

Unaudited Abridged Financial Statements

for the half year ended 31 August 2024



REIMAGINE Banking.

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FINANCIAL HIGHLIGHTS

PROFIT BEFORE TAX

increased by

+14%

from ZWG471.7 million to

ZWG537.2 million

LOANS



+88%



NET ASSETS

increased by

+56%

from ZWG663.1 million to

ZWG1.0 billion

DEPOSITS



+139%



CAPITAL ADEQUANCY

RATIO

23%

CHAIRMAN'S STATEMENT

Preamble

On behalf of the Steward Bank Board of Directors, I am pleased to present the Bank's results for the six months ended 31 August 2024. These results are presented at a time when the Bank has been focused on restructuring and reimagining the Bank to align with the vision of being a premier provider of digital financial solutions delivered through exceptional service.

Operating environment

The operating environment during the period under review was characterized by a mix of challenges and opportunities as the economy continued to navigate complex dynamics influencing our banking sector. Moreover, evolving global geopolitical events contributed to volatility and uncertainty in the outlook period, resulting in disruptions of value chains. Zimbabwe's economic growth remains vulnerable to external shocks, including global commodity price fluctuations. Growth for the domestic economy was revised downwards to 2%, amidst the constrained performance of the agriculture sector due to the El Niño-induced drought. Despite the challenging macroeconomic environment, the Bank showed resilience during the period under review.

The Bank Reimagined

Our customers have always been at the heart of what we do and the Bank over the years has endeavoured to evolve with them. Part of this evolution involves aligning with the emerging needs of customers and pivoting on new technologies that drive improved customer experience and service delivery. As such, the Bank concentrated on a Reimagining process that commenced in the prior financial year focusing on three strategic pillars: people, processes and technology. This exercise brought about rapid process automation, product optimisation, head count rationalisation and adoption of new technologies to enhance our service delivery. The outcome of this important exercise is expected to positively impact our performance ratios going forward.

Financial Performance

On the 5th of April 2024, the Reserve Bank presented the 2024 Monetary Policy Statement which introduced, amongst others, a new currency, Zimbabwe Gold (ZWG) and as a result, the financial statements are now presented in ZWG. To comply with International Financial Reporting Standards, specifically IAS 29 'Financial Reporting in Hyperinflationary Economies' and IAS 21 'The Effects of Changes in Foreign Exchange Rates', the Bank had to restate prior year comparatives to April 5, 2024, using the inflation index, as detailed in the accounting policies section. Consequently, the Bank recognized monetary losses amounting to ZWG 172.9 million as a result of this process. These losses arose from the restatement of opening ZWL balances according to IAS 29 guidelines before subsequent conversion to ZWG.

Profit before tax was ZWG 537.3 million, achieving a 14% increase from ZWG 471.7 million recorded in the same period prior year, driven by the successful execution of our cost containment strategies, with operating expenditure recording a positive variance to prior year of 33%, but however weighed down by the aforementioned monetary loss. The Bank's balance sheet strengthened by 56%, with total assets reaching ZWG1 billion during the period under review.

Capitalisation

Capital adequacy ratio for the Bank as of 30 June 2024 stood at 22.66%, above a mandated regulatory minimum of 12%. Steward Bank is compliant with Tier 1 capital requirements as prescribed by the Reserve Bank of Zimbabwe.

Digital Bank Milestones done in the half year

The Bank recorded key achievements in the digital bank space ranging from process automation to enhancements of its digitally oriented products. Regarding automation, the Bank has implemented Visa Card reloads and card-based cash

deposits on its smart ATMs. These automations reduce the customer effort needed to trigger cash deposits thereby reducing the time spent accessing the aforementioned services. From a back office process automation perspective, the Bank rolled out its digital archiving solution which improves the storage and retrieval of its Know Your Customer documents (KYC) thereby further fortifying its compliance regime in line with global standards. The Bank will continue to focus on more automations driven by the need to improve its service delivery which will ultimately positively impact customer experience.

Future Outlook

Despite the projected slowdown in economic growth for 2024 due to drought and tight liquidity conditions, we remain optimistic about our prospects. Our focus will remain on continued innovation, leveraging on digital technologies, prudent cost management, optimization of our operational efficiency, and sustainable business practices. We are committed to deliver outstanding service to our customers through seamless and efficient banking channels, expanding our partnerships and collaborations within the Econet group, and offering products designed to meet the specific needs of our clients while maintaining a cost-effective business model.

Gratitude

In closing, I extend my sincere appreciation to all stakeholders who contributed to our successful financial year. Specifically, I thank our loyal customers, dedicated staff, and reliable service providers for their invaluable support. Additionally, I acknowledge the guidance and oversight provided by our regulatory bodies, whose collaboration is essential to our success.

On behalf of the Board

Bernard T.R. Chidzero

Board Chairman

10 October 2024

CHIEF EXECUTIVE OFFICER'S STATEMENT

Macro and micro economic trends

The first half of the financial year has seen a number of micro and macro-economic changes in the country. Key to note is the introduction of the Zimbabwe Gold Currency on the 5th of April 2024 as the official currency the Reserve Bank of Zimbabwe (RBZ). The Bank successfully configured its systems and functionality timely to cater to and enable its customers to seamlessly transact in the new currency.

A number of reports including the RBZ National Payment Systems report for the quarter ending June 2024 indicate that there is an increased roll out of digital products and platforms in the local banking industry such as Point of Sale machines and Prepaid cards. As the local banking industry continues to digitalise, Steward Bank leverages on these trends with the bank having pivoted digital products such as the revamped Visa Debit card which it launched in July 2024 to further consolidate its leadership position in the Visa Cards payments space and also accommodate the changing consumer habits and trends which are leaning more toward the adoption and use of digital products and platforms driven by Industry 4.0.

Our numbers at a snapshot

The Bank successfully contained operating expenses, with a 33% improvement from the same period prior year. This achievement resulted from focused efforts to implement effective cost containment measures. Net Operating income for the period declined by 10% from ZWG1 billion recorded in the same period prior year to ZWG 905.4 million. The decline in the Net Operating Income is mainly attributed

to the reduction in interest income as a result of the recalibration of the local currency loan book to the new ZWG currency and attendant interest rates. The Bank's net assets closed the period under review at ZWG 1 billion, realising a 56% increase from prior year which was sitting at ZWG 663 million. This was mainly facilitated by the 88% increase in loans and advances from ZWG 288.4 million as at 29 February 2024 to ZWG 541 million due to increased lending driven by growth in the deposit base and efforts to restructure the loan book to cater for affordable renewable energy aligned to Sustainable Development Goal 7.

Future-ready banking

The modern day customer has become extremely aware of the technology driven options at their disposal given the high mobile penetration rate in the country, and has evolved to desire products that cater to their unique needs and attributes whilst bringing convenience and simplicity. The Bank continues to pioneer digital bank solutions which are more convenient, accessible and personalised in nature. With this in mind, the Bank enhanced its Square Mobile application, adding key billers to offer its customers an array of services, thereby effectively reducing customer effort. The Bank also launched the Infinite Visa Credit card, which provides flexibility and convenience, offering various benefits including access to airport lounges and discounts at hotels and car rental services, among others. The advent of these products enables foreign currency to be used through formal channels as well as ultimately reducing the risk associated with cash transactions.

Part of the reimagining process involved optimizing our branch services. The Bank closed two of its branches, namely, Borrowdale Sam Levy Branch and Gunhill Branch. The closure of these branches led to their consolidation and the birth of a new Borrowdale branch at 48 Borrowdale Road. This new branch will cater to the Bank's HVC clients and corporates, ensuring personalized services are rendered to them. Additionally, the Bank has ceased processing transaction use cases that are provided for on its digital channels at branches. Furthermore, our agent network expanded by 16% during this period under review, increasing our reach to customers and providing additional benefits such as improved accessibility and convenience.

Going forward, the Bank will look to further enhance the use of Artificial Intelligence to advance its digital strategy whilst having a better understanding of its customers through improved data driven insights which enable it to offer personalised services to its customers.

Outlook of the 2nd half of the Financial Year

The Bank will look to launch seamless banking channels and products such as Omni and also leverage on digital wallets to provide customer-centric services that cater to the unique needs of our clients. These products and services will cut across both the individual and corporate customers. Additionally, the Bank will look to leverage on data and customer insights to improve its service delivery focusing more on personalisation. Artificial Intelligence will also take the lead in the Bank's support and operational functions, aiming to leverage machine learning benefits, thereby allowing the Bank to gain a deeper insight into its customers.

Appreciation

I would like to extend my sincerest gratitude to our Board of Directors and our Shareholder for their unwavering support and strategic guidance. Additionally, I appreciate the loyalty and trust of our valued customers, the dedication and expertise of our talented staff, and the collaborative spirit of our stakeholders, including our regulatory partners, who collectively contribute to the Bank's success.

Courage Mashavave

Chief Executive Officer

10 October 2024

Seamless Cross-Platform

Banking with Omni

Unaudited Abridged Financial Statements

for the half year ended 31 August 2024

CORPORATE GOVERNANCE STATEMENT

The Board of Directors recognises the importance of good corporate governance and is committed to conducting the business of the Bank with integrity and in accordance with generally accepted corporate practices in order to safeguard stakeholders’ interests.

The Board is committed to the creation and sustenance of shareholder value and is accountable to its shareholders as well as to all other stakeholders including the Bank’s employees, customers, suppliers, regulatory authorities and the community from which it operates.

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. The Bank has adopted and continues to implement the National Corporate Governance Code for Zimbabwe.

Board Responsibilities

The Board is the main decision making body, setting the strategic direction of the Bank and ensuring that risks are managed effectively.

The Board of Directors is responsible for the overall corporate governance of the Bank, major policies and risk tolerance levels. It ensures that appropriate controls, systems and policies are in place. The Board monitors the implementation of these policies through a structured approach to reporting and accountability. The Board is involved in setting measurable objectives to promote a healthy corporate culture that is aligned with strategy and the strong commitment to the Bank’s stakeholders

The Board has a Charter that sets out its authority, duties, responsibilities and arrangements by which it operates. The Board Charter is also available to Directors for reference regarding their duties and obligations. The Charter also clearly establishes the relationship between the Board of Directors and management. The Board will regularly review its structure and policies in line with international best practice.

The non-executive directors proactively engage with management to improve strategy implementation, test and challenge the implementation of controls, processes and policies, which enable risk to be effectively assessed and managed.

The Bank’s strategy has a strong focus on Digital Technology. The Chief Transformation and Strategy Officer provides guidance and assists the Board on both strategy and implementation in this area, as well as Data Protection and Cyber Security Risk mitigation.

Board Composition

The Board of Directors is led by an independent non - Executive Chairperson, ensuring constructive checks and balances between Executive management and the Board. The Board is made up of four (4) independent non-executive directors, two (2) non-executive director and two (2) Executive directors.

The Board members have a vast array of experience in areas that include accounting, law, risk management, corporate finance, IT and business administration.

The Board held three (3) meetings during the period to assess risk, review performance and provide guidance to management.

The Board and the Remunerations and Nominations Committee work together to ensure that the Board continues to have the appropriate balance of competencies, skills, experience, diversity, independence and depth of working knowledge of the business necessary to effectively fulfil its responsibilities. All Board appointments follow a transparent procedure and are subject to confirmation by Shareholders at the Annual General Meeting. Before appointment, potential Board appointees must undergo a Fitness and Probity Assessment in line with the Banking Act [Chapter 24:20] and the Reserve Bank of Zimbabwe (RBZ) Prudential Guidelines.

Board Capacity Development

The Company Secretary is responsible for the induction of new Directors. Newly appointed Directors go through an induction procedure where they receive the appropriate training.

The Bank also has in place a Board Training and Development Plan designed to enable the Directors to gain an appreciation of Steward Bank’s strategic, financial, operational and risk management structures.

Board and Director Evaluation process

The institution carries out an annual Board and Director Evaluation process as required by the Reserve Bank of Zimbabwe Guideline No. 01-2004/BSD: Corporate Governance. The performance of the Board and individual Directors in the previous year is assessed by the Board. Areas of concern identified through this process are discussed in the Board meetings with a view to mitigate and rectify identified weaknesses. The Board and Director evaluations for FY2024 were duly and timeously conducted.

Cybersecurity and Data Privacy

The Bank continues to embrace technological advancement cognisant of the significant importance of cybersecurity and data privacy protection.

The Bank has invested in building and implementing data protection assurance systems. Ensuring the security and privacy of customer data from unauthorised access and data leakages boosts the Bank’s reputation as a safe and trustworthy business for its customers and employees.

Sound cyber security practices also protect the business against financial losses associated with cybersecurity breaches. The system detects the slightest indicators of compromise, including suspicious activities, unauthorised access attempts and anomalous behaviour.

The Bank is committed to best practices on information and data security. Regular training is conducted for staff on ways to detect and report all actual and potential cyber security threats and incidents. Trainings are done based on the Bank’s cybersecurity and data privacy management policies.

The Bank has invested in an Online Cybersecurity Awareness tool capable of tracking the risk matrix of each staff member. This Cyber Security and Data Protection training was extended to the Board.

Environmental, Social and Governance (ESG) Reporting

The Bank recognises the importance of the Environmental, Social and Governance (ESG) aspects for its business operations. The business is guided by the Global Reporting Initiative (GRI) Standards in measuring and assessing its sustainability performance and impacts.

The Bank aims to reduce its greenhouse gas emissions, water consumption and waste generation, while increasing use of renewable energy. The Bank upholds the highest standards of ethics, transparency, and accountability in its governance practices and stakeholder relations. By aligning the strategy with the United Nations Sustainable Development Goals, the Bank is contributing to the global efforts to address the pressing sustainability challenges.

The Bank adopted sustainability reporting to its responsible business values and this continues to drive future business strategy and practices.

Conflict of Interest

The Board has in place a policy that manages conflict of interest including situational and transactional conflict. Directors disclose their interests on joining the Board and at every meeting of the directors, they disclose any additional interests and confirm or update their declarations of interest accordingly.

Transparency

The Board has unrestricted access to Company information, records, documents and management. Efficient and timely procedures for briefing Board members before Board meetings have been developed and implemented. Management provides regular reports or additional information when requested timeously to ensure that the Board discharges its duties effectively. Directors are free to take independent professional advice, at the expense of the Bank, in the furtherance of their duties.

The Bank is a subscriber to an independently managed fraud hotline system.

Compliance

The Bank was penalised ZWG1,367,449 for delayed submission of regulatory information in breach of the Prudential Standard No.02/2023: Model Risk Management. The directors are not aware of any other material cases of non-compliance with regulations governing the operations of the Bank.

Board Committees

The Board has established and delegated specific roles and responsibilities to six (6) standing Committees, to assist it in discharging its mandate. Each Committee acts within written terms of reference approved by the Board and reviewed annually or as necessary. All Board Committees are chaired by Independent non-Executive Chairpersons.

Each Committee has unrestricted access to executive management, all employees and all Company records, tax and other financial advisers, legal advisers, and internal and external auditors, as required.

The Chair of each Committee (or a person nominated by the Chair of the Committee for that purpose), reports to the Board at the Board’s next meeting on any matters relevant to the Committee’s duties and responsibilities.

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

- i. Board Audit and ESG Committee;
- ii. Board Risk, Compliance & Capital Management Committee;
- iii. Board Assets and Liabilities Committee;
- iv. Board IT Committee;
- v. Board Credit Committee; and
- vi. Board Remuneration and Nominations Committee.

The Bank is currently reconstituting the Board Risk, Compliance and Capital Management committee as well as the Board Credit committee to ensure compliance with regulatory requirements, specifically to prevent dual membership and potential conflict of interest.

Board Audit and ESG Committee

The Board Audit and ESG Committee consists of three independent non-executive directors of the Bank. The Committee meets quarterly.

The primary function of the Committee is to assist the Board in its evaluation and review of the adequacy and efficiency of the internal control systems, accounting practices, information systems and audit processes applied within the Bank. 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 Committee’s objective is to provide oversight of Steward Bank’s ESG Strategy, sustainability and responsible business practices. The Committee also monitors progress against key performance indicators and the external ESG Index result. The Board Audit & ESG Committee met three times.

Members: R Chidembo (Chairperson) N G Levy and H Kapfunde.

Board Risk, Compliance and Capital Management Committee

The Boards Risk, Compliance and Capital Management Committee comprises three non-executive directors. The Committee focuses on the effectiveness and appropriateness of the enterprise risk management framework, including risk strategy, risk tolerance and risk governance. The Committee also sets policy guidelines for ensuring and monitoring compliance with all regulatory laws and directives and internal policies and procedures. This Committee met twice.

Members: N G Levy (Chairperson), R Chidembo and R Chimanikire.

Board Assets and Liabilities Committee

This Committee comprises 3 non-executive directors, meets quarterly and is responsible for formulating policies and procedures relating to control of cash flow, control of short-term borrowing capacity, management of liquid assets portfolio, monitoring and managing structural exposures. The Committee met twice.

Members: H Kapfunde (Chairperson), R Chidembo and R Chimanikire.

Board Information Technology Committee

This Committee comprises of three non-executive directors, meets quarterly and formulates policies and strategic issues relating to information technology. 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 as well as oversee the current cyber risk exposure and future cyber risk strategy. The Committee met twice during the period.

Members: M Mufowo (Chairperson), H Kapfunde and N G Levy.

Board Credit Committee

This Committee comprises three non-executive directors, meets quarterly and is mainly responsible for considering and approving credit facilities as mandated by the Board. The Committee met twice during the period.

Members: H Kapfunde (Chairperson), M Mufowo and R Chimanikire.

Remuneration and Nominations Committee

This Committee, which comprises three non-executive directors, meets quarterly. The Committee considers all human resources issues including industrial relations, the recruitment and retention policy and remuneration for staff, management and Directors. The Committee met twice during the period.

Members: N G Levy (Chairperson), M Mufowo and B T R Chidzero.



UNAUDITED ABRIDGED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 AUGUST 2024

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Attendance
As at 31 August 2024, the Main Board held three meetings and the record of attendance of each director is as follows:

Name of Director	Designation	Meetings Held	Meetings Attended
Bernard Thomas Rugare Chidzero	Independent Non-Executive Director Chairman	3	0
Roy Chimanikire	Non-Executive Director	3	3
Rugare Chidembo**	Independent Non-Executive Director	3	3
Nadine Gabi Levy	Non-Executive Director	3	3
Hazvinei Kapfunde	Independent Non-Executive Director	3	3
Morgen Mufowo	Independent Non-Executive Director	3	3
Courage Simbarashe Mashavave	Executive Director	3	3
Cleopas Kadzimu	Executive Director	3	3

**Chairperson
*NB: Mr Chidzero was on leave on medical grounds.
**Acting Chairperson

BOARD COMMITTEES
The record of attendance for the Bank’s Board Committees is as follows:

Audit and ESG Committee

Name of Director	Designation	Meetings Held	Meetings Attended
* R Chidembo	Non-Executive Chairman	3	3
N G Levy	Non-Executive Director	3	3
H Kapfunde	Non-Executive Director	3	3

* Chairperson

Risk, Compliance and Capital Management Committee

Name of Director	Designation	Meetings Held	Meetings Attended
*N G Levy	Non-Executive Chairman	2	2
R Chimanikire	Non-Executive Director	2	2
R Chidembo	Non-Executive Director	2	2

* Chairperson

Assets and Liabilities Committee

Name of Director	Designation	Meetings Held	Meetings Attended
* H Kapfunde	Non-Executive Chairman	2	2
R Chidembo	Non-Executive Director	2	2
R Chimanikire	Non-Executive Director	2	1

* Chairman

IT Committee

Name of Director	Designation	Meetings Held	Meetings Attended
* M Mufowo	Non-Executive Chairman	2	2
H Kapfunde	Non-Executive Director	2	2
N G Levy	Non-Executive Director	2	2

* Chairman

Credit Committee

Name of Director	Designation	Meetings Held	Meetings Attended
* H Kapfunde	Non-Executive Chairman	2	2
R Chimanikire	Non-Executive Director	2	1
M Mufowo	Non-Executive Director	2	2

* Chairman

Remuneration and Nominations Committee

Name of Director	Designation	Meetings Held	Meetings Attended
*N G Levy	Non-Executive Chairman	2	2
B Chidzero**	Non-Executive Director	2	-
M Mufowo	Non-Executive Director	2	2

* Chairperson
** NB: Mr Chidzero was on leave on medical grounds.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 AUGUST 2024

	Notes	Unaudited	
		31 August 2024 ZWG '000	31 August 2023 ZWG '000
Interest revenue calculated using the effective interest method	3	38,292	72,481
Interest expense	4	(21,242)	(27,378)
Net interest income		17,050	45,103
Net Non-interest income	5.1	156,731	394,146
Fair value adjustments	10, 15	174,256	280,759
Exchange gains	5.2	13,405,586	421,543
Exchange losses	5.2	(12,835,635)	(24,946)
Impairment on financial assets		-	-
-Expected credit loss allowances	6	(12,605)	(4,013)
Net operating income		905,383	1,000,827
Operating expenditure	7	(195,244)	(293,166)
Monetary losses		(172,895)	(211,020)
Profit before tax		537,244	471,696
Income tax expense	8	(166,482)	(90,147)
Profit for the period		370,762	381,549
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	16	-	146,001
Deferred tax arising on revaluation of property and equipment			
Deferred tax arising on revaluation of property and equipment	25	-	(36,092)
Total comprehensive income for the period		370,762	491,458

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 AUGUST 2024

	Unaudited				Total ZWG '000
	Share capital ZWG '000	Share premium ZWG '000	Revaluation and other ZWG '000	Retained earnings ZWG '000	
Balance as at 1 March 2023	11	387,938	156,356	83,417	627,722
Total comprehensive income	-	-	(9,387)	45,506	36,119
Profit for the year	-	-	-	45,506	45,506
Other comprehensive income	-	-	(9,387)	-	(9,387)
Dividends paid	-	-	-	(757)	(757)
Balance as at 29 February 2024	11	387,938	146,969	128,166	663,085
Total comprehensive income	-	-	-	370,762	370,762
Profit for the year	-	-	-	370,762	370,762
Other comprehensive income	-	-	-	-	-
Dividends paid	-	-	-	-	-
Balance at 31 August 2024	11	387,938	146,969	498,928	1,033,846

STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2024

	Notes	Unaudited	
		31 August 2024 ZWG '000	29 February 2024 ZWG '000
ASSETS			
Cash and cash equivalents	9	600,945	230,549
Equity instruments at fair value through profit or loss	10	154,371	84,844
Loans and advances to customers	11	541,440	288,364
Debt instruments measured at amortised cost	12	209,655	105,139
Other receivables	13	574,985	104,719
Income tax refundable	25.1	-	10,794
Inventories	14	17,791	16,996
Investment property	15	367,719	262,772
Property and equipment	16	212,792	223,792
Intangible assets	17	93,378	90,967
Right of use assets	18.1	10,094	11,067
Total assets		2,783,170	1,430,003
EQUITY AND LIABILITIES			
EQUITY			
Share capital	19	11	11
Share premium	19	387,938	387,938
Reserves	20	146,969	146,969
Retained earnings		498,928	128,166
Total equity		1,033,846	663,084
LIABILITIES			
Deposits due to banks and customers	21	1,377,957	575,856
Provisions	23	3,660	1,689
Other liabilities	24	146,294	106,848
Income tax payable	24.1	27,837	-
Lease liability	18.2	2,051	4,596
Deferred tax liability	25	191,525	77,930
Total liabilities		1,749,324	766,919
Total equity and liabilities		2,783,170	1,430,003

STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 AUGUST 2024

	Unaudited	
	31 August 2024 ZWG '000	31 August 2023 ZWG '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	537,244	471,696
Adjustments for:		
Change in operating assets	(829,766)	(359,757)
Change in operating liabilities	841,547	393,693
Change in provisions	1,971	15,907
Other non-cash items	(140,079)	(260,607)
Net cash generated from operations	410,917	260,931
Income tax paid	(14,255)	(65,275)
Net cash inflow from operating activities	396,662	195,656
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(9,891)	(45,613)
Proceeds from disposal of property and equipment	-	-
Purchase of intangible assets	(2,874)	(6,732)
Purchase of investment property	(218)	(23,520)
Net cash outflow from investing activities	(12,983)	(75,865)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(4,878)
Lease repayments	(1,433)	(2,042)
Interest on lease liability	(358)	(780)
Net cash outflow from financing activities	(1,791)	(7,700)
Net increase in cash and cash equivalents	381,888	112,091
Expected Credit Losses (ECL)	(11,492)	(1,718)
Cash and cash equivalents at the beginning of the period	230,549	369,523
Cash and cash equivalents at the end of the period	600,945	479,895



UNAUDITED ABRIDGED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 AUGUST 2024

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 AUGUST 2024

9 CASH AND CASH EQUIVALENTS (CONTINUED)

9.1 An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to monetary instruments included in cash and cash equivalents, disclosed below, the reconciliation discloses the end position that the transactions incurred during the year and the respective stages the transactions are in at year end:

	Unaudited	
	Stage 1 ZWG '000	Total ZWG '000
As at 29 February 2024		
Gross carrying amounts		
Gross carrying amount as at 01 March 2024	74,687	230,911
New assets purchased	316	316
Transferred to Debt Instruments measured at Amortised Cost	(2,489)	(2,489)
Exchange gains	539,924	383,700
Gross carrying amount as at 31 August 2024	612,437	612,437
ECL allowance		
ECL allowance as at 1 March 2024	361	902,363
New assets purchased	108,824	108,824
Assets derecognised or matured (excluding write offs)	(652,461)	(652,461)
Monetary loss	554,768	(347,234)
ECL allowance as at 31 August 2024	11,492	11,492
As at 31 August 2024		
Gross carrying amounts		
Gross carrying amount as at 01 March 2024	371,326	371,326
New assets purchased	925,482	925,482
Transferred from Debt Instruments measured at Amortised Cost	(34,374)	(34,374)
Monetary loss	(1,031,524)	(1,031,524)
Gross carrying amount as at 31 August 2024	230,911	230,911
ECL allowance		
ECL allowance as at 1 March 2023	1,804	1,804
New assets purchased	128,526	128,526
Assets derecognised or matured (excluding write offs)	(129,148)	(129,148)
Monetary loss	(821)	(821)
ECL allowance as at 29 February 2024	361	361

10 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited	
	31 August 2024 ZWG '000	29 February 2024 ZWG '000
Listed Shares:		
Opening balance	84,844	29,210
Additions	-	19,715
Disposals	-	(1,504)
Fair value adjustments	69,527	37,422
	154,371	84,844

11 LOANS AND ADVANCES TO CUSTOMERS

	Unaudited	
	31 August 2024 ZWG '000	29 February 2024 ZWG '000
11.1 Total loans and advances		
Consumer loans	96,883	86,328
Small-to-medium Enterprise loans	25,486	49,691
Consumer & SME loans	122,369	86,348
Corporate loans	438,528	225,063
	560,897	311,411
Less: Allowance for Expected Credit Losses	(19,457)	(23,047)
	541,440	288,364
11.2 Maturity analysis		
Less than one month	58,464	33,876
1 to 3 months	2,373	1,311
3 to 6 months	112,490	62,137
6 months to 1 year	154,738	85,474
1 to 5 years	208,080	114,941
Over 5 years	24,751	13,672
Gross loans and advances	560,897	311,411

11.3 Sectorial analysis of utilisations

	Unaudited			
	31 August 2024 ZWG '000	%	29 February 2024 ZWG '000	%
Mining	9,193	1.6%	5,104	1.6%
Manufacturing	444,977	79.3%	247,052	79.3%
Agriculture	31,374	5.6%	17,419	5.6%
Distribution	8,738	1.6%	4,851	1.6%
Services and communication	23,738	4.2%	13,179	4.2%
Individuals	42,878	7.6%	23,806	7.6%
	560,897	100.0%	311,411	100.0%

11.4 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 shown below, the reconciliation discloses the end position that the transactions incurred during the year and the respective stages the transactions are in at year end:

	Unaudited			
	Stage 1 ZWG '000	Stage 2 ZWG '000	Stage 3 ZWG '000	Total ZWG '000
Gross carrying amount				
Gross carrying amount as at 1 March 2024	-	122,369	438,528	560,897
New loans and advances originated	23,000	24,895	17,563	65,458
Monetary loss	(23,000)	(24,895)	(17,563)	(65,458)
Gross carrying amount as at 31 August 2024	-	122,369	438,528	560,897

11 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

11.4 ECL Allowance for impairment of loans and advances (continued)

	Unaudited			
	Stage 1 ZWG '000	Stage 2 ZWG '000	Stage 3 ZWG '000	Total ZWG '000
ECL allowance				
ECL allowance as at 1 March 2024	22,490	128	429	23,047
New loans and advances originated	4,887	-	-	4,887
Loans and advances derecognised or repaid (excluding write offs)	(481)	(25)	(177)	(683)
Transfers to Stage 2	(47)	32	15	-
Transfers to Stage 3	(69)	8	61	-
Monetary loss	(7,951)	(3)	160	(7,794)
ECL allowance as at 31 August 2024	18,829	140	488	19,457
	Unaudited			
	Stage 1 ZWG '000	Stage 2 ZWG '000	Stage 3 ZWG '000	Total ZWG '000
Gross carrying amount				
Gross carrying amount as at 1 March 2023	353,695	8,471	2,319	364,485
New loans and advances originated	5,864,669	-	-	5,864,669
Loans and advances derecognised or repaid (excluding write offs)	(387,204)	(13,517)	(6,518)	(407,239)
Transfers to Stage 1	1,449	(549)	(900)	-
Transfers to Stage 2	(32,959)	17,688	15,271	-
Transfers to Stage 3	(35,146)	329	34,817	-
Monetary loss	(5,456,163)	(11,757)	(42,583)	(5,510,503)
Gross carrying amount as at 29 February 2024	308,341	665	2,406	311,411
ECL allowance				
ECL allowance as at 1 March 2023	16,083	441	871	17,395
New loans and advances originated	20,983	-	-	20,983
Loans and advances derecognised or repaid (excluding write offs)	798	41	294	1,133
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(79)	54	25	-
Transfers to Stage 3	(114)	12	102	-
Monetary loss	(15,180)	(421)	(863)	(16,464)
ECL allowance as at 29 February 2024	22,489	128	429	23,047

12 DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	Unaudited	
	31 August 2024 ZWG '000	29 February 2024 ZWG '000
Opening Balance	106,092	144,767
Additions/(Disposals)	151,430	613,175
Repayments received on maturity	-	-
Accrued interest	1,020	21,034
Net monetary adjustment	(42,625)	(672,884)
	215,917	106,092
Less: Allowance for ECL	(6,262)	(953)
Closing balance	209,655	105,139

12.1 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 shown below, the reconciliation discloses the end position that the transactions incurred during the year and the respective stages the transactions are in at year end:

	Unaudited			
	Stage 1 ZWG '000	Stage 2 ZWG '000	Stage 3 ZWG '000	Total ZWG '000
Gross carrying amounts				
Gross carrying amount as at 1 March 2024	106,092	-	-	106,092
New assets purchased	152,450	-	-	152,450
Assets derecognised or matured (excluding write offs)	-	-	-	-
Balances disclosed under cash and cash equivalents	-	-	-	-
Monetary loss	(42,625)	-	-	(42,625)
Gross carrying amount as at 31 August 2024	215,917	-	-	215,917
ECL allowance				
ECL allowance as at 1 March 2024	953	-	-	953
New assets purchased	6,127	-	-	6,127
Assets derecognised or matured (excluding write offs)	-	-	-	-
Balances disclosed under cash and cash equivalents	-	-	-	-
Monetary loss	(818)	-	-	(818)
ECL allowance as at 31 August2024	6,262	-	-	6,262

	Unaudited			
	Stage 1 ZWG '000	Stage 2 ZWG '000	Stage 3 ZWG '000	Total ZWG '000
Gross carrying amount				
Gross carrying amount as at 1 March 2023	144,767	-	-	144,767
New assets purchased	634,209	-	-	634,209
Assets derecognised or matured (excluding write offs)	-	-	-	-
Balances disclosed under cash and cash equivalents	-	-	-	-
Monetary loss	(672,882)	-	-	(672,882)
Gross carrying amount as at 29 February 2024	106,094	-	-	106,094
ECL allowance				
ECL allowance as at 1 March 2023	4,189	-	-	4,189
New assets purchased	729	-	-	729
Assets derecognised or matured (excluding write offs)	-	-	-	-
Balances disclosed under cash and cash equivalents	-	-	-	-
Monetary loss	(3,965)	-	-	(3,965)
ECL allowance as at 29 February 2024	953	-	-	953

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13 OTHER RECEIVABLES

	Unaudited	
	31 August 2024 ZWG '000	29 February 2024 ZWG '000
Refundable deposits	49,601	31,780
Prepayments	12,430	31,303
Other receivables	478,655	57,890
Amounts due from related parties	40,641	11,212
	581,327	132,185
Less: Allowance for ECL	(6,343)	(27,466)
	574,984	104,719

14 INVENTORIES

Opening balance	16,996	11,800
Additions	2,641	7,142
Inventory utilised during the year	(1,846)	(1,946)
Closing balance	17,791	16,996

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

15 INVESTMENT PROPERTY

Opening balance	262,772	14,363
Additions	217	4,577
Fair value adjustments	104,729	243,833
Closing balance	367,719	262,772

Investment property consists of commercial buildings and undeveloped residential stands.

Investment property is stated at fair value, which has been determined based on valuations performed by an accredited independent valuer, as at 29 February 2024. The professional independent valuer considered comparable market evidence based on lease and purchase transactions of similar buildings and residential stands.

The fair value measurements for all of the investment properties have been categorised as Level 2 fair value measurements in accordance to IFRS13.

	Valuation technique	Significant observable inputs	Range (weighted average)	Interrelationship between significant observable inputs and fair value measurement
Office property	Implicit investment approach (Refer below)	Comparable rentals per month	ZWG221.31 – ZWG558.28 per square meter for suburban office parks.	The estimated fair value would increase if expected market rental growth were higher.
Residential Stands	Market value of similar properties (Refer below)	Net land for disposal	ZWG393.40 – ZWG697.16 per sqm	The estimated fair value would increase if expected market values were higher.

Implicit investment approach

In arriving at the market value for office property, the implicit investment approach was applied based on the capitalisation of income. This method is based on the principle that rentals and capital values are inter-related, hence, given the income produced by a property, its capital value can therefore be estimated. Comparable rentals inferred from properties within the locality of the property, based on use, location, size and quality of finishes were used. The rentals were then adjusted per square meter to the lettable areas, being rentals achieved for comparable properties as at 31 August 2024. The rentals are then annualised and a capitalisation factor is applied to arrive at a market value of the property, also inferring on comparable premises which are in the same category as regards the building elements.

Market value of similar properties

In assessing the market value for residential stands, values of various properties that had been recently sold or which are currently on sale and situated in comparable residential areas were used. Market evidence from other Estate Agents and local press was also taken into consideration.

16 PROPERTY AND EQUIPMENT

	Unaudited							Total ZWG '000
	Land and buildings ZWG '000	Leasehold improvements ZWG '000	Furniture and Fittings ZWG '000	Office equipment ZWG '000	Computer equipment ZWG '000	Motor Vehicles ZWG '000	Work in Progress ZWG '000	
At Cost or Valuation:								
1 March 2023	13,960	99,265	13,621	2,085	91,041	6,262	18,300	244,534
Additions	-	-	1,569	52	-	-	58,359	59,980
Transfer to Held for sale	-	-	-	-	-	-	-	-
Transfers from Work-in-Progress	18,798	627	2,944	661	12,560	1,075	(36,665)	-
Revaluation adjustment	23,098	(47,083)	(15,330)	(989)	(37,031)	(3,386)	-	(80,721)
29 February 2024	55,856	52,809	2,803	1,809	66,570	3,951	39,994	223,792
Additions	83	-	-	-	-	-	9,808	9,891
Transfers from Work-in-Progress	3,873	1,465	1,850	664	1,074	10	(8,936)	-
31 August 2024	59,812	54,274	4,653	2,473	67,644	3,961	40,866	233,683
Accumulated depreciation and impairment:								
1 March 2023	-	-	10,123	-	-	731	-	10,854
Depreciation charge for the year	3,784	17,020	265	990	33,528	1,587	-	57,174
Impairment	-	-	-	-	-	-	-	-
Eliminated on revaluation	(3,784)	(17,020)	(10,387)	(990)	(33,528)	(2,318)	-	(68,027)
29 February 2024								
Depreciation charge for the period	(7,412)	(2,803)	(218)	(78)	(9,943)	(437)	-	(20,891)
31 August 2024	(7,412)	(2,803)	(218)	(78)	(9,943)	(437)	-	(20,891)
Net carrying amount:								
At 31 August 2024	52,401	51,470	4,436	2,395	57,701	3,524	40,866	212,792
At 29 February 2024	55,856	52,809	2,803	1,809	66,570	3,951	39,994	223,792

17 INTANGIBLE ASSETS

	Unaudited		Total ZWG '000
	Computer software ZWG '000	Current work in progress ZWG '000	
Cost:			
As at 1 March 2023	103,670	10,278	113,948
Additions	-	10,045	10,045
As at 29 February 2024	103,670	20,323	123,993
Additions	-	2,874	2,874
As at 31 August 2024	103,670	23,197	126,867
Accumulated amortisation and impairment:			
As at 1 March 2023	32,261	-	32,261
Amortisation charge for the year	765	-	765
As at 29 February 2024	33,026	-	33,026
Amortisation charge for the period	463	-	463
As at 31 August 2024	33,489	-	33,489
Net carrying amount:			
At 31 August 2024	70,181	23,197	93,378
At 29 February 2024	70,644	20,323	90,967

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DEFERRED TAX LIABILITY

	Unaudited						Total ZWG '000
	Property and Equipment ZWG '000	Investment Property ZWG '000	Right of use and lease liability ZWG '000	Provisions ZWG '000	Unrealised gains ZWG '000	Other ZWG '000	
As at 1 March 2023	46,510	21,436	(585)	(1,694)	4,024	26	69,717
Effect of reversal of revaluation on intangible assets	-	-	-	-	-	-	-
(Credit) / charge to profit for the period	(9,976)	(2,955)	3,434	1,237	(5,437)	25,166	11,469
Credit to other comprehensive income	(3,256)	-	-	-	-	-	(3,256)
As at 29 February 2024	33,278	18,481	2,850	(457)	(1,413)	25,192	77,930
(Credit) / charge to profit for the period	(14,193)	21,151	(779)	(485)	111,485	(3,585)	113,595
Credit to other comprehensive income	-	-	-	-	-	-	-
As at 31 August 2024	19,085	39,632	2,071	(942)	110,072	21,607	191,525

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RELATED PARTY DISCLOSURES

The Bank is a subsidiary of the EcoCash Holdings Zimbabwe Limited (EHZL) (formerly Cassava Smartech Zimbabwe Limited (CSZL)). The Bank has related party relationships with its Directors and key management employees and their companies.

The related party balances, volumes of related party transactions and related income and expenses are as follows:

	Unaudited	
	31 August 2024 ZWG '000	29 February 2024 ZWG '000
a) Loans and advances balances owing from Directors		
Balance of loans issued to directors and entities related to directors	5,920	9,827
b) Compensation of key management personnel of the Bank:	14,372	23,855
Short-term benefits	14,263	23,675
Post-employment benefits	109	180

27

RISK MANAGEMENT

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to the following risks from financial instruments:

- Credit risk;
- Liquidity risk;
- Market risks; and
- Operational risks

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

27.1.1

Credit Risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. This risk arises principally from the Bank's loans and advances to customers and placements with Government and other banks. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

27.2

Credit quality analysis

The table below shows the credit quality of the Bank's financial instruments and the maximum exposure to credit risk, based on the Bank's internal credit rating system and year end stage classification.

	Unaudited						Total ZWG '000
	Grade A High grade	Grade B Standard grade		Grade C Sub-standard		Individually impaired	
	Stage 1 ZWG '000	Stage 1 ZWG '000	Stage 2 ZWG '000	Stage 2 ZWG '000	Stage 3 ZWG '000	Stage 3 ZWG '000	
At 31 August 2024:							
<i>Loans and advances to customers:</i>							
Retail portfolio - Consumer and Mortgage loans	41	581	62	-	-	5,128	5,812
Corporate and SME portfolio	960	58	643	-	828	133,531	136,020
	1,001	639	705	-	828	138,659	141,832
<i>Debt instruments measured at amortised cost:</i>							
Exposure to banks	105	-	-	-	-	-	105
Government debt securities	7,638	-	-	-	-	-	7,638
	7,743	-	-	-	-	-	7,743
Other receivables	98,954	-	-	-	-	1,928	100,882
<i>Contingent liabilities, commitments</i>							
Financial guarantees	-	-	-	-	-	-	-
Commitments to lend	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	107,698	639	705	-	828	140,587	250,457

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RISK MANAGEMENT (CONTINUED)

27.3

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

27.3.1

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the non-trading interest rate gaps for stipulated periods. The Bank's policy is to monitor positions on a daily basis and strategies are formulated to ensure positions are maintained within the established limits.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's statement of comprehensive income.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the variable rate financial assets and financial liabilities held. There is no other impact on equity apart from profit or loss impact.

Interest rate repricing and gap analysis

The table below analyses the Bank's interest rate risk exposure on assets and liabilities. The financial assets and liabilities are categorised by the earlier of contractual repricing or maturity dates.

	Unaudited						Total ZWG '000
	Up to 1 month ZWG '000	1 month to 3 months ZWG '000	3 months to to 1 year ZWG '000	1 to 5 years ZWG '000	Over 5 years ZWG '000	Non-interest bearing ZWG '000	
TOTAL POSITION At 31 August 2024:							
Assets:							
Cash and cash equivalents	-	-	-	-	-	600,945	600,945
Loans and advances to customers	58,464	2,374	247,771	208,080	24,751	-	541,440
Debt instruments at amortised cost	29,020	153,450	17,520	9,665	-	-	209,655
Equity instruments at fair value through profit or loss	-	-	-	-	-	154,371	154,371
Other receivables	-	-	-	-	-	574,985	574,985
Taxation Receivable	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	17,791	17,791
Investment property	-	-	-	-	-	367,719	367,719
Property and Equipment	-	-	-	-	-	212,792	212,792
Intangible assets	-	-	-	-	-	93,378	93,378
Right of use asset	-	-	-	-	-	10,094	10,094
Non-Current Asset held for sale	-	-	-	-	-	-	-
Total undiscounted assets	87,485	155,823	265,291	217,745	24,752	2,032,075	2,783,170
Liabilities and equity							
Deposits due to banks and customers	542,758	835,199	-	-	-	-	1,377,957
Provisions	-	-	-	-	-	3,660	3,660
Tax liabilities	-	-	-	-	-	27,837	27,837
Other liabilities	-	-	-	-	-	146,294	146,294
Deferred tax liability	-	-	-	-	-	(28,620)	(28,620)
Lease liabilities	-	-	(496)	2,547	-	-	2,051
Equity	-	-	-	-	-	1,253,991	1,253,991
	542,758	835,199	(496)	2,547	-	1,403,162	2,783,170
Interest rate repricing gap	(455,273)	(679,376)	265,787	215,197	24,752	628,913	-
Cumulative gap	(455,273)	(1,134,649)	(868,862)	(653,665)	(628,913)	-	-

	Unaudited						Total ZWG '000
	Up to 1 month ZWG '000	1 month to 3 months ZWG '000	3 months to to 1 year ZWG '000	1 to 5 years ZWG '000	Over 5 years ZWG '000	Non-interest bearing ZWG '000	
TOTAL POSITION At 29 February 2024:							
Assets:							
Cash and cash equivalents	-	-	-	-	-	230,549	230,549
Loans and advances to customers	101,596	57,445	90,173	33,305	5,845	-	288,364
Debt instruments at amortised cost	23,436	19,258	62,445	-	-	-	105,139
Equity instruments at fair value through profit or loss	-	-	-	-	-	84,844	84,844
Other receivables	-	-	-	-	-	104,719	104,719
Taxation Receivable	-	-	-	-	-	10,794	10,794
Inventories	-	-	-	-	-	16,996	16,996
Investment property	-	-	-	-	-	262,772	262,772
Property and Equipment	-	-	-	-	-	223,792	223,792
Intangible assets	-	-	-	-	-	90,967	90,967
Right of use asset	-	-	-	-	-	11,067	11,067
Non-Current Asset held for sale	-	-	-	-	-	-	-
Total undiscounted assets	125,032	76,703	152,618	33,305	5,845	1,036,500	1,430,003
Liabilities and equity							
Deposits due to banks and customers	569,607	6,249	-	-	-	-	575,856
Provisions	-	-	-	-	-	1,689	1,689
Tax liabilities	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	106,848	106,848
Deferred tax liability	-	-	-	-	-	77,930	77,930
Lease liabilities	-	-	340	4,256	-	-	4,596
Equity	-	-	-	-	-	663,084	663,084
	569,607	6,249	340	4,256	-	849,551	1,430,003
Interest rate repricing gap	(444,575)	70,454	152,278	29,049	5,845	186,949	-
Cumulative gap	(444,575)	(374,121)	(221,843)	(192,794)	(186,949)	-	-



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27 RISK MANAGEMENT (CONTINUED)

The Bank’s activities and operation are also exposed to the following risks:

Strategic Risk

Strategic risk affects earnings and capital due to adverse business decisions or strategies inconsistent with internal and external environments. The Bank adopts strategic plans approved by the Board of Directors and monitors departmental objectives.

Legal and Compliance Risk

The Bank faces legal risk due to uncertainty surrounding legal actions, contract interpretation, and regulatory compliance. This includes issues like contract formation and frustration. To mitigate this risk, the Bank maintains strong relationships with legal firms, providing accessible advice to all departments. An independent compliance function ensures regulatory and statutory adherence.

The Bank proactively manages compliance risk using internationally accepted principles and methodologies aligned with its risk assurance functions. The compliance framework follows Zimbabwe Banking Act and Basel Committee on Banking Supervision guidelines.

Reputational Risk

Reputational risk arises from negative publicity or market perceptions impacting business. Damage to the Bank’s image can impair business retention and generation, often resulting from broken trust or relationships. To manage this, the Bank monitors customer complaints, trains staff, conducts market surveys, and reviews business practices through Internal Audit.

27.4 Reserve Bank Ratings

The Reserve Bank of Zimbabwe conducted an onsite inspection of the Bank in June 2024 and the final ratings that were ‘determined on the Bank are detailed below:

27.4.1 CAMELS* Ratings

CAMELS Component	RBS** Ratings 30/06/2024
Capital Adequacy	2 - Satisfactory
Asset Quality	3 - Fair
Management	3 - Fair
Earnings Performance	3 - Fair
Liquidity and Funds Management	2 - Satisfactory
Sensitivity to Market Risk	2 - Satisfactory
Overall 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 is an acronym Risk Based Supervision.

27.4.2 Summary risk matrix – Steward Bank Risk Matrix as at 30 June 2024

Type of Risk	Level of Aggregate 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	Moderate	Acceptable	Moderate	Stable
Foreign Exchange	Low	Acceptable	Low	Stable
Operational	Moderate	Acceptable	Moderate	Stable
Legal	Low	Acceptable	Low	Stable
Compliance	Moderate	Acceptable	Moderate	Stable
Reputation	Low	Acceptable	Low	Stable
Strategic	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.

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.

27 RISK MANAGEMENT (CONTINUED)

27.4 Reserve Bank Ratings (continued)

27.4.2 Summary risk matrix – Steward Bank Risk Matrix as at 30 June 2024 (continued)

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.

28 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.
- 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 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.

The Bank’s regulatory capital position as at 31 August 2024 was in excess of the minimum Regulatory requirements of Tier 1 capital of US\$30 million and stood as follows:

	Unaudited	
	31 August 2024 ZWG’000	29 February 2024 ZWG’000
Share capital	11	11
Share premium	387,938	387,938
Retained earnings	497,043	128,166
	884,993	516,115
	(63,209)	(30,275)
	(46,561)	(21,039)
	-	-
Tier 1 capital	775,222	464,802
Tier 2 capital		
Other reserves	146,968	146,968
General provisions	-	-
	146,968	146,968
Total Tier 1 and 2 capital	922,190	611,770
Tier 3 capital (sum of market and operational risk capital)	63,209	30,275
Total Capital Base	985,399	642,044
Total risk weighted assets	2,756,289	1,303,861
Tier 1 ratio	16%	26%
Tier 2 ratio	4%	10%
Tier 3 ratio	2%	5%
Total capital adequacy ratio	23%	41%
RBZ minimum requirement	12%	12%

The Bank’s policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders’ return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible without greater gearing and the advantages and security offered by a sound capital position.

29 CAPITAL COMMITMENTS

	Unaudited	
	31 August 2024 ZWG’000	29 February 2024 ZWG’000
Capital expenditure authorised but not yet contracted for	20,863	11,103
	20,863	11,103
Capital commitments will be financed from the Bank’s own resources.		

30 EXTERNAL CREDIT RATINGS

	May 2024	October 2022	May 2019
Rating Agent: Global Credit Rating (GCR):			
Long term issuer	BBB-zw A3 zw	BBB zw A3 zw	BBB zw A2 zw
Short term issuer			