
Additions	-	-	-	-	-	-	18,484,975	18,484,975
Transfers from Work-in-Progress	-	-	-	-	-	-	-	-
Revaluation adjustment	28,565,346	8,835,568	19,535,002	4,060,952	52,658,659	2,279,887	-	115,935,413
31 August 2020	50,296,220	44,884,245	37,944,328	17,578,555	148,251,941	7,325,403	112,695,420	418,976,113
Accumulated depreciation and impairment:								
28 February 2019	21,561	83,908	178,269	89,218	1,513,897	32,669	-	1,919,522
Depreciation charge for the year	213,580	1,828,916	928,712	1,016,199	15,018,088	303,877	-	19,309,372
Eliminated on revaluation	(235,141)	(1,912,824)	(1,106,981)	(1,105,417)	(16,531,985)	(336,546)	-	(21,228,894)
29 February 2020	-	-	-	-	-	-	-	-
Depreciation charge for the period	199,737	5,527,794	2,165,868	4,876,706	33,257,800	1,909,610	-	47,937,515
Eliminated on revaluation	(199,737)	(5,527,794)	(2,165,868)	(4,876,706)	(33,257,800)	(1,909,610)	-	(47,937,515)
31 August 2020	-	-	-	-	-	-	-	-
Net carrying amount:								
At 31 August 2020	50,296,220	44,884,245	37,944,328	17,578,555	148,251,941	7,325,403	112,695,420	418,976,113
At 29 February 2020	21,730,874	36,048,677	18,409,326	13,517,604	95,593,283	5,045,517	94,210,445	284,555,725

16 INTANGIBLE ASSETS

	INFLATION ADJUSTED		
	Computer software ZWL	Current work in progress ZWL	Total ZWL
Cost:			
28 February 2019	276,879,107	164,024,247	440,903,353
Additions	-	417,870,547	417,870,547
Transfer from Work in Progress	-	-	-
Revaluation adjustment	(143,710,010)	-	(143,710,010)
29 February 2020	133,169,096	581,894,794	715,063,891
Additions	-	64,281,140	64,281,140
Revaluation adjustment	(63,879,456)	-	(63,879,456)
31 August 2020	69,289,641	646,175,935	715,465,575
Accumulated amortisation and impairment:			
28 February 2019	6,188,858	-	6,188,858
Amortisation charge for the year	47,998,039	-	47,998,039
Eliminated on revaluation	(54,186,897)	-	(54,186,897)
29 February 2020	-	-	-
Amortisation charge for the period	15,888,565	-	15,888,565
Impairment	4,451,436	-	4,451,436
Eliminated on revaluation	(20,340,001)	-	(20,340,001)
31 August 2020	-	-	-
Net carrying amount:			
At 31 August 2020	69,289,641	646,175,935	715,465,575
At 29 February 2020	133,169,096	581,894,794	715,063,891
	HISTORICAL COST*		
	Computer software ZWL	Current work in progress ZWL	Total ZWL
Cost:			
28 February 2019	13,035,739	7,722,422	20,758,162
Additions	-	104,023,425	104,023,425
Transfer from Work in Progress	-	-	-
Revaluation adjustment	27,100,573	-	27,100,573
29 February 2020	40,136,313	111,745,847	151,882,160
Additions	-	25,369,998	25,369,998
Revaluation adjustment	29,153,328	-	29,153,328
31 August 2020	69,289,641	137,115,845	206,405,485
Accumulated amortisation and impairment:			
28 February 2019	4,317,624	16,010	4,333,634
Amortisation charge for the year	767,903	-	767,903
Eliminated on revaluation	(5,085,527)	(16,010)	(5,101,537)
29 February 2020	-	-	-
Amortisation charge for the period	(6,062,206)	-	(6,062,206)
Eliminated on revaluation	6,062,205	-	6,062,205
31 August 2020	-	-	-
Net carrying amount:			
At 31 August 2020	69,289,641	137,115,845	206,405,485
At 29 February 2020	40,136,312	111,745,847	151,882,159

Intangible assets pertain to computer software. The Bank uses the expected usage of the asset to determine the useful life of intangible assets.

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 31 AUGUST 2020

17 RIGHT OF USE ASSETS

	INFLATION ADJUSTED		
	Bank Branches ZWL	Office Buildings ZWL	Total ZWL
Cost:			
1 March 2019	162,648,997	11,787,423	174,436,421
Additions	-	10,271,891	10,271,891
29 February 2020	162,648,997	22,059,314	184,708,311
Additions	14,548,511	-	14,548,511
31 August 2020	177,197,508	22,059,314	199,256,823
Accumulated amortisation and impairment:			
1 March 2019	-	-	-
Amortisation charge for the year	59,643,445	8,731,062	68,374,506
29 February 2020	59,643,445	8,731,062	68,374,506
Amortisation charge for the year	14,466,302	1,467,383	15,933,684
31 August 2020	74,109,746	10,198,444	84,308,191
Net carrying amount:			
31 August 2020	103,087,762	11,860,870	114,948,632
28 February 2020	103,005,553	13,328,252	116,333,805
	HISTORICAL COST*		
	Bank Branches ZWL	Office Buildings ZWL	Total ZWL
Cost:			
1 March 2019	7,993,129	579,274	8,572,404
Additions	-	2,667,596	2,667,596
29 February 2020	7,993,129	3,246,871	11,240,000
Additions	5,550,915	-	5,550,915
31 August 2020	13,544,044	3,246,871	16,790,915
Accumulated amortisation and impairment:			
1 March 2019	-	-	-
Amortisation charge for the year	1,730,665	2,179,832	3,910,497
29 February 2020	1,730,665	2,179,832	3,910,497
Amortisation charge for the year	2,493,958	851,650	3,345,609
31 August 2020	4,224,623	3,031,483	7,256,106
Net carrying amount:			
31 August 2020	9,319,421	215,388	9,534,809
28 February 2020	6,262,464	1,067,039	7,329,503

Reconciliation of lease liability:

	INFLATION ADJUSTED		
	Bank Branches ZWL	Office Buildings ZWL	Total ZWL
Reconciliation of lease liability:			
1 March 2019	162,648,997	11,787,423	174,436,421
Additions	-	10,186,942	10,186,942
Interest expense	12,888,058	1,221,968	14,110,026
Repayments	(13,839,533)	(9,177,364)	(23,016,897)
Monetary gain	(138,920,844)	(7,151,920)	(146,072,764)
29 February 2020	22,776,678	6,867,050	29,643,728
Additions	14,548,511	-	14,548,511
Interest expense	5,553,617	238,237	5,791,854
Repayments	(8,679,214)	(2,669,007)	(11,348,221)
Monetary gain	(23,563,365)	(3,799,281)	(27,362,646)
31 August 2020	10,636,226	636,999	11,273,226
	HISTORICAL COST*		
	Bank Branches ZWL	Office Buildings ZWL	Total ZWL
1 March 2019	7,993,129	579,274	8,572,404
Additions	-	2,645,535	2,645,535
Interest expense	1,196,800	178,154	1,374,954
Repayments	(2,325,184)	(1,333,279)	(3,658,463)
29 February 2020	6,864,745	2,069,685	8,934,430
Additions	5,550,914	-	5,550,914
Interest expense	3,218,288	127,321	3,345,609
Repayments	(4,997,721)	(1,560,006)	(6,557,727)
31 August 2020	10,636,226	636,999	11,273,225

18 SHARE CAPITAL AND SHARE PREMIUM

	HISTORICAL COST*			
	31 August 2020 No. of Shares	29 February 2020 No. of Shares	31 August 2020 ZWL	29 February 2020 ZWL
Share capital:				
Authorised				
Ordinary shares of \$0.0000001 each	70,000,000,000	70,000,000,000	7,000	7,000
10% Irredeemable non-cumulative preference shares of US\$1 each	10,000	10,000	10,000	10,000
			17,000	17,000
Issued				
Ordinary shares of \$0.0000001 each	471,707,887	471,707,887	47	47
10% Irredeemable non-cumulative preference shares of US\$1 each	4,030	4,030	4,030	4,030
			4,077	4,077
Share premium			106,317,629	106,317,629

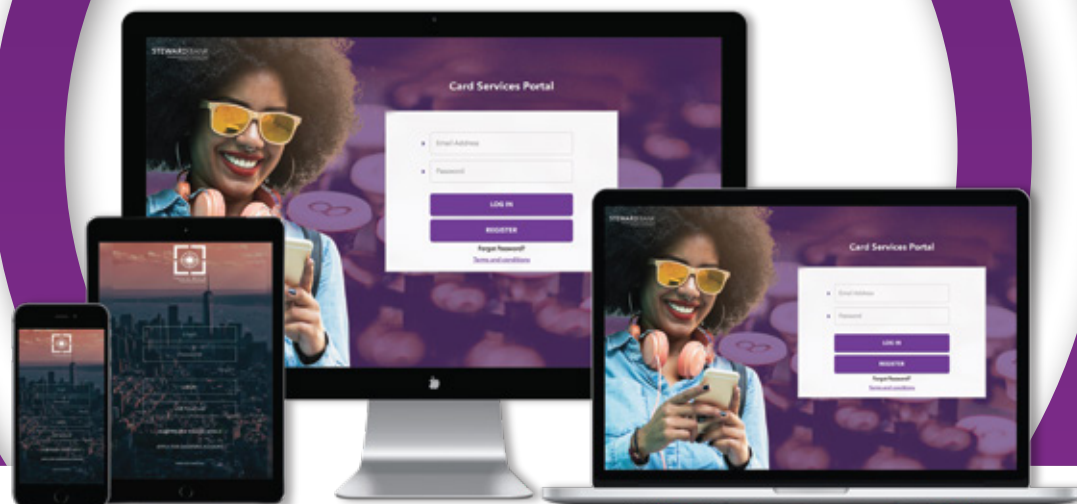
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NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 AUGUST 2020

18 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

	INFLATION ADJUSTED			
	31 August 2020 No. of Shares	29 February 2020 No. of Shares	31 August 2020 ZWL	29 February 2020 ZWL
Share capital:				
Authorised				
Ordinary shares	70,000,000,000	70,000,000,000	148,680	148,680
10% Irredeemable non-cumulative preference shares	10,000	10,000	212,400	212,400
			361,080	361,080
Issued				
Ordinary shares	471,707,887	471,707,887	998	998
10% Irredeemable non-cumulative preference shares	4,030	4,030	85,597	85,597
			86,595	86,595
Share premium			2,258,186,435	2,258,186,435

Subject to the provisions of section 183 of the Companies Act (Chapter 24:03), the unissued shares are under the control of the Directors.

19 OTHER RESERVES

	INFLATION ADJUSTED			HISTORICAL COST*		
	Revaluation surplus ZWL	Regulatory reserve ZWL	Total ZWL	Revaluation surplus ZWL	Regulatory reserve ZWL	Total ZWL
28 February 2019	-	-	-	22,958,617	-	22,958,617
Reclassification adjustment in relation to adopting IFRS 9	-	-	-	-	-	-
Gain on revaluation, net of tax	190,028,828	-	190,028,828	163,896,430	-	163,896,430
	190,028,828	-	190,028,828	186,855,047	-	186,855,047
Gain on revaluation, net of tax	(190,028,828)	-	(190,028,828)	140,746,537	-	140,746,537
31 August 2020	-	-	-	327,601,584	-	327,601,584

Revaluation surplus

This reserve represents the surplus arising from the revaluation of owner occupied property.

Regulatory reserve

This reserve caters for excess credit loss provisions that result from calculation of impairments on loans and receivables according to the expected loss model as required per Reserve Bank of Zimbabwe regulations.

20 DEPOSITS DUE TO BANKS AND CUSTOMERS

	INFLATION ADJUSTED		HISTORICAL COST*	
	31 August 2020 ZWL	29 February 2020 ZWL	31 August 2020 ZWL	29 February 2020 ZWL
Due to customers				
Current accounts	3,344,572,883	8,111,740,960	3,344,572,883	2,444,826,786
Term deposits	8,032,611	14,386,931	8,032,611	4,336,129
	3,352,605,494	8,126,127,891	3,352,605,494	2,449,162,915

At 31 August 2020, approximately ZWL2.5 billion or 74% of the Bank's deposits due to customers (At 29 February 2020: ZWL1.8 billion or 74%) represents balances owed to related party entities in the telecommunications sector.

A concentration of risk therefore exists in the event that the business of the counterparties is adversely affected by changes in economic or other conditions. However, at 31 August 2020 the Bank's management was not aware of any economic or other conditions.

20.1 MATURITY ANALYSIS OF DEPOSITS

	INFLATION ADJUSTED		HISTORICAL COST*	
	31 August 2020 ZWL	29 February 2020 ZWL	31 August 2020 ZWL	29 February 2020 ZWL
Less than one month	3,344,910,408	8,112,860,841	3,344,910,408	2,445,164,311
1 to 3 months	7,695,086	13,267,050	7,695,086	3,998,604
	3,352,605,494	8,126,127,891	3,352,605,494	2,449,162,915

20.2 SECTORAL ANALYSIS OF DEPOSITS

	INFLATION ADJUSTED				HISTORICAL COST*			
	31 August 2020 ZWL	%	29 February 2020 ZWL	%	31 August 2020 ZWL	%	29 February 2020 ZWL	%
Financial	1,302,053,909	38.8%	2,830,905,265	34.8%	1,302,053,909	38.8%	853,216,720	34.8%
Transport and telecommunications	1,402,729,251	41.8%	3,469,356,897	42.7%	1,402,729,251	41.8%	1,045,641,955	42.7%
Mining	7,874,069	0.2%	10,602,980	0.1%	7,874,069	0.2%	3,195,670	0.1%
Manufacturing	28,495,075	0.8%	57,555,889	0.7%	28,495,075	0.8%	17,346,976	0.7%
Agriculture	4,286,215	0.1%	10,389,034	0.1%	4,286,215	0.1%	3,131,188	0.1%
Distribution	15,728,989	0.5%	42,360,347	0.5%	15,728,989	0.5%	12,767,137	0.5%
Services	46,089,856	1.4%	101,557,937	1.2%	46,089,856	1.4%	30,608,912	1.2%
Government and parastatals	24,103	0.0%	58,422	0.0%	24,103	0.0%	17,608	0.0%
Individuals	7,428,920	0.2%	15,568,561	0.2%	7,428,920	0.2%	4,692,264	0.2%
Other	537,895,105	16.0%	1,587,772,560	19.5%	537,895,105	16.0%	478,544,483	19.5%
	3,352,605,494	100.0%	8,126,127,892	100.0%	3,352,605,494	100.0%	2,449,162,915	100.0%

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 AUGUST 2020

21 FAIR VALUES MEASUREMENT

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities.

Quantitative disclosures: fair value measurement hierarchy for assets and liabilities as at 31 August 2020:

	Date of Valuation	Fair value measurement using			Total ZWL
		Quoted prices in active markets (Level 1) ZWL	Significant observable inputs (Level 2) ZWL	Significant unobservable inputs (Level 3) ZWL	
Assets measured at fair value:					
Assets measured at fair value:					
Investment property:					
Residential stands	31 August 2020	-	376,092,281	-	376,092,281
Office buildings	31 August 2020	-	60,013,863	-	60,013,863
Total Investment property		-	436,106,144	-	436,106,144

There have been no transfers between Level 1 and Level 2 during the period.

Quantitative disclosures: fair value measurement hierarchy for assets and liabilities as at 29 February 2020:

	Date of Valuation	Fair value measurement using			Total ZWL
		Quoted prices in active markets (Level 1) ZWL	Significant observable inputs (Level 2) ZWL	Significant unobservable inputs (Level 3) ZWL	
Assets measured at fair value:					
Investment property:					
Residential stands	29 February 2020	-	83,284,922	-	83,284,922
Office buildings	29 February 2020	-	13,289,956	-	13,289,956
Total Investment property		-	96,574,878	-	96,574,878

Fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, loans and advances, deposits and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Loans and advances excluding mortgages to staff approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of mortgage facilities to employees is estimated considering (i) current or quoted prices for identical instruments in the financial services sector and (ii) a net present value calculated from the average market yield rates with similar maturities and credit risk factors.
- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Bank based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 August 2020, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- The fair value of unquoted instruments, loans from banks and other financial liabilities and obligations under finance leases are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair value of financial assets at fair value through profit or loss are derived from quoted market prices in active markets.

	31 August 2020		28 February 2020	
	Carrying amount ZWL	Fair value ZWL	Carrying amount ZWL	Fair value ZWL
Financial assets				
Cash and cash equivalents	2,296,272,823	2,296,272,823	1,051,305,600	1,051,305,600
Loans and advances to customers	682,232,064	682,232,064	219,852,485	219,852,485
Debt instruments measured at amortised cost	782,243,414	782,243,414	1,110,271,008	1,110,271,008
Other receivables	326,495,685	326,495,685	370,194,862	370,194,862
	4,087,243,986	4,087,243,986	2,751,623,956	2,751,623,956
Financial liabilities				
Deposits due to banks and customers	3,352,605,494	3,352,605,494	2,449,162,915	2,449,162,915
	3,352,605,494	3,352,605,494	2,449,162,915	2,449,162,915



NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 AUGUST 2020

26 RISK MANAGEMENT (CONTINUED)

26.3 Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

26.3.1 Liquidity ratios

	At 31 August 2020	At 29 February 2020
Loans to deposits ratio	22%	11%
Net liquid assets to customer liabilities ratio	62%	74%

26.3.2 Contractual maturities of undiscounted cash flows of financial assets and liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

	On demand ZWL	Less than 3 months ZWL	3 months to 1 year ZWL	1 to 5 years ZWL	Over 5 years ZWL	Total ZWL
At 31 August 2020:						
<i>Financial assets:</i>						
Cash and cash equivalents	2,296,272,823	-	-	-	-	2,296,272,823
Loans and advances to customers	627,084	9,390,295	92,929,269	378,947,968	269,415,427	751,310,043
Debt instruments measured at amortised cost	149,292,856	487,776,358	126,529,824	18,644,376	-	782,243,414
Other receivables	326,495,685	-	-	-	-	326,495,685
Total undiscounted financial assets	2,772,688,448	497,166,653	219,459,093	397,592,344	269,415,427	4,156,321,965
<i>Financial liabilities:</i>						
Deposits due to banks and customers	3,344,910,408	7,695,086	-	-	-	3,352,605,494
Total undiscounted financial liabilities	3,344,910,408	7,695,086	-	-	-	3,352,605,494
Net undiscounted financial assets/(liabilities)	(572,221,959)	489,471,567	219,459,093	397,592,344	269,415,427	803,716,471
At 29 February 2020:						
<i>Financial assets:</i>						
Cash and cash equivalents	1,051,305,600	-	-	-	-	1,051,305,600
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Loans and advances to customers	225,666	3,379,239	33,441,998	136,370,137	96,953,201	270,370,241
Financial assets held-to-maturity	211,897,636	692,321,519	179,589,106	26,462,747	-	1,110,271,008
Other receivables	370,194,862	-	-	-	-	370,194,862
Total undiscounted financial assets	1,633,623,764	695,700,758	213,031,104	162,832,885	96,953,201	2,802,141,712
<i>Financial liabilities:</i>						
Deposits due to banks and customers	2,445,164,311	3,998,604	-	-	-	2,449,162,915
Loans and borrowings	-	-	-	-	-	-
Total undiscounted financial liabilities	2,445,164,311	3,998,604	-	-	-	2,449,162,915
Net undiscounted financial assets/(liabilities)	(811,540,547)	691,702,154	213,031,104	162,832,885	96,953,201	352,978,797

26.3 Commitments and guarantee

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank. The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

	31 August 2020 ZWL	29 February 2020 ZWL
Financial guarantees	-	-
Commitments to lend	-	-
	-	-

26.4 OTHER RISKS

26.4.1 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

26.4.2 Compliance risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, law, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the institution to fines and payment of damages. Compliance risk can lead to diminished reputation, limited business opportunities, reduced expansion potential, and an inability to enforce contracts. The Internal Audit and the Risk Department ensure that the Bank fully complies with all relevant laws and regulations.

26.4.3 Reputational risk

Reputational risk is the current and prospective impact on earnings and capital arising from negative public opinion. This affects the institution's ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the institution to litigation, financial loss, or a decline in its customer base. The Bank has a Business Development department whose mandate is to manage this risk.

26.5 Reserve Bank Ratings

The Reserve Bank of Zimbabwe conducted an onsite inspection of the Bank in November 2014 and the final ratings that were determined on the Bank are detailed below:

26.5.1 CAMELS* Ratings

CAMELS Component	RBS** Ratings 30/11/2014
Capital Adequacy	1 - Strong
Asset Quality	4 - Weak
Asset Quality	2 - Satisfactory
Earnings	4 - Weak
Liquidity	2 - Satisfactory
Sensitivity to Market Risk	2 - Satisfactory
Composite Rating	3 - Fair

*CAMELS is an acronym for Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk. The CAMELS rating system uses a 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

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 AUGUST 2020

26 RISK MANAGEMENT (CONTINUED)

26.5 Reserve Bank Ratings (continued)

26.5.2 Summary risk matrix – 30 November 2014 onsite examination

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

KEY

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 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 or 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 recognized 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.

KEY

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 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 organization.

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 the 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.

27 CAPITAL MANAGEMENT

The objective of the Bank's capital management is to ensure that it complies with the Reserve Bank of Zimbabwe (RBZ) requirements. In implementing the current capital requirements, the RBZ requires the Bank to maintain a prescribed ratio of total capital to total risk weighted assets. Risk weighted assets are arrived at by applying the appropriate risk factor as determined by the RBZ to the monetary value of the various assets as they appear on the Bank's statement of financial position.

Regulatory capital consists of:

- Tier 1 Capital ("the core capital"), which comprises of share capital, share premium, retained earnings (including the current year profit or loss), the statutory reserve and other equity reserves. The core capital shall comprise not less than 50% of the capital base and portfolio provisions are limited to 1.25% of total risk weighted assets.
- Tier 2 Capital ("supplementary capital"), which includes subordinated term debt, revaluation reserves and portfolio provisions.
- Tier 3 Capital ("tertiary capital") relates to an allocation of capital to meet market and operational risks.

The Bank's regulatory capital position was as follows:

	31 August 2020 ZWL	29 February 2020 ZWL
Share capital	4,077	4,077
Share premium	106,317,629	106,317,629
Accumulated profit	122,914,879	53,853,866
	229,236,585	160,175,572
Less: Capital allocated for market and operational risk		
Advances to insiders	(7,918,768)	(67,993,461)
Guarantees to insiders	-	-
Tier 1 capital	186,228,331	64,280,342
Tier 2 capital		
Other reserves	327,601,584	186,855,047
General provisions	-	-
	327,601,584	186,855,047
Total Tier 1 and 2 capital	513,829,916	251,135,389
Tier 3 capital (sum of market and operational risk capital)	35,089,485	27,901,769
Total Capital Base	548,919,401	279,037,158
Total risk weighted assets	1,436,092,452	177,740,059
Tier 1 ratio	13%	36%
Tier 2 ratio	23%	105%
Tier 3 ratio	2%	16%
Total capital adequacy ratio	38%	157%
RBZ minimum requirement	12%	12%

28 EXTERNAL CREDIT RATINGS

Rating agent: Global Credit Rating Co (GCR)

Most recent rating:	Previous rating:
October 2019	October 2018
BBB	BBB