

# Unaudited Financial Results

## For the half year ended 30 June 2021



### CHAIRPERSON'S STATEMENT

#### INTRODUCTION

It is my pleasure to present the interim financial results of the People's Own Savings Bank for the six months ended 30 June 2021.

#### OPERATING ENVIRONMENT

During the first half of the year 2021, a third wave of the Covid19 pandemic became a cause for concern as the new variant caused global economic and social difficulties resulting in the country having no other option but to re-introduce stricter lockdown measures. This further constrained the country's operating environment and the economy at large.

The year-on-year (YoY) rate of inflation as measured by the all items Consumer Price Index declined to 56% in July 2021 from 349% recorded in December 2020. Inflation has been on a downward trend since August 2020 owing to strong monetary policy measures implemented by the Reserve Bank of Zimbabwe such as the close monitoring of the reserve money growth and the improved efficiency in the allocation of foreign currency through the foreign exchange auction system. These measures also go a long way in improving the economy by ensuring price and foreign exchange rate stability.

During the period under review, the Zimbabwe stock market was characterized by bullish sentiments and these resulted in all major indices registering significant gains.

#### COVID-19 IMPACT ON BANK PERFORMANCE

The negative effects of the COVID-19 pandemic continued to devastate the country's health system, the labour force as well as the economy at large. Following the increase in the number of COVID-19 infections across the country at the beginning of the year 2021 and the setting in of the harsh third wave of the pandemic, the Government of Zimbabwe announced more stringent lockdown measures to curb the spread of the deadly virus. In an effort to ensure its employees and other stakeholders are safe from this deadly virus, the Bank continued to implement the following measures:

- Reducing the number of employees working from the offices.
- Providing employees with suitable protective clothing.
- Disinfecting all public areas regularly.
- Urging all eligible bank employees to get vaccinated
- Encouraging customers to utilize digital delivery channels

Going forward, the Bank will continue to monitor and evaluate the impact of the COVID-19 pandemic on its operations and financial performance.

#### FINANCIAL HIGHLIGHTS

In historical terms the Bank posted a net profit of ZWL\$347.30 million during the six months to 30 June 2021, up from ZWL\$107.74 million recorded in the comparative prior period in historical terms. In inflation adjusted terms, the Bank recorded a profit of ZWL\$60.84 million, up from a loss of ZWL\$138.29 million recorded in the six months ended 30 June 2020. The following summarizes the Bank's financial performance in inflation adjusted terms:

- Net operating income for the half year increased by 115% to ZWL\$1.19 billion from ZWL\$555 million achieved in the six months ended 30 June 2020.
- Overall credit quality continued to improve, with non-performing loans as a percentage of total loans reducing from 0.94% as at 31 December 2020 to 0.81% as at 30 June 2021.
- The liquidity ratio of the Bank was maintained well above the regulatory minimum of 30% closing the period under review at 57%.
- With the total shareholders' equity at ZWL\$1.55 billion as at 30 June 2021 the Bank remains well capitalized and is on course to meet the Tier 2 capital threshold of US\$20 million by 31 December 2021 through organic growth, private placement and Initial Public Offer (IPO).

The Board is optimistic that the performance of the Bank in the second half of the year 2021 will remain satisfactory as the Bank continues to strengthen its position in the market by growing its customer base and introducing new and innovative products in line with the Bank's mandate of promoting financial inclusion.

#### PARTIAL PRIVATISATION UPDATE

The partial privatization process which started in 2018 has significantly progressed with the Consultants (KPMG Advisory Services Zimbabwe) who were appointed to provide transactional advisory services having submitted the initial Due Diligence and Valuation reports to the Technical Committee for consideration by the shareholder. It is anticipated that the private placement process and/or the listing of the Bank on the Zimbabwe Stock Exchange will be finalized before the end of the year 2021.

#### CORPORATE SOCIAL RESPONSIBILITY (CSR)

In line with its Corporate Social Responsibility policy, the Bank continued to participate in several transformational programs aimed at improving the lives of the socially and economically vulnerable segments of the society. Annually, the Bank allocates 5% of its marketing budget towards the undertaking of CSR activities in the broad areas of Education and Financial Literacy as well as Health and Philanthropy.

In the period under review, POSB conducted the following CSR initiatives:

- **SUPPORT FOR HEALTH AWARENESS INITIATIVES**

In the period under review, the Bank partnered with the Kidney Association of Zimbabwe in commemorating World Kidney Day on the 11<sup>th</sup> of March 2021 to raise awareness of the importance of kidneys and pro-kidney lifestyles.

#### EDUCATION

The Bank maintained its support in the form of tuition, boarding fees, transport fees and groceries to all beneficiaries of the POSB Scholarship Program. Additionally, the Bank also commenced this year's edition of its annual Graduation Prize Sponsorship Program which recognizes exceptional university students who graduate top of their classes in the Banking and Finance or related degree programs.

#### OUTLOOK

The People's Own Savings Bank remains optimistic that the expected economic growth of 7.8% in 2021 is achievable, given the significant growth of the agricultural sector in 2021 on the back of a good rainy season. Furthermore, the measures implemented by the Reserve Bank of Zimbabwe to attain macro-economic stability and restore confidence have begun to yield positive results as evidenced in the slowing down of inflation as well as stabilization of the foreign currency exchange rate. The Bank will continue to focus on digitalization of its platforms in order to provide flexibility, convenience and safety to its customers in the face of the COVID-19 pandemic whilst at the same time ensuring business operations are enabled and supported.

#### APPRECIATION

I would like to express my sincere gratitude and appreciation to the Shareholder, the Regulatory authorities and our valued customers for their continued support and guidance during the period under review. My appreciation also goes to my fellow Board members, the Chief Executive Officer, management and members of staff for their continued dedication and commitment which contributed to the Bank's commendable financial performance during the first half of the year 2021.

#### ISRAEL NDLOVU (MR)

#### BOARD CHAIRMAN

### CORPORATE GOVERNANCE REPORT

As a commercialized state owned enterprise, POSB has continued to conduct its business operations in a commercially viable manner and in doing so, has committed to uphold high standards of business practices as prescribed under applicable statutes and regulatory guidelines. It has over the years realigned its corporate governance practices as prescribed under the POSB Act, PEG Act (Chapter 10:31, the Banking Act (Chapter 24:20) and as per regulatory directives issued from time to time by the Reserve Bank of Zimbabwe and the Corporate Governance Unit of the Office of the President and Cabinet. As part of the realignment process, it reviews its corporate governance framework and strategies annually so as to identify gaps that need to be attended to. Currently, the Bank seeks to ensure it operates in a sustainable manner and has resolved to attain certification under the OECD Sustainability Standards Certification Program. POSB embarked on the Sustainability Initiative at the beginning of the year. The Project is being spear-headed by the RBZ and involves several banks operating in Zimbabwe.

The Bank held its Annual General Meeting virtually on the 6th of August 2021. The Bank continues to work on its recapitalisation project which has significantly progressed although the recapitalisation method is still to be concluded by the appointed consultants. The initial work on the Project was completed at the end of June 2021 following the submission of the Due Diligence, the Company Inception and the Valuation Reports.

#### Governance Structures

The Bank conducts its business through the governance structures that are reviewed annually as detailed below:

#### The Board

The Board comprises of seven (7) independent non-executive directors and two (2) executive directors, the Chief Executive Officer and the Chief Finance Officer.

The detailed responsibilities of the Bank's Board include the following;

- To set the Bank's strategic direction/objectives,
- To approve the Bank's policies,
- To protect the interests of depositors and other stakeholders,
- To align activities and behaviour to ensure that the Bank operates in a safe and sound manner, in compliance with applicable laws and regulations,
- To articulate the strategy against which the success of the overall Bank and the contribution of individuals is measured, and
- To assign responsibilities and decision making authorities, incorporating a hierarchy of required approvals from Management to the Board, and
- To ensure good return to the shareholder's investment.

#### Board Committees and Meetings

The Board as a whole is responsible for the oversight of Management on behalf of the shareholder, the Government of Zimbabwe. To exercise

its duties, the Board meets quarterly through scheduled meetings and additionally as and when the need arises. To assist the Board in its oversight function, a number of Board Committees were established in accordance with section 14(i) of the People's Own Savings Bank Act (Chapter 24:22) and the PEG Act as read with PEG General Regulations, SI 168 of 2018.

In addition, the Board has scheduled report back meetings with the Minister of Finance and Economic Development. The meetings provide an important feedback window where critical issues are discussed and guidance given.

Details of the Board Committees as at 30 June 2019 are outlined in the following paragraphs:

#### 1. Board Audit Committee

The Board Audit Committee's role is to assist the Board in its oversight of:

- i. the integrity of the Bank's financial statements,
- ii. the Bank's external auditor's qualifications and independence,
- iii. the performance of the Bank's External Auditors and the Internal Audit function,
- iv. the Bank's systems of disclosures and procedures as well as internal controls over financial reporting,
- v. to review and assess recommendations and reports of the finances, financial controls of the Bank and the internal audit function and make appropriate recommendations of its own to the Board regarding the foregoing,
- vi. ensure the Bank's compliance with applicable laws, regulatory requirements and financial reporting and accounting standards, and where appropriate, make recommendations of its own to the Board regarding the financial administration of the Bank.

#### Composition

**M. Mureriwa** (Non- Executive Committee Chairman)

**I. Mvere** (Non- Executive Member)

**I. Ndlovu** (Non- Executive Member) Acting Board Chairman

The Board Chairperson, the Chief Executive Officer, the Chief Finance Officer and Head Internal Audit are not members of the Board Audit Committee but attend the meetings by invitation. External Auditors are invited to attend all meetings.

#### 2. Board Finance Committee

The Board Finance Committee is authorized by the Board to guide, oversee and support the financial and tax practices of the Bank including the approval, conformance of financial policies and procedures and the development of the annual strategy, budget and procurement plan, monitor adherence to the strategy, budget and procurement plan and ensuring accurate tracking and analysis of financial highlights and issues and also ensure conformance to relevant financial and tax rules, regulations and where appropriate, make recommendations of its own to the Board regarding the financial administration of the Bank.

#### Composition

**I. Mvere** (Non- Executive Committee Chairman)

**I. Ndlovu** (Non- Executive Member)

**A. Kandlela** (Executive Member) Chief Executive Officer,

**G. Changunda** (Executive Member) Chief Finance Officer

The Procurement Executive is not a member of the Committee but attends the meetings by invitation.

#### 3. Board Credit and Investments Committee

The fundamental function of the Committee is to oversee the Bank's operations relating to credit, market and liquidity risk, and in particular to ensure that the Bank has adequate funds to meet its obligations. The Committee also approves all lending and investment policies. Furthermore, the Committee ensures that the approved policies are adequate and that lending and investment activities are conducted in accordance with the established policies and regulations.

The Committee is also responsible for approval of loans to customers within its limit.

#### Composition

**M. Mureriwa** (Non- Executive Committee Chairperson)

**I. Mvere** (Non- Executive Member)

**A. Kandlela** (Executive Member)

**G. Changunda** (Executive Member)

The Divisional Director – Retail Banking, the Divisional Director Corporate and Investment Banking, the Chief Information Officer, the Marketing and Public Relations Executive and the Treasury Executive are not members of the Committee but attend the meetings by invitation.

#### 4. Board Human Resources and Governance Committee

The Board Human Resources Committee is tasked with looking into issues relating to the formulation and approval of strategies and policies relating to the remuneration and terms and conditions of services of all Bank staff. The Committee is also mandated to consider and approve Management recommendations on succession planning, management and development of human resources as well as reviewing the Bank's organisational structure.



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It additionally has oversight on governance and in that regard assists the Board to accomplish the objectives of good governance through the evaluation and development of the Bank’s governance practices, addressing transparency, independence, accountability, fiduciary responsibilities and management oversight.

Composition

O. Jambwa	(Non- Executive Committee Chairman)
N. C Chindomu	(Non- Executive Member)
C. Nyamutswa	(Non- Executive Member)
I. Ndlovu	(Non- Executive Member) Acting Board Chairman
A. Kandlela	(Executive Member)
G. Changunda	(Executive Member)

The Human Capital Executive is not a member of the Committee but attends its meetings by invitation.

5. Board Risk Committee

The Committee is responsible for overall identification, measurement, management and monitoring of all risks facing the Bank. In the main, the Risk Management Committee is responsible for the formulation of high level risk management policies and for inculcating a risk management culture throughout the Bank.

The Committee is also responsible for overseeing the harmonization and integration of IT processes; for ensuring that the Disaster Recovery Plan is in place and to ensure that other issues relating to IT requirements of the Bank are timeously addressed.

The Committee is also tasked with the primary responsibility of monitoring the performance of the loan book and ensuring that it is proficiently managed and appropriately diversified to manage concentration risk. It also has the broad responsibility of ensuring that the Bank’s potential and specific bad debts are adequately provided for and that the total loan book is in compliance with the lending guidelines and the Bank’s Credit policy.

The Board reviewed this Committee in line with the changes to the Banking Act (Chapter 22:24) resulting in its split. With effect from the 1st of June, 2017, the Board now has a Risk Committee and Credit Review Committee as separate Committees.

Composition

N. C Chindomu	(Non-Executive Committee Chairperson)
I. Ndlovu	(Non- Executive Member)
C. Nyamutswa	(Non-Executive Member)

The Chief Executive Officer, the Chief Finance Officer, the Chief Risk Officer, the Chief Information Officer and the Chief Compliance Officer are not members of the Board Risk Management but attend its meetings by invitation.

6. Board Credit Review Committee

The Board Credit Review Committee was established as a separate Committee in line with changes to the Banking Act with effect from the 1st of June 2017.

The primary responsibility of the Committee is to assist the Board in discharging its oversight responsibility on the overall lending policies and lending activities of the Bank. The Committee reviews all lending by the Bank enabling it to monitor performance of the Bank’s loan book and that it is proficiently managed and appropriately diversified to manage concentration risk. It is also broadly responsible for ensuring that the Bank’s potential and specific bad debts are adequately provided for and that the total loan book is in compliance with the lending guidelines and the Bank’s Credit Policy.

Composition

C. Nyamutswa	(Non-Executive Committee Chairperson)
I. P. Ndlovu	(Non- Executive Member)
O. Jambwa	(Non-Executive Member)

The Chief Executive Officer and the Chief Risk Officer are not members of the Board Credit Review Committee but attend its meetings by invitation.

7. Statement of Compliance

The Bank complied with all statutes regulating its operations, although there are still some gaps relating to compliance with the PEGC Act. The Board thus continues to engage the shareholder on the Public Entities Corporate Governance Act compliance and its implications in some areas. The Bank also complied with RBZ directives on IFRS 9 implementation, liquidity management, capital adequacy as well as prudential lending guidelines.

DIRECTORS ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

FOR HALF YEAR ENDED JU 30, 2021

	TOTAL MEETINGS	I NDLOVU	O JAMBWA	N. C CHINDOMU	I MVERE	M MURERIWA	C NYAMUTSWA	A KANDLELA*	G CHANGUNDA*
BOARD MEETINGS (3) 19/3/2021,21/4/2021,27/5/2021	3	3	3	3	3	3	3	3	3
BOARD HUMAN RESOURCES & GOVERNANCE COMMITTEE (2) 15/3/2021, 14/5/2021	2	2	2	2	NA	NA	2	2	2
BOARD RISK COMMITTEE (2) 10/3/2021,11/5/2021	2	2	NA	2	NA	NA	2	2	2
BOARD AUDIT COMMITTEE (3) 16/3/2021,20/04/2021,21/5/2021	3	3	NA	NA	3	3	NA	3	3
BOARD FINANCE COMMITTEE (2) 12/3/2021,17/5/2021	2	2	NA	NA	2	NA	NA	2	2
BOARD CREDIT & INVESTMENTS COMMITTEE (2) 11/3/2021,10/5/2021	2	NA	NA	NA	2	2	NA	2	2
BOARD CREDIT REVIEW COMMITTEE (2) 10/3/2021,11/5/2021	2	2	2	NA	NA	NA	2	2	NA

Key N/A Not a Member \* Executive Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED JUNE 30, 2021

			INFLATION ADJUSTED		HISTORICAL	
	Notes	Jun 21 ZWL	Jun 20 ZWL	Jun 21 ZWL	Jun 20 ZWL	
Interest income	5	313,732,085	135,629,050	295,821,557	40,173,796	
Interest expense	6	(35,747,489)	(13,879,388)	(33,683,147)	(3,777,853)	
Net interest income		277,984,596	121,749,662	262,138,410	36,395,943	
(Increase)/decrease in impairment losses on financial assets	10.6	(27,518,361)	(23,239,332)	(27,518,361)	(11,246,143)	
Net interest income after impairment losses		250,466,235	98,510,330	234,620,049	25,149,800	
Fees and commission income	7	764,245,797	477,728,489	719,818,080	145,097,312	
Dividend income		2,080,918	73,236	2,011,017	26,320	
Fair value gain/ (loss) on investment properties		136,106,535	(31,678,963)	136,106,535	61,661,054	
Other operating income	8	37,988,886	10,030,476	28,444,274	203,132	
Net operating income		1,190,888,371	554,663,568	1,120,999,955	232,137,618	
Operating expenses	9	(822,227,950)	(430,546,960)	(773,703,673)	(124,400,565)	
Operating profit for the period		368,660,421	124,116,608	347,296,282	107,737,053	
Monetary loss		(307,825,421)	(262,411,317)	-	-	
Net profit/(loss) for the period		60,835,000	(138,294,709)	347,296,282	107,737,053	
Other comprehensive income						
Items that will not be reclassified to profit or loss		-	-	-	-	
Fair value gain on financial assets at fair value through other comprehensive income		159,764,423	75,228,798	159,764,423	45,956,488	
Gain on revaluation of non-current assets		21,728,657	115,065,240	21,728,657	182,795,159	
Items that will be reclassified to profit or loss		-	-	-	-	
Total comprehensive income for the period		242,328,080	51,999,329	528,789,362	336,488,700	

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

INFLATION ADJUSTED			HISTORICAL	
Notes	Jun-21 ZWL	Dec-20 ZWL	Jun-21 ZWL	Dec-20 ZWL
ASSETS				
Cash and balances with banks	187,296,221	376,311,474	187,296,221	311,807,776
Balances with the Central Bank	469,074,712	722,178,576	469,074,712	598,389,662
Financial assets at amortised cost	10 2,625,495,086	1,436,890,939	2,625,495,086	1,190,592,897
Other assets	11 327,223,363	420,499,857	306,884,841	267,234,404
Financial assets at fair value through other comprehensive income	12.1 292,856,813	132,209,000	292,856,813	109,547,004
Investment properties	12.2 296,140,000	187,032,397	296,140,000	154,973,100
Property, plant and equipment	13 469,295,809	469,086,514	469,295,809	388,680,210
Right- of- Use Assets	14 45,692,214	29,692,674	33,969,965	12,176,978
Intangible assets	15 60,975,161	76,477,978	60,975,161	63,368,858
TOTAL ASSETS	4,774,049,379	3,850,379,409	4,741,988,608	3,096,770,889
LIABILITIES				
Customer deposits	16 2,774,256,499	2,102,707,047	2,774,256,499	1,742,281,204
Other liabilities	17 445,358,929	435,566,491	445,358,929	360,905,867
TOTAL LIABILITIES	3,219,615,428	2,538,273,538	3,219,615,428	2,103,187,071
CAPITAL AND RESERVES				
Share capital	18.1 816,624,644	816,624,644	48,349,746	48,349,746
Capital contribution	18.2 31,446,382	31,446,382	25,000,000	25,000,000
Mark-to-market reserves	18.3 216,079,515	71,801,768	208,372,295	64,094,548
Revaluation reserve	18.4 380,751,306	359,022,649	417,778,974	396,050,317
Functional currency translation reserve	18.5 -	-	16,584,225	16,584,225
Revenue reserves	18.6 109,532,104	33,210,428	806,287,940	443,504,982
TOTAL CAPITAL AND RESERVES	1,554,433,951	1,312,105,871	1,522,373,180	993,583,818
TOTAL EQUITY AND LIABILITIES	4,774,049,379	3,850,379,409	4,741,988,608	3,096,770,889



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## STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30JUNE 2021

	INFLATION ADJUSTED						
	Share capital	Capital contribution	Mark- to-market reserve	Revaluation reserves	Functional currency translation reserve	Revenue reserves	
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	Total ZWL
Balance at January 01, 2021	816,624,644	31,446,382	71,801,768	359,022,649	-	33,210,428	1,312,105,871
Profit for the period	-	-	-	-	-	60,835,000	60,835,000
Other comprehensive income							
Fair value gain of financial assets at fair value through other comprehensive income	-	-	159,764,423	-	-	-	159,764,423
Revaluation gain	-	-	-	21,728,657	-	-	21,728,657
Change in functional currency	-	-	-	-	-	-	-
Total other comprehensive income	-	-	159,764,423	21,728,657	-	-	181,493,080
Subtotal	-	-	159,764,423	21,728,657	-	60,835,000	242,328,080
Dividend	-	-	-	-	-	-	-
Increase in capital	-	-	-	-	-	-	-
Transfer to distributable reserves	-	-	(15,486,676)	-	-	15,486,676	-
Transfer to share capital	-	-	-	-	-	-	-
Balance at June 30, 2021	816,624,644	31,446,382	216,079,515	380,751,306	-	109,532,104	1,554,433,951

	Share capital	Capital contribution	Mark- to-market reserve	Revaluation reserves	Functional currency translation reserve	Revenue reserves	Total
	ZWL		ZWL	ZWL	ZWL	ZWL	ZWL
Balance at January 01, 2020	697,321,639	-	-	-	-	667,653,096	1,364,974,735
Loss for the period	-	-	-	-	-	(138,294,709)	(138,294,709)
Other comprehensive income							
Fair value gain of financial assets at fair value through other comprehensive income	-	-	75,228,798	-	-	-	75,228,798
Revaluation gain	-	-	-	115,065,240	-	-	115,065,240
Change in functional currency	-	-	-	-	-	-	-
Total other comprehensive income	-	-	75,228,798	115,065,240	-	-	190,294,038
Subtotal	-	-	75,228,798	115,065,240	-	(138,294,709)	51,999,329
Dividend	-	-	-	-	-	-	-
Increase in capital	-	-	-	-	-	-	-
Transfer to distributable reserves	-	-	-	-	-	-	-
Transfer to share capital	-	-	-	-	-	-	-
Balance at June 30, 2020	697,321,639	-	75,228,798	115,065,240	-	529,358,387	1,416,974,064

	HISTORICAL						
	Share capital	Capital contribution	Mark- to-market reserve	Revaluation reserves	Functional currency translation reserve	Revenue reserves	
	ZWL		ZWL	ZWL	ZWL	ZWL	Total ZWL
Balance at January 01, 2021	48,349,746	25,000,000	64,094,548	396,050,317	16,584,225	443,504,982	993,583,818
Profit for the period	-	-	-	-	-	347,296,282	347,296,282
Other comprehensive income							
Fair value gain of financial assets at fair value through other comprehensive income	-	-	159,764,423	-	-	-	159,764,423
Revaluation gain	-	-	-	21,728,657	-	-	21,728,657
Total other comprehensive income	-	-	159,764,423	21,728,657	-	-	181,493,080
Subtotal	-	-	159,764,423	21,728,657	-	347,296,282	528,789,362
Dividend	-	-	-	-	-	-	-
Increase in capital	-	-	-	-	-	-	-
Transfer to distributable reserves	-	-	(15,486,676)	-	-	15,486,676	-
Transfer to share capital	-	-	-	-	-	-	-
Balance at June 30, 2021	48,349,746	25,000,000	208,372,295	417,778,974	16,584,225	806,287,940	1,522,373,180

	Share capital	Capital contribution	Mark- to-market reserve	Revaluation reserves	Functional currency translation reserve	Revenue reserves	Tota
	ZWL		ZWL	ZWL	ZWL	ZWL	ZWL
Balance at January 01, 2020	23,349,746	-	4,600,349	98,567,881	16,584,225	109,012,337	252,114,538
Profit for the period	-	-	-	-	-	107,737,053	107,737,053
Other comprehensive income							
Fair value gain of financial assets at fair value through other comprehensive income	-	-	45,956,488	-	-	-	45,956,488
Revaluation gain	-	-	-	182,795,159	-	-	182,795,159
Change in functional currency	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-
Increase in capital	-	-	-	-	-	-	-
Transfer to distributable reserves	-	-	-	-	-	-	-
Transfer to share capital	-	-	-	-	-	-	-
Balance at June 30, 2020	23,349,746	-	50,556,837	281,363,040	16,584,225	216,749,390	588,603,238

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## STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2021

Notes	INFLATION ADJUSTED		HISTORICAL	
	Jun-21 ZWL	Jun-20 ZWL	Jun-21 ZWL	Jun-20 ZWL
<b>Cash flows from operating activities</b>				
Profit for the period	368,660,421	124,116,606	347,296,282	107,737,053
Net monetary loss	(307,825,421)	(262,411,317)	-	-
Adjustments for non- cash items	(79,813,778)	80,879,984	(71,276,941)	(41,398,095)
<b>Operating cash flow before changes in operating assets and liabilities</b>	<b>(18,978,778)</b>	<b>(57,414,727)</b>	<b>276,019,341</b>	<b>66,338,957</b>
Changes in operating assets and liabilities	(263,363,593)	(267,418,291)	(370,069,100)	69,643,704
<b>Net cash flows from operating activities</b>	<b>(282,342,371)</b>	<b>(324,833,018)</b>	<b>(94,049,759)</b>	<b>135,982,662</b>
Cash flows from investing activities	(159,776,746)	(59,294,485)	(159,776,746)	(23,958,423)
Cash flows from financing activities	-	-	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(442,119,117)</b>	<b>(384,127,503)</b>	<b>(253,826,505)</b>	<b>112,024,239</b>
Cash and cash equivalents at the beginning of the period	1,098,490,050	998,616,642	910,197,438	185,343,730
<b>Cash and cash equivalents at the end of the period</b>	<b>656,370,933</b>	<b>614,489,139</b>	<b>656,370,933</b>	<b>297,367,969</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2021

### 1. REPORTING ENTITY AND ITS NATURE OF BUSINESS

The People's Own Savings Bank is a corporate body established in terms of section 3 of the People's Own Savings Bank of Zimbabwe Act, [Chapter 24:22] of 1999, to provide savings, banking and financial services in Zimbabwe. The Bank accepts deposits that accumulate interest for the benefit of the depositors and all deposits are government guaranteed. The Bank is also a member of the Deposit Protection Board. The major risks which the Bank is exposed to include credit risk, interest rate risk, operational risk and compliance risk. The Bank's head office is at Causeway Building, Corner 3<sup>rd</sup> Street/Central Avenue, Harare, Zimbabwe.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

The interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2020.

The interim financial statements of the Bank for the six months ended 30 June 2021 were authorized for issue in accordance with a resolution of the directors on 24 August 2021.

#### 2.2 Basis of measurement

In accordance with the accounting policies of POSB and in compliance with the disclosure requirements of the POSB Act (Chapter 24:22), these Interim financial statements are based on the historical cost records which are restated to take account of inflation. In preparation of the inflation adjusted accounts, the following considerations have been taken into account:

**2.2.1** Hyperinflationary accounting requires transactions and balances of each reporting period to be presented in terms of the measuring unit current at the end of the reporting period in order to account for the effect of loss of purchasing power during the period. The Bank has elected to use the Zimbabwe Consumer Price Index (CPI) as the general price index to restate amounts as it provides an official indication of the change in the prices of goods and services.

The carrying amounts of non-monetary assets and liabilities carried at historic cost have been re-stated to reflect the change in the general price index from the date of acquisition to the end of the reporting period. No adjustment has been made for those non-monetary assets and liabilities measured at fair value. An impairment is recognised in profit or loss if the re-measured amount of a non-monetary asset exceeds the recoverable amount.

All items recognised in the statement of profit or loss and other comprehensive income are restated by applying the change in the monthly general price index when the items of income and expenses were initially earned or incurred.

Gains or losses on the net monetary position have been recognised as part of profit or loss in the statement of profit or loss and other comprehensive income.

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

Comparative amounts in the Statement of financial position are expressed in terms of the general price index at the end of the reporting period.

**2.2.2** The following general price indices and conversion factors have been used:

DATE	GENERAL PRICE INDEX	CONVERSION FACTOR
30 June 2021	2986.4	1.00
30 June 2020	1445.2	2.07
31 December 2020	2474.5	1.21
Average for 6/12 months to:		
30 June 2021	2788.72	
30 June 2020	918.47	
31 December 2020	1579.09	

Source: RBZ website

#### 2.3 Functional and presentation currency

These financial statements are presented in Zimbabwean dollars (ZWL) being the currency of the primary economic environment in which the Bank operates. Assets and liabilities denominated in other currencies are translated at the rate ruling at the Statement of financial position date. Transactions in other currencies are recorded at the exchange rate ruling at the date of the transaction. All exchange gains and/ or losses are taken to the Statement of profit or loss and other comprehensive income.

#### 2.4 Use of significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset and liability affected in future periods.

In the process of applying the Bank's accounting policies, management has made the following judgements, estimates and assumptions which have the most significant effect on the amounts recognized in the financial statements:

##### 2.4.1 Determination of the functional currency

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

Following this development, Management concluded that the Bank's functional currency remains the Zimbabwe dollar (ZWL) following its change From the United States dollar (USD) with effect from 22 February 2019.

##### 2.4.2 Valuation of Investment properties, intangible assets and property, plant and equipment

Significant judgements and estimates have been applied for the valuation of investment properties, intangible assets and property, plant and equipment. Valuations rely on historical market evidence for calculation of inputs. These include transaction prices for comparable properties, rents and capitalisation rates. Such market evidence does not exist at present to calculate ZWL values. As such, valuers adopted the approach of converting USD valuation inputs at the foreign exchange auction rate to calculate ZWL property values. This approach may result in overstatement of property values as a direct conversion of USD valuation inputs is likely to result in overstated ZWL property values. Furthermore, applying a conversion rate to USD valuation inputs to calculate ZWL property values may not be an accurate reflection of market dynamics.

##### 2.4.3 Fair value measurement principles

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market or most advantageous market at the statement of financial position date before deduction of transaction costs.

If a market price is not available, the fair value of a financial instrument is estimated using the discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is market related at the statement of financial position date for an instrument with similar terms and conditions.

Financial assets at fair value through other comprehensive income are carried at fair value based on their market price at the statement of financial position date. The fair value adjustment is adjusted for through the statement of profit or loss and other comprehensive income.

##### 2.4.4 Useful lives and residual values of property, plant and equipment

The Bank assesses useful lives and residual values of property, plant and equipment each year taking into account past experience and technology changes and no changes to these useful lives have been considered necessary during the period.

##### 2.4.5 Measurement of the Expected Credit Loss allowance

The measurement of the expected credit loss allowance for financial instruments measured at amortised cost is an area that requires the use of complex models and significant assumptions about the future economic conditions and credit behaviour. Explanations of the inputs, assumptions and estimation techniques used in measuring ECL is further explained in the credit risk note.

A number of significant judgements are also required in applying the accounting requirements for measuring the expected credit loss, as such:

##### i. Establishing groups of similar financial assets for the purpose of measuring expected credit losses

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances and investment securities measured at amortised cost with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individually impaired items cannot yet be identified.

##### ii. Determining the criteria for the determination of Significant Increase in Credit Risk

Different approaches can be used for different financial instruments when assessing significant increase in credit risk. An approach that does not include probability of default as an explicit input can be consistent with the impairment requirements as long as the Bank is able to separate the changes in the risk of a default occurring from changes in other drivers of Expected credit losses and considers the following when making the assessment:



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**NOTES TO THE FINANCIAL STATEMENTS****FOR THE HALF YEAR ENDED JUNE 30, 2021 (CONT)**

- The change in the risk of a default occurring since initial recognition

The Bank is required at each reporting date, to assess significant increases in credit risk based on the change in the risk of a default occurring over the expected life of the financial instrument rather than the change in the amount of ECLs.

In order to make the assessment of whether there has been significant credit deterioration, the Bank considers reasonable and supportable information that is available without undue cost or effort and compare:

- The risk of a default occurring on the financial instruments as at the reporting date; and
- The risk of a default occurring on the financial instrument as at the date of initial recognition.

For loan commitments, the Bank considers the following changes in the risk of a default occurring on the "potential" loan to which a loan commitment relates.

- The expected life of the financial instrument
- Reasonable and supportable information that is available without undue cost or effort that may affect credit risk

In addition, because of the relationship between the expected life and the risk of default occurring, the change in credit risk cannot be assessed simply by comparing the change in the absolute risk of default over time, because the risk of default usually decreases as time passes if the credit risk is unchanged.

IFRS 9 prescribes a "more than 30 days past due rebuttable presumption" which states that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. This is the most suitable approach in the determination of "SICR" for the Bank.

A decision tree based approach is adopted by the Bank in determining whether or not there has been a significant increase in credit risk at the reporting date relative to the origination date as follows;

- Check if the credit facility is not credit impaired at reporting date
- Check if credit facility has a low credit risk at reporting date
- Apply the 30 days past due rebuttable presumption to measure "SICR"
- i. Choosing models and assumptions used for the measurement of expected credit losses
- ii. Establishing the number and weightings of forward-looking information for each type of product and associated expected credit loss

Management considers factors such as credit quality, portfolio size, concentrations and economic factors to assess the need for collective loss allowances. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modeled and to determine the required input parameters, based on historical experience, current economic conditions, macroeconomic factors and forward looking information. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

**2.5 New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations adopted in the first half of year 2021:

**2.5.1 IFRS 16 Covid 19 – Related Rent Concessions (amendments) (IFRS 16)**

- The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a Covid-19 related rent concession is a lease modification.

The amendment to this standard is effective for annual reporting periods beginning on or after April 1, 2021. The Bank has adopted the amendment.

**2.6 New and amended standards and interpretations not yet effective**

The following new and amended standards and interpretations were in issue but are not yet effective:

**2.6.1 IAS 1 Disclosure of Accounting Policies (amendments) (IAS 1)**

- The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

The amendment was issued on 12 February 2021 and is effective in annual reporting period beginning on or after 1 January 2023.

**2.6.2 IAS 8 Definition of Accounting Estimates (amendments) (IAS 8)**

- The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "Monetary amounts in the financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The amendment was issued on 12 February 2021 and is effective in annual reporting period beginning on or after 1 January 2023.

**3.0 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used in the preparation of the interim financial statements are consistent with the ones used in the previous year, unless stated otherwise. A full set of the Bank's accounting policies are available in the Annual report, which is ready for inspection at the Bank's registered office.

**4. SEGMENT REPORTING**

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

**4.1 Segment Information**

The Bank operates in Zimbabwe only, therefore no geographical information is required to be disclosed. For management purposes, the Bank is organised into four operating segments based on products and services as follows:retail banking, corporate banking, treasury and head office operations.

	INFLATION ADJUSTED		HISTORICAL	
	Jun-21 ZWL	Jun-20 ZWL	Jun-21 ZWL	Jun-20 ZWL
<b>5.INTEREST INCOME</b>				
Money market assets	28,780,147	13,264,989	26,786,510	3,588,306
Corporate loans	25,384,733	3,387,672	23,722,367	990,438
Individual loans	236,839,916	105,095,848	223,925,825	31,496,392
Mortgage loans	9,055,840	2,984,963	8,483,952	895,782
SME loans	3,020,575	403,045	2,853,997	127,447
Microfinance loans	9,894,362	9,763,661	9,292,394	2,884,890
Other Interest	756,512	728,872	756,512	190,541
	<b>313,732,085</b>	<b>135,629,050</b>	<b>295,821,557</b>	<b>40,173,796</b>

**6. INTEREST EXPENSE**

	Jun-21 ZWL	Jun-20 ZWL	Jun-21 ZWL	Jun-20 ZWL
Individual accounts	3,656,255	4,075,821	3,423,473	871,921
Corporate accounts	1,675,702	1,091,470	1,570,501	335,116
Term deposits	30,334,627	8,606,585	28,613,864	2,539,687
SME deposits	80,905	105,512	75,309	31,129
	<b>35,747,489</b>	<b>13,879,388</b>	<b>33,683,147</b>	<b>3,777,853</b>

**7. FEES AND COMMISSION INCOME**

	Jun-21 ZWL	Jun-20 ZWL	Jun-21 ZWL	Jun-20 ZWL
Retail banking fees and commission	733,199,023	460,289,922	690,588,228	140,135,667
Credit related fees	17,995,466	10,156,607	16,900,744	2,890,324
Money Transfer Agency commission	13,051,308	7,281,960	12,329,108	2,071,321
	<b>764,245,797</b>	<b>477,728,489</b>	<b>719,818,080</b>	<b>145,097,312</b>

**8. OTHER OPERATING INCOME**

	Jun-21 ZWL	Jun-20 ZWL	Jun-21 ZWL	Jun-20 ZWL
Foreign exchange gain/(loss)	24,381,786	7,844,588	15,573,532	(425,227)
Discount income on treasury bills	40,234	1,397,263	37,500	364,883
Miscellaneous income	13,566,866	788,625	12,833,242	263,476
	<b>37,988,886</b>	<b>10,030,476</b>	<b>28,444,274</b>	<b>203,132</b>

**9. OPERATING EXPENSES**

	Jun-21 ZWL	Jun-20 ZWL	Jun-21 ZWL	Jun-20 ZWL
Staff costs	460,756,488	185,650,595	433,446,511	54,505,811
Agency fees	1,331,983	11,717,890	867,103	3,528,136
Administration expenses	297,986,591	194,439,520	277,820,822	55,529,849
Audit fees	8,572,957	734,180	8,260,723	213,194
Depreciation of property, plant and equipment	39,516,176	17,023,191	39,516,176	4,797,395
Depreciation of right of use assets	5,781,091	4,567,207	5,509,674	1,102,433
Amortisation of intangible assets	5,000,725	7,287,265	5,000,725	2,655,819
Profiton disposal of assets	856,831	9,127,112	856,831	2,067,928
Profit on disposal of financial assets at fair value through Other Comprehensive income	2,425,108	-	2,425,108	-
	<b>822,227,950</b>	<b>430,546,962</b>	<b>773,703,673</b>	<b>124,400,565</b>

**10. FINANCIAL ASSETS MEASURED AT AMORTISED COST****10.1 LOANS AND ADVANCES**

	INFLATION ADJUSTED		HISTORICAL	
	Jun-21 ZWL	Dec-20 ZWL	Jun-21 ZWL	Dec-20 ZWL
Individual loans	1,290,881,327	828,927,971	1,290,881,327	686,841,101
Corporate loans	259,220,634	186,581,540	259,220,634	154,599,525
Mortgage loans	40,027,500	41,598,889	40,027,500	34,468,407
Microfinance loans	49,747,508	29,893,486	49,747,508	24,769,432
SME and agribusiness loans	30,473,496	17,494,774	30,473,496	14,495,988
	<b>1,670,350,465</b>	<b>1,104,496,660</b>	<b>1,670,350,465</b>	<b>915,174,453</b>
Interest accrued	700,314	711,332	700,314	589,402
	<b>1,671,050,779</b>	<b>1,105,207,992</b>	<b>1,671,050,779</b>	<b>915,763,855</b>
Gross total				
Provision for impairment losses	(102,693,724)	(90,328,429)	(102,693,724)	(74,845,198)
	<b>1,568,357,055</b>	<b>1,014,879,563</b>	<b>1,568,357,055</b>	<b>840,918,657</b>

**10.2 MONEY MARKET ASSETS**

	Jun-21 ZWL	Dec-20 ZWL	Jun-21 ZWL	Dec-20 ZWL
Treasury bills	240,172,692	233,536,631	240,172,692	193,506,025
Debentures	41,878	50,541	41,878	41,878
Interbank placements	75,677,662	97,425,207	75,677,662	80,725,514
Non negotiable certificate of deposits	704,289,107	-	704,289,107	-
Commercial paper	-	60,343,504	-	50,000,000
	<b>1,020,181,339</b>	<b>391,355,883</b>	<b>1,020,181,339</b>	<b>324,273,417</b>



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Unaudited Financial Results for the half year ended 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2021 (CONT)

10.2 MONEY MARKET ASSETS (CONT)

	INFLATION ADJUSTED		HISTORICAL	
	Jun-21 ZWL	Dec-20 ZWL	Jun-21 ZWL	Dec-20 ZWL
Interest accrued	15,283,577	16,790,662	15,283,577	13,912,568
Gross total	1,035,464,916	408,146,545	1,035,464,916	338,185,985
Provision for impairment losses	(4,845,469)	(6,246,318)	(4,845,469)	(5,175,634)
	1,030,619,447	401,900,227	1,030,619,447	333,010,351

10.3 CAPITALISATION TREASURY BILLS

Treasury bills	15,680,000	18,923,723	15,680,000	15,680,000
Interest Accrued	1,084,444	1,187,426	1,084,444	983,889
Gross total	16,764,444	20,111,149	16,764,444	16,663,889
Provision for impairment losses	-	-	-	-
	16,764,444	20,111,149	16,764,444	16,663,889

10.4 AGENCY OUTSTANDING SETTLEMENTS

Outstanding net settlements	9,750,140	-	9,750,140	-
Provision for impairment losses	-	-	-	-
	9,750,140	-	9,750,140	-
TOTAL FINANCIAL ASSETS MEASURED AT AMORTISED COST	2,625,495,086	1,436,890,939	2,625,495,086	1,190,592,897

10.5 MATURITY ANALYSIS

10.5.1 LOANS AND ADVANCES

Maturing within 1 year	368,846,272	271,684,671	368,846,272	225,225,094
Maturing after 1 year but within 5 years	1,262,175,907	823,879,557	1,262,175,907	682,658,038
Maturing after 5 years	40,028,600	9,643,764	40,028,600	7,990,723
	1,671,050,779	1,105,207,992	1,671,050,779	915,873,855

10.5.2 MONEY MARKET ASSETS

Maturing within 1 year	1,034,722,124	406,666,669	1,034,722,124	336,959,775
Maturing after 1 year but within 5 years	48,493	57,168	48,493	47,369
Maturing after 5 years	724,299	1,422,708	724,299	1,178,841
	1,035,494,916	408,146,545	1,035,494,916	338,185,985

10.5.3 CAPITALISATION TREASURY BILLS

Maturing after 5 years	16,764,444	20,111,149	16,764,444	16,663,889
	16,764,444	20,111,149	16,764,444	16,663,889

10.5.4 OTHER RECEIVABLES (Agency outstanding settlements)

Maturing within 1 year	1,200,000	-	1,200,000	-
Maturing after 1 year but within 5 years	8,554,140	-	8,554,140	-
	9,754,140	-	9,754,140	-

The maturity analysis is based on the remaining periods to contractual maturity from period-end.

10.6. PROVISION FOR IMPAIRMENT ALLOWANCES FOR FINANCIAL ASSETS AT AMORTISED COST

	INFLATION ADJUSTED		HISTORICAL	
	Jun-21 ZWL	Dec-20 ZWL	Jun-21 ZWL	Dec-20 ZWL
At January 1, 2021	96,574,747	76,845,116	80,020,832	14,194,372
IAS 29 Adjustment	(16,553,915)	(59,714,354)	-	-
Increase/decrease in impairment losses	27,518,361	80,682,456	27,518,361	66,852,644
Corporate Lending	(30,980,393)	64,168,975	(30,980,393)	53,169,746
Individual Lending	58,828,919	12,572,806	58,828,919	10,417,696
Money Market Assets	(330,165)	3,940,675	(330,165)	3,265,202
Other Receivables	-	-	-	-
Bad debts written off	-	(1,238,471)	-	(1,026,184)
As at end of reporting period	107,539,193	96,574,747	107,539,193	80,020,832
Specific provisions	107,593,193	96,574,747	107,539,193	80,020,832
General provisions	-	-	-	-

10.6.1 PROVISION FOR IMPAIRMENT ALLOWANCES ON LOANS AND ADVANCES

	INFLATION ADJUSTED		Total ZWL
	Corporate lending ZWL	Individual Lending ZWL	
Jun-21			
At January 1, 2021	65,392,963	24,935,466	90,328,429
IAS 29 Adjustments	(11,209,033)	(4,274,198)	(15,483,231)
Charge for the period	(30,980,393)	58,828,919	27,848,526
Bad debts written off	-	-	-
As at June 30, 2021	23,203,537	79,490,187	102,693,724
Specific provisions	23,203,537	79,490,187	102,693,724
General provisions	-	-	-
	23,203,537	79,490,187	102,693,724
Dec-20			
At January 1, 2020	11,046,091	55,456,381	66,502,472
IAS 29 Adjustments	(8,583,632)	(43,093,721)	(51,677,353)
Charge for the period	64,168,975	12,572,806	76,741,781
Bad debts written off	(1,238,471)	-	(1,238,471)
As at December 31, 2020	65,392,963	24,935,466	90,328,429
Specific provisions	65,392,963	24,935,466	90,328,429
General provisions	-	-	-
	65,392,963	24,935,466	90,328,429

	HISTORICAL		Total ZWL
	Jun-21 ZWL	Dec-20 ZWL	
Jun-21			
At January 1, 2021	54,183,930	20,661,268	74,845,198
Charge for the period	(30,980,393)	58,828,919	27,848,526
Bad debts written off	-	-	-
As at June 30, 2021	23,203,537	79,490,187	102,693,724
Specific provisions	23,203,537	79,490,187	102,693,724
General provisions	-	-	-
	23,203,537	79,490,187	102,693,724
Dec-20			
At January 1, 2020	2,040,368	10,243,572	12,283,940
Charge for the period	53,169,746	10,417,696	63,587,442
Bad debts written off	(1,026,184)	-	(1,026,184)
As at December 31, 2020	54,183,930	20,661,268	74,845,198
Specific provisions	54,183,930	20,661,268	74,845,198
General provisions	-	-	-
	54,183,930	20,661,268	74,845,198

10.6.2. PROVISION FOR IMPAIRMENT ALLOWANCES ON MONEY MARKET ASSETS

	INFLATION ADJUSTED		HISTORICAL	
	Jun-21 ZWL	Dec-20 ZWL	Jun-21 ZWL	Dec-20 ZWL
At January 1	6,246,318	10,342,647	5,175,634	1,910,432
Impact of adopting IFRS 9	(1,070,684)	(8,037,004)	-	-
Adjusted balance as at 1 January	5,175,634	2,305,643	5,175,634	1,910,432
Charge for the period	(330,165)	3,940,675	(330,165)	3,265,202
As at end of period	4,845,469	6,246,318	4,845,469	5,175,634
Specific provisions	4,845,469	6,246,318	4,845,469	5,175,634
	4,845,469	6,246,318	4,845,469	5,175,634

10.6.3 PROVISION FOR IMPAIRMENT ALLOWANCES ON OTHER RECEIVABLES

	Jun-21 ZWL	Dec-20 ZWL	Jun-21 ZWL	Dec-20 ZWL
At January 1	-	-	-	-
Impact of adopting IFRS 9	-	-	-	-
Adjusted balance as at 1 Jan 2019	-	-	-	-
Charge for the period	-	-	-	-
As at end of period	-	-	-	-
Specific provisions	-	-	-	-
	-	-	-	-

11. OTHER ASSETS

	INFLATION ADJUSTED		HISTORICAL	
	Jun-21 ZWL	Dec-20 ZWL	Jun-21 ZWL	Dec-20 ZWL
Accounts receivable	180,018,914	211,787,339	180,018,914	175,484,788
Prepayments	93,918,963	76,418,358	81,269,356	46,364,831
Inventory	53,285,486	132,294,160	45,596,571	45,384,785
	327,223,363	420,499,857	306,884,841	267,234,404



**USD cash collection available in all 32 POSB branches.**



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2021 (CONT)

## 12. FINANCIAL ASSETS MEASURED AT FAIR VALUE

## INFLATION ADJUSTED

**Fair value measurements at the end of the reporting period using**

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Jun-21	ZWL	ZWL	ZWL	ZWL
<b>Recurring fair value measurements</b>				
<b>Equity securities:</b>				
Communication	97,383,769	-	-	97,383,769
Financial services industry	-	-	11,742,909	11,742,909
Manufacturing industry	120,880,996	-	-	120,880,996
Other	62,849,139	-	-	62,849,139
<b>Total equity securities</b>	<b>281,113,904</b>	<b>-</b>	<b>11,742,909</b>	<b>292,856,813</b>
<b>Investment properties:</b>				
Residential - Bulawayo	-	-	-	-
Residential - Harare	-	36,400,000	-	36,400,000
Commercial - Kwekwe	-	13,000,000	-	13,000,000
Residential - Harare	-	232,440,000	-	232,440,000
Commercial Masvingo	-	14,300,000	-	14,300,000
		<b>296,140,000</b>		<b>296,140,000</b>
<b>Total recurring fair value measurement</b>	<b>281,113,904</b>	<b>296,140,000</b>	<b>11,742,909</b>	<b>588,996,813</b>

### Fair value measurements at the end of the reporting period using

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Dec-20	ZWL	ZWL	ZWL	ZWL
<b>Recurring fair value measurements</b>				
<b>Equity securities:</b>				
Communication	44,024,807	-	-	44,024,807
Financial services industry	-	-	13,660,755	13,660,755
Manufacturing industry	56,562,026	-	-	56,562,026
Other	17,961,412	-	-	17,961,412
<b>Total equity securities</b>	<b>118,548,245</b>	<b>-</b>	<b>13,660,755</b>	<b>132,209,000</b>
<b>Investment properties:</b>				
Residential - Bulawayo	-	-	-	-
Residential - Harare	-	25,266,646	-	25,266,646
Commercial - Kwekwe	-	6,908,848	-	6,908,848
Residential - Harare	-	142,026,184	-	142,026,184
Commercial Masvingo	-	12,830,719	-	12,830,719
		<b>187,032,397</b>		<b>187,032,397</b>
<b>Total recurring fair value measurement</b>	<b>118,548,245</b>	<b>187,032,397</b>	<b>13,660,755</b>	<b>319,241,397</b>

## HISTORICAL

**Fair value measurements at the end of the reporting period using:**

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Jun-21	ZWL	ZWL	ZWL	ZWL
<b>Recurring fair value measurements</b>				
<b>Equity securities:</b>				
Communication	97,383,769	-	-	97,383,769
Financial services industry	-	-	11,742,909	11,742,909
Manufacturing industry	120,880,996	-	-	120,880,996
Other	62,849,139	-	-	62,849,139
<b>Total equity securities</b>	<b>281,113,904</b>	<b>-</b>	<b>11,742,909</b>	<b>292,856,813</b>
<b>Investment properties:</b>				
Residential - Bulawayo	-	-	-	-
Residential - Harare	-	36,400,000	-	36,400,000
Commercial - Kwekwe	-	13,000,000	-	13,000,000
Residential - Harare	-	232,440,000	-	232,440,000
Commercial Masvingo	-	14,300,000	-	14,300,000
		<b>296,140,000</b>		<b>296,140,000</b>
<b>Total recurring fair value measurement</b>	<b>281,113,904</b>	<b>296,140,000</b>	<b>11,742,909</b>	<b>588,996,813</b>

### Fair value measurements at the end of the reporting period using

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Dec-20	ZWL	ZWL	ZWL	ZWL
<b>Recurring fair value measurements</b>				
<b>Equity securities:</b>				
Communication	36,478,498	-	-	36,478,498
Financial services industry	-	-	11,319,160	11,319,160
Manufacturing industry	46,866,707	-	-	46,866,707
Other	14,882,639	-	-	14,882,639
<b>Total equity securities</b>	<b>98,227,844</b>	<b>-</b>	<b>11,319,160</b>	<b>109,547,004</b>
<b>Investment properties:</b>				
Residential - Bulawayo	-	-	-	-
Residential - Harare	-	20,935,680	-	20,935,680
Commercial - Kwekwe	-	5,724,600	-	5,724,600
Residential - Harare	-	117,681,420	-	117,681,420
Commercial Masvingo	-	10,631,400	-	10,631,400
	-	<b>154,973,100</b>	-	<b>154,973,100</b>
<b>Total recurring fair value measurement</b>	<b>98,227,844</b>	<b>154,973,100</b>	<b>11,319,160</b>	<b>264,520,104</b>

## 12.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	INFLATION ADJUSTED		HISTORICAL	
	Jun-21	Dec-20	Jun-21	Dec-20
	ZWL	ZWL	ZWL	ZWL
Opening balance	132,209,000	31,918,002	109,547,004	5,895,703
IAS 29 Adjustment	(22,661,996)	(24,802,655)		-
Additions	42,468,747	51,050,814	42,468,747	42,300,174
Disposals	(19,347,109)	-	(19,347,109)	-
Fair value gain/(loss)	159,764,422	71,801,768	159,764,422	59,494,199
Foreign exchange gain/(loss) on foreign shares	423,749	2,241,071	423,749	1,856,928
<b>Closing balance</b>	<b>292,856,813</b>	<b>132,209,000</b>	<b>292,856,813</b>	<b>109,547,004</b>

All quoted financial assets at fair value through other comprehensive income are recorded at fair value as at the reporting period. Unquoted financial assets at fair value through other comprehensive income are recorded at fair value using a valuation technique based on unobservable inputs and/ or assumptions.

## 12.2 INVESTMENT PROPERTIES

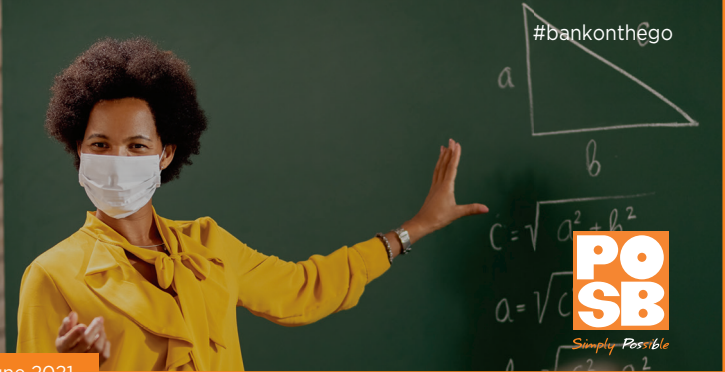
	INFLATION ADJUSTED		HISTORICAL	
	Jun-21	Dec-20	Jun-21	Dec-20
	ZWL	ZWL	ZWL	ZWL
Opening balance	187,032,397	257,287,296	154,973,100	47,524,575
IAS 29 Adjustment	(32,059,297)	(199,931,308)	-	-
Additions	5,060,365	525,107	5,060,365	435,098
Transfer from property, plant & equipment	-	1,210,937	-	1,003,370
Transfer to property, plant & equipment	-	(1,805,478)	-	(1,496,000)
Fair value gain	136,106,535	129,745,843	136,106,535	107,506,057
<b>Closing balance</b>	<b>296,140,000</b>	<b>187,032,397</b>	<b>296,140,000</b>	<b>154,973,100</b>

Investment properties were accounted for using the fair value model. In respect of the closing balances, valuations were carried out as at June 30 2021 by Sworn appraisers, Amazon Real Estate Agents P/L and these were based on market values.

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Unaudited Financial Results for the half year ended 30 June 2021

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2021 (CONT)

### 13. PROPERTY, PLANT AND EQUIPMENT

#### INFLATION ADJUSTED

	Land & Buildings ZWL	Motor vehicles ZWL	Computer equipment ZWL	Furniture & Fittings ZWL	Office EquipmentZWL	June-21 ZWL	Dec-20 ZWL
Opening carrying amount	197,276,739	140,244,711	62,069,327	49,675,960	19,819,777	469,086,514	435,515,827
Gross carrying amount	197,276,739	140,244,711	62,069,327	49,675,960	19,819,777	469,086,514	435,515,827
Accumulated depreciation	-	-	-	-	-	-	-
IAS 29 Adjustment	(33,815,283)	(24,039,402)	(10,639,328)	(8,514,975)	(3,397,316)	(80,406,304)	(338,428,095)
Revaluation gain	7,199,466	4,677,677	4,658,605	1,744,005	841,876	19,121,629	338,247,353
Disposals	-	(950,332)	(56,355)	-	-	(1,006,887)	(5,864,115)
Transfer from investment properties	-	-	-	-	-	-	1,805,478
Transfer to investment properties	-	-	-	-	-	-	(1,210,937)
Additions at cost	-	33,323,525	57,512,101	154,632	11,026,775	102,017,033	65,920,084
Depreciation	(1,861,753)	(15,106,660)	(17,004,933)	(2,055,342)	(3,487,484)	(39,516,176)	(26,899,081)
Closing carrying amount	168,799,169	138,149,319	96,539,417	41,004,276	24,803,628	469,295,809	469,086,514
Gross carrying amount	168,799,169	138,149,319	96,539,417	41,004,276	24,803,628	469,295,809	469,086,514
Accumulated depreciation	-	-	-	-	-	-	-

#### HISTORICAL

	Land & Buildings ZWL	Motor Vehicles ZWL	HISTORICAL Computer Equipment ZWL	Furniture and Fittings ZWL	Office Equipment ZWL	Jun-21 ZWL	Dec-20 ZWL
Opening carrying amount	163,461,456	116,208,309	51,429,999	41,160,985	16,422,461	388,680,210	80,445,887
Gross carrying amount	163,461,456	116,208,309	51,429,999	41,160,985	16,422,461	388,680,210	80,445,887
Accumulated depreciation	-	-	-	-	-	-	-
Revaluation gain	7,199,466	4,677,677	4,658,605	1,744,005	841,876	19,121,629	280,268,241
Disposals	-	(950,332)	(56,355)	-	-	(1,006,887)	(4,858,945)
Additions at cost	-	33,323,525	57,512,101	154,632	11,026,775	102,017,033	54,620,695
Transfer from investment properties	-	-	-	-	-	-	1,496,000
Transfer to investment properties	-	-	-	-	-	-	(1,003,370)
Depreciation	(1,861,753)	(15,106,660)	(17,004,933)	(2,055,346)	(3,487,484)	(39,516,176)	(22,288,298)
Closing carrying amount	168,799,169	138,149,319	96,539,417	41,004,276	24,803,628	469,295,809	388,680,210
Gross carrying amount	168,799,169	138,149,319	96,539,417	41,004,276	24,803,628	469,295,809	388,680,210
Accumulated depreciation	-	-	-	-	-	-	-

### 14. RIGHT OF USE ASSETS

#### INFLATION ADJUSTED

#### HISTORICAL

	Jun-21 ZWL	Dec-20 ZWL	Jun-21 ZWL	Dec-20 ZWL
Carrying amount at 1 January	29,692,674	15,065,060	12,176,978	2,782,728
Modifications	21,780,631	21,298,436	-	-
Additions	-	-	27,302,661	13,027,194
Depreciation	(5,509,674)	(6,670,822)	(5,509,674)	(3,632,944)
Closing balance	45,692,214	29,692,674	33,969,965	12,176,978

### 17. OTHER LIABILITIES

Interest payable on deposits	17.1	7,684,024	3,935,546	7,684,024	3,260,952
Accounts payable		308,729,245	366,695,360	308,729,245	303,839,964
Provisions		61,166,067	25,693,151	61,166,067	21,289,078
Deferred fee income		31,641,627	23,108,707	31,641,627	19,147,634
Lease Liability		36,137,966	16,133,727	36,137,966	13,368,239
		445,358,929	435,566,491	445,358,929	360,905,867

#### 17.1 INTEREST PAYABLE ON DEPOSITS

Individual accounts	2,367,530	682,749	2,367,530	565,719
Corporate accounts	769,097	413,976	769,097	343,016
Term deposits	4,547,397	2,838,821	4,547,397	2,352,217
	7,684,024	7,684,024	7,684,024	3,260,952

### 15. INTANGIBLE ASSETS

#### INFLATION ADJUSTED

#### HISTORICAL

	Jun-21 ZWL	Dec-20 ZWL	Jun-21 ZWL	Dec-20 ZWL
Opening carrying amount	76,477,978	276,364,738	63,368,858	51,048,446
Gross carrying amount	76,477,978	276,364,738	63,368,858	51,048,446
Accumulated amortisation	-	-	-	-
IAS 29 Adjustment	(13,109,120)	(214,755,896)	-	-
Foreign exchange gain	-	(358)	-	(296)
Revaluation gain	2,607,028	20,775,294	2,607,028	17,214,193
Additions	-	568,141	-	470,755
Amortisation charge during the year	(5,000,725)	(6,473,941)	(5,000,725)	(5,364,240)
Closing carrying amount	60,975,161	76,477,978	60,975,161	63,368,858
Gross carrying amount	60,975,161	76,477,978	60,975,161	63,368,858
Accumulated amortisation	-	-	-	-

#### INFLATION ADJUSTED

#### HISTORICAL

	Jun-21 ZWL	Dec-20 ZWL	Jun-21 ZWL	Dec-20 ZWL
Individual accounts	1,483,874,165	1,411,097,283	1,483,874,165	1,169,220,543
Corporate accounts	815,534,022	418,661,623	815,534,022	346,898,669
Term deposits	474,848,312	272,948,141	474,848,312	221,161,992
	2,774,256,499	2,102,707,047	2,774,256,499	1,742,281,204

### 18. SHARE CAPITAL AND RESERVES

#### 18.1 Share capital

	INFLATION ADJUSTED		HISTORICAL	
	Jun-21 ZWL	Dec-20 ZWL	Jun-21 ZWL	Dec-20 ZWL
<b>Authorised</b>				
50 million Ordinary shares at ZWL1 each	50,000,000	50,000,000	50,000,000	50,000,000
<b>Issued and fully paid</b>				
Ordinary shares at ZWL1 each	816,624,644	816,624,644	48,349,746	48,349,746

Issued and fully paid share capital comprised of 48,349,746 (2020: 48,349,746) ordinary shares at ZWL1 each.

#### 18.2 Mark- to-market reserve

The mark to market reserve includes the cumulative net change in the fair value of equity investments classified as financial assets at fair value through other comprehensive income. When such equity instruments are de-recognized, the related cumulative amount in the mark- to- market reserve is transferred to retained earnings.

#### 18.3 Revaluation reserve

The revaluation reserve arose from the net change in the value of properties and equipment as a result of a revaluation exercise carried out in the period under review.



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Unaudited Financial Results for the half year ended 30 June 2021

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2021 (CONT)

### 18.4 Functional currency translation reserve

This arose from the change in functional currency from the United States dollar to the Zimbabwe dollar in 2018

	INFLATION ADJUSTED		HISTORICAL	
	Jun-21 ZWL	Dec-20 ZWL	Jun-21 ZWL	Dec-20 ZWL
Opening balance	-	-	16,584,225	16,584,225
Adjustment	-	-	-	-
Change in functional currency	-	-	-	-
Closing balance	-	-	16,584,225	16,584,225

### 18.5 Revenue reserve

Revenue reserves are created from retained earnings or accumulated profits of the Bank. Any dividend paid has the effect of reducing revenue reserves.

	INFLATION ADJUSTED		HISTORICAL	
	Jun-21 ZWL	Dec-20 ZWL	Jun-21 ZWL	Dec-20 ZWL
Opening balance	33,210,428	579,712,800	443,504,982	109,012,337
Profit/(Loss) for the period	60,835,000	(524,912,207)	347,296,282	352,382,031
Dividend paid	-	(21,590,165)	-	(17,889,386)
Transfer from Mark-to-market reserve	15,486,676	-	15,486,676	-
Closing balance	109,532,104	33,310,428	806,287,940	443,504,982

## 19. PENSION ARRANGEMENTS

### 19.1 Defined benefit pension plan

The Bank contributes to a defined benefit plan which is administered by the Communication and Allied Industry Pension Fund (CAIPF). The fund is run collectively for the former Posts and Telecommunications companies.

Employees' benefits are determined by the length of their service and the participating entities have no realistic means of withdrawing from the plan without paying a contribution for the benefits earned by employees up to the date of withdrawal. Such a plan creates actuarial risk for the entity; if the ultimate cost of benefits already earned at the end of the reporting period is more than expected, the entity will have either to increase its contributions or to persuade employees to accept a reduction in benefits.

The Bank has accounted for the defined benefit plan as if it were a defined contribution plan because sufficient information is not available to use defined benefit accounting in line with the requirements of IAS 19, as it is not possible for the pension fund to allocate the plan assets to each of the contributing companies separately.

### 19.2 NSSA Pension

The National Social Security Authority which is a defined contribution fund was introduced on October 1, 1994 and with effect from that date all employees are members of the National Pension Scheme, to which both the Bank and its employees contribute.

Total amount charged through the statement of profit or loss and other comprehensive income during the period under review amounted to ZWL954,968 (2020: ZWL156,910).

## 20. EMPLOYEES

The average number of permanent persons employed by the Bank during the reporting period was 378 (December 2020: 369).

## 21. RELATED PARTY DISCLOSURES

### 21.1.1 Compensation to key management personnel

	INFLATION ADJUSTED		HISTORICAL	
	Jun-21 ZWL	Jun-20 ZWL	Jun-21 ZWL	Jun-20 ZWL
Short term employee benefits	49,572,660	23,375,688	46,204,397	6,503,591
Termination benefits	-	-	-	-
Post- employment benefits	5,883,056	1,378,314	5,483,326	383,475
	55,455,716	24,754,002	51,687,723	6,887,066

### 21.1.2 Loans to key management personnel of the Bank

	INFLATION ADJUSTED		HISTORICAL	
	Jun-21 ZWL	Dec-20 ZWL	Jun-21 ZWL	Dec-20 ZWL
Mortgage loans	7,455,593	2,380,706	7,455,593	1,972,628
Personal loans	13,120,518	14,042,392	13,120,518	11,635,380
	20,576,111	16,423,098	20,576,111	13,608,008

Key management personnel refers to the Bank's executive management team which consists of the Chief Executive Officer, the Chief Finance Officer, the Chief Risk Officer, the Company Secretary and Legal Advisor, the Divisional Director – Retail Banking, the Divisional Director – Corporate and Investment Banking, the Human Capital Director, the Chief Information Officer, the Chief Compliance Officer, the Head - Internal Audit, the Marketing and Public Relation Executive, the Procurement Executive and the Treasury Executive.

Mortgage and personal loans are contractual and their repayments are up to date.

### 21.2 Non- executive directors' fees

	Jun-21 ZWL	Jun-20 ZWL	Jun-21 ZWL	Jun-20 ZWL
Fees and other emoluments	1,220,658	843,767	1,168,020	216,250
	1,220,658	843,767	1,168,020	216,250

Board fees relate to retainer and sitting fees paid to the following six non-executive directors:

- I. Ndlovu (Acting Board chairman)
- O Jambwa ( Board member)
- I Mvere (Board member)
- M Mureriwa (Board member)
- C Nyamutswa (Board member)
- N.C. Chindomu (Board member)

### 21.3 Loans to non-executive directors

The Bank had no outstanding loans due from non-executive directors (2020: Nil).

### 21.4 TERMS AND CONDITIONS OF RELATED PARTY TRANSACTIONS

The Bank had no outstanding loans to non-executive directors as at June 30, 2021.

## 22. RISK MANAGEMENT AND CONTROL

### Overview of the Bank's risk management philosophy

The Bank methodically analyses and addresses all risks perceived to have a significant bearing on its operations with the ultimate goal of achieving sustained benefits. To this end, the bank has embraced the Enterprise Risk Management approach to ensure risks are holistically managed. Continued compliance with Basel requirements promotes stronger risk management and governance practices. In addition, periodic stress tests are conducted to assess the bank's vulnerability to severe market conditions with the view of coming up with proactive measures. In this regard, the bank has a Quantitative Analysis Section to facilitate in-depth modelling and analysis.

In line with the anti-money laundering and counter financing of terrorism (AML/CFT) standards, the bank is mandated to carry out periodic risk assessments. In this regard, the bank carries out AML/CFT risk assessments to identify and assess the risks it is exposed to with the view of determining the appropriate risk based control measures. The bank also conducts periodic risk management campaigns to continuously remind and equip staff on money laundering and other risk issues.

While increase in use of plastic money and other digital payment platforms is a positive development due to the cash crisis prevailing in the economy and the Covid-19 pandemic, this has been exploited by fraudsters resulting in an upward trajectory in the rate of cybercrime. To curtail this risk, the bank is now EMV certified and rolling out of chip and pin based cards is in progress. In the same vein, the bank conducts vulnerability assessment and penetration tests (VAPT) annually with the view of enhancing information systems controls.

To assure continuation of the bank's core activities before, during, and most importantly after a major crisis event, the bank has a comprehensive business continuity and disaster recovery plan that is periodically tested and enhanced.

The IFRS 9 model used for computation of expected credit losses (ECL) has been successfully recalibrated to align model variables to the prevailing operating environment. This exercise is done annually to ensure there is consistency in ECLs computations.

The bank has independent compliance and audit functions to ensure compliance with regulatory and statutory requirements. Through relevant Committees, the Board plays an important oversight role in ensuring a robust risk management philosophy.

### 22.2 Risk measurement and reporting systems

Risk assessment is based on probability of occurrence and severity of impact with the view of coming up with appropriate remedial actions.

The bank's risk management process encompasses the following dimensions:

- Identification;
- Measurement;
- Controlling and
- Monitoring.

### 22.3 Compliance

The Bank has an independent compliance function that ensures the bank complies with regulatory and statutory requirements. To this end, a comprehensive compliance template has been put in place to ensure all compliance issues are closely monitored and enforced. Through periodic risk management campaigns, the Bank continuously reminds and equips staff on anti-money laundering and other risky issues.

### 22.4 Excessive risk concentration

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. In order to avoid excessive concentration risk, the Bank has set limits for its lending to ensure that an acceptable ratio is maintained between customer deposits and lending. These lending limits are also broken down into business sector limits to ensure the Bank is not over-exposed in any single business sector. Exposures are monitored on a daily basis and monthly using monthly management reports. Prudent sanctioning of any new lending is a key mitigating factor.

### 22.5 Credit risk

Credit risk is principally controlled by establishing and enforcing authorization limits and by defining exposure levels to counterparties. Periodic monitoring of positions ensures that both prudential and internal thresholds are not exceeded thereby managing concentration risk. The Bank also remains cautious in its lending business to minimize exposure.

#### 22.5.1 Governance and IFRS 9 project management

The adoption of IFRS 9 was a significant initiative for the Bank, involving substantial finance, risk management and technology resources. The project was managed through a strong governance structure across risk management, finance, technology, and the business units.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2021 (CONT)

22.5.1 Governance and IFRS 9 project management (cont)

The Bank’s existing system of internal controls will continue to be refined and revised when it is required to meet all the requirements of IFRS 9. The Bank has applied many components of its existing governance framework to ensure that appropriate validations and controls are in place over new key processes and significant areas of judgment. Adoption of IFRS 9 in 2018 resulted in revisions to accounting policies and procedures, changes and amendments to internal control documents, applicable credit risk manuals, development of new risk models and associated methodologies and new processes within risk management.

Impact on Governance and Controls

As part of the implementation of IFRS 9, the Bank designed and implemented new controls and governance procedures in several areas that contribute to the calculation of expected credit losses. These include controls over credit risk data and systems, expected credit loss models and calculation engine, forecasts of future macroeconomic variables, design and probability-weighting of future macroeconomic scenarios, and the determination of significant increases in credit risk. In addition to the existing risk management framework, management established an IFRS 9 implementation Committee to provide oversight to the IFRS 9 impairment process. The IFRS 9 implementation Committee comprised of senior representatives from Finance, Risk Management and Economics and is responsible for reviewing and approving key inputs and assumptions used in our expected credit loss estimates. It also assesses the appropriateness of the overall allowance results to be included in our financial statements. The IFRS 9 committee structure, with underlying key controls, went into operation in 2018.

After the adoption of IFRS 9, expected loss models have been used for both regulatory capital and accounting purposes. Under both models, expected losses are calculated as the product of PD, LGD and EAD. However, there are several key differences under current Basel rules which could lead to significantly different expected loss estimates:

- Basel PDs are based on long-run averages over an entire economic cycle. IFRS 9 PDs are based on current conditions, adjusted for estimates of future conditions that will impact PD under several probability-weighted macroeconomic scenarios.
- Basel PDs consider the probability of default over the next 12 months. IFRS 9 PDs consider the probability of default over the next 12 months only for instruments in Stage 1. Expected credit losses for instruments in Stage 2 are calculated using lifetime PDs.
- Basel LGDs are based on severe but plausible downturn economic conditions. IFRS 9 LGDs are based on current conditions, adjusted for estimates of future conditions that will impact LGD under several probability-weighted macroeconomic scenarios.

Impacts on Capital Planning

IFRS 9 will impact the Bank’s reported capital as a result of the adjustment recorded in shareholders’ equity on adoption of the standard. The Bank’s regulator, Reserve Bank of Zimbabwe, did not establish a transitional arrangement.

22.5.2 Exposure to credit risk

The bank’s total exposure to credit risk as of June 30, 2021 was ZWL 2.733 billion (Dec 2020: ZWL1.271 billion) before taking account of collateral of ZWL 557.85 million (Dec 2019: ZWL212.44 billion) net of such protection.

22.5.2.1 Concentrations of credit risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk by class of financial assets is shown in the table below:

INFLATION ADUSTED

June 2021	Loans and advances ZWL	Treasury investments ZWL	Other receivables ZWL
Carrying amount	1,671,050,779	1,035,464,916	9,754,140
Amount committed	1,671,050,779	1,035,464,916	9,754,140
Concentration by sector			
Corporate	259,241,198	48,493	9,754,140
Individual	1,291,486,667	-	-
Mortgage	40,028,600	-	-
Microfinance	49,773,727	-	-
SME and Agribusiness	30,520,587	-	-
Government	-	-	-
Central Bank	-	943,175,291	-
Other Banks	-	92,241,132	-
Total	1,671,050,779	1,035,464,916	9,754,140

Dec 2020	Loans and advances ZWL	Treasury investments ZWL	Other receivables ZWL
Carrying amount	1,105,207,992	408,146,545	-
Amount committed	1,105,207,992	408,146,545	-
Concentration by sector			
Corporate	186,614,905	57,169	-
Individual	829,557,208	-	-
Mortgage	41,600,217	-	-
Microfinance	29,893,486	-	-
SME and Agribusiness	17,542,176	-	-
Government	-	-	-
Central Bank	-	308,926,025	-
Other Banks	-	99,163,351	-
Total	1,105,207,992	408,146,545	-

HISTORICAL

June 2021	Loans and advances ZWL	Treasury investments ZWL	Other receivables ZWL
Carrying amount	1,671,050,779	1,035,464,916	9,754,140
Amount committed	1,671,050,779	1,035,464,916	9,754,140
Concentration by sector			
Corporate	259,241,198	48,493	9,754,140
Individual	1,291,486,667	-	-
Mortgage	40,028,600	-	-
Microfinance	49,773,727	-	-
SME and Agribusiness	30,520,587	-	-
Government	-	-	-
Central Bank	-	943,175,291	-
Other Banks	-	92,241,132	-
Total	1,671,050,779	1,035,464,916	9,754,140

Dec 2020	Loans and advances ZWL	Treasury investment ZWL	Other receivables ZWL
Carrying amount	915,763,855	338,185,985	-
Amount committed	915,763,855	338,185,985	-
Concentration by sector			
Corporate	154,627,171	47,369	-
Individual	687,362,480	-	-
Mortgage	34,469,507	-	-
Microfinance	24,769,432	-	-
SME and Agribusiness	14,535,265	-	-
Government	-	-	-
Central Bank	-	255,972,894	-
Other Banks	-	82,165,722	-
Total	915,763,855	338,185,985	-

Treasury investments excludes Capitalisation treasury bills.

22.5.2.2 Significant Increase in Credit Risk

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

The objective is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The risk of default occurring at origination of the financial asset, with
- The risk of default occurring at the reporting date.

The Bank applies the 30 days past due rebuttable presumption to measure significant increase in credit risk , thus credit risk on a financial asset is assumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due.

Using its credit judgment and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

The Bank has not used the low credit risk exemption for any financial instruments in the period ended 30 June 2021.

22.5.2.3 Credit Risk Grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring of the respective exposures involves the following:

- Client audited financial statements, management accounts and budgets
- Client’s past performance of other previously availed facilities to determine repayment behaviour
- Client’s source of income to assess ability to repay loan
- Client’s trade reference checks
- Client’s credit rating using credit rating score card
- Client’s employment status, duration of employment and position

22.5.2.4 Modified Financial Assets

The contractual terms of a loan may be modified for a number of reasons, some of which are;

- Re-financing of an existing impaired loan as means of rehabilitating the obligor where it is concluded that there is strong evidence the obligor requires more funding for operations to break even, make positive cash flows and enable repayment of the loan. This is mostly performed in instances where additional collateral from the borrower has been identified and is pledged on the loan.
- Issuing of a new loan to a known delinquent obligor based on the fact that the new loan has adequate collateral although there is strong evidence the obligor may default based on past performance.

An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out.



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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED JUNE 30, 2021 (CONT)

#### 22.5.2.4 Modified Financial Assets (cont)

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- the risk of default occurring at origination based on the original contractual terms, with
- the risk of default occurring at the reporting date based on the modified terms.

At the reporting date, the Bank recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit impaired financial assets. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank shall measure the loss allowance for that financial instrument at an amount equal to 12 month expected credit losses.

If the credit risk on that financial instrument has increased significantly since initial recognition, the Bank shall measure the loss allowance for such a financial instrument at an amount equal to the lifetime expected credit losses.

A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

#### 22.5.2.5 Definition of Default

In line with regulatory requirement, the Bank considers a financial asset to be in default when the obligor is past due more than 90 days on any material credit obligation to the Bank. In assessing whether a borrower is in default, the Bank considers the following elements:

- The credit obligation has been put on a non-accrued interest status;
- The Bank has recognised a specific credit adjustment resulting from a significant perceived decline in credit quality subsequent to the Bank taking on the exposure;
- The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness or postponement of principal, interest or relevant fees;
- The Bank has filed for the obligor's bankruptcy or a similar order in respect of an obligor's credit obligation to the Bank and
- The obligor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of a credit obligation to the Bank.

#### 22.5.2.6 Incorporation of Forward Looking Information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Forward looking information in the form of macroeconomic forecasts was not considered in the determination of ECL and in the determination of significant increase in credit risk as the forward looking information failed to pass the statistical tests that would enable the Bank to accurately determine the correlations between probability of default changes and changes in macro-economic conditions.

The following macro variables were taken into consideration, but failed to pass the statistical test;

- Inflation
- Gross domestic product
- Unemployment
- Corporate tax
- Personal income tax

#### 22.5.2.7 Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

#### 22.5.2.7.1 Basis of inputs and assumptions and the estimation techniques used to measure ECL

- **Stage 1:** A 12 month expected loss provision is held by the Bank for all performing book assets which have not deteriorated significantly in quality since origination.
- **Stage 2:** A lifetime expected loss provision is held by the Bank against assets that have experienced significant increase in credit risk but for which there is not yet objective evidence of impairment
- **Stage 3:** A lifetime expected loss provision is held by the Bank for assets for which there is objective evidence of impairment, similar to the provision under the incurred loss model.

PD is an estimate of the likelihood of default over a given time horizon. PD estimates are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The following table shows the PD percentages which were applied to each internal credit risk grade as at 30 June 2021.

Internal credit rating table

Internal Credit Rating	Description	Average 12 Months PDs	
		June 2021	Dec 2020
1	Pass- Prime Grade	0.04	0.19
2	Pass - Strong	0.05	0.38
3	Pass - Satisfactory	0.31	0.15
4	Special Mention - Moderate	0.21	0.48
5	Special Mention - Fair	0.55	0.10
6	Special Mention - Speculative	0.30	0.76
7	Special Mention - Speculative	1.00	1.00
8	Substandard	1.00	1.00
9	Doubtful	1.00	1.00
10	Loss	1.00	0.91

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for overdrafts that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where ECL assessments are carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include instrument type and risk grading. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

#### 22.5.2.8 Reconciliation of loss allowance relating to financial assets subsequently measured at amortised cost

##### 22.5.2.8.1 Expected Credit loss allowances for loans and advances measured at amortised cost

The following table presents a reconciliation from the opening balance to the closing balance of the loss allowance for loans and advances at amortised cost and how significant changes in gross carrying amount contributed to changes in the loss allowance:

#### INFLATION ADJUSTED

June 2021	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
<b>LOANS AND ADVANCES</b>								
<b>At 1 January 2021</b>	<b>1,059,952,831</b>	<b>61,312,898</b>	<b>4,533,471</b>	<b>218,463</b>	<b>40,721,690</b>	<b>28,797,068</b>	<b>1,105,207,992</b>	<b>90,328,429</b>
IAS 29 Adjustment	(181,686,933)	(10,509,667)	(777,084)	(37,447)	(6,980,120)	(4,936,117)	(189,444,137)	(15,483,231)
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	(17,540,402)	(1,086,703)	-	-	(141,388)	(87,545)	(17,681,790)	(1,174,248)
Changes due to Modifications that did not result in Derecognition	(4,858,569)	(208,262)	(1,812,926)	(34,153)	-	-	(6,671,495)	(242,415)
Changes in Models or Risk Parameters	(96,366,065)	(24,493,969)	(119,297,352)	(11,020,805)	(137,234,821)	(9,061,060)	(352,898,238)	(44,575,834)
New Financial Assets or originated purchase	952,658,548	51,362,674	139,076,369	13,556,898	135,032,222	14,226,837	1,226,767,139	79,146,409
Derecognition	(92,219,930)	(3,523,400)	(619,383)	(14,174)	(1,388,045)	(1,766,478)	(94,227,358)	(5,304,052)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	(567,384)	(567,384)	(12,443)	(12,443)	(278,705)	(278,705)	(858,532)	(858,532)
Recoveries of amounts previously written off	567,384	567,384	12,443	12,443	277,371	277,371	857,198	857,198
<b>At 30 June 2021</b>	<b>1,619,939,480</b>	<b>72,853,571</b>	<b>21,103,095</b>	<b>2,668,782</b>	<b>30,008,204</b>	<b>27,171,371</b>	<b>1,671,050,779</b>	<b>102,693,742</b>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2021 (CONT)

22.5.2.8.1 Expected Credit loss allowances for loans and advances measured at amortised cost (cont)

Dec 2020	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
LOANS AND ADVANCES								
At 1 January 2020	712,061,125	19,350,773	43,840,922	3,041,083	61,767,067	44,110,616	817,669,114	66,502,472
IAS 29 Adjustment	(553,324,298)	(15,036,985)	(34,067,647)	(2,363,147)	(47,997,592)	(34,277,220)	(635,389,537)	(51,677,352)
Transfer to Lifetime ECL (Not Credit- Impaired)	(14,385)	(68)	-	-	(5)	(5)	(14,390)	(73)
Transfer to Lifetime ECL (Credit-Impaired)	(287,765)	(9,725)	(1,440)	-	-	-	(289,205)	(9,725)
Changes due to Modifications that did not result in Derecognition	(27,920,094)	(613,563)	(7,715,128)	(463,899)	24,893,066	16,373,976	(10,742,156)	15,296,514
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	1,001,177,399	59,554,601	5,157,447	188,857	8,151,577	7,739,698	1,014,486,423	67,483,156
Derecognition	(71,739,151)	(1,932,135)	(2,680,683)	(184,431)	(4,826,183)	(3,883,757)	(79,246,017)	(6,000,323)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	(1,266,240)	(1,266,240)	(1,266,240)	(1,266,240)
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2020	1,059,952,831	61,312,898	4,533,471	218,463	40,721,690	28,797,068	1,105,207,992	90,328,429

HISTORICAL

June 2021	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
LOANS AND ADVANCES								
At 1 January 2021	878,265,898	50,803,231	3,756,387	181,016	33,741,570	23,860,951	915,763,855	74,845,198
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	(17,540,402)	(1,086,703)	-	-	(141,388)	(87,545)	(17,681,790)	(1,174,248)
Changes due to Modifications that did not result in Derecognition	(4,858,569)	(208,262)	(1,812,926)	(34,153)	-	-	(6,671,495)	(242,415)
Changes in Models or Risk Parameters	(96,366,065)	(24,493,969)	(119,297,352)	(11,020,805)	(137,234,821)	(9,061,060)	(352,898,238)	(44,575,834)
New Financial Assets or originated purchase	952,658,548	51,362,674	139,076,369	13,556,898	135,032,222	14,226,837	1,226,767,139	79,146,409
Derecognition	(92,219,930)	(3,523,400)	(619,383)	(14,174)	(1,388,045)	(1,766,478)	(94,227,358)	(5,304,052)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	(567,384)	(567,384)	(12,443)	(12,443)	(278,705)	(278,705)	(858,532)	(858,532)
Recoveries of amounts previously written off	567,384	567,384	12,443	12,443	277,371	277,371	857,198	857,198
At 30 June 2021	1,619,939,480	72,853,571	21,103,095	2,668,782	30,008,204	27,171,371	1,671,050,779	102,693,742

Dec 2020	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
LOANS AND ADVANCES								
At 1 January 2020	131,527,685	3,574,359	8,098,034	561,731	11,409,244	8,147,850	151,034,963	12,283,940
Transfer to Lifetime ECL (Not Credit- Impaired)	(11,919)	(56)	-	-	(4)	(4)	(11,923)	(60)
Transfer to Lifetime ECL (Credit-Impaired)	(238,439)	(8,058)	(1,193)	-	-	-	(239,632)	(8,058)
Changes due to Modifications that did not result in Derecognition	(23,134,300)	(508,392)	(6,392,675)	(384,382)	20,626,136	13,567,306	(8,900,839)	12,674,532
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	829,565,186	49,346,325	4,273,407	156,485	6,754,312	6,413,033	840,592,905	55,915,843
Derecognition	(59,442,315)	(1,600,947)	(2,221,186)	(152,818)	(3,998,925)	(3,218,041)	(65,662,426)	(4,971,806)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	(1,049,193)	(1,049,193)	(1,049,193)	(1,049,193)
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2020	878,265,898	50,803,231	3,756,387	181,016	33,741,570	23,860,951	915,763,855	74,845,198

22.5.2.8.2 Expected Credit loss allowances for treasury investments measured at amortised cost

The following table presents a reconciliation from the opening balance to the closing balance of the loss allowance for treasury investments measured at amortised cost and how significant changes in gross carrying amount contributed to changes in the loss allowance:

INFLATION ADJUSTED

June 2021	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
At 1 January 2021	406,990,939	5,090,712	-	-	1,155,606	1,155,606	408,146,545	6,246,318
IAS 29 Adjustment	(69,762,477)	(876,601)	-	-	(198,083)	(198,083)	(69,960,560)	(1,070,684)
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	11,139,717	139,298	-	-	-	-	11,139,717	139,298
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	941,878,071	2,727,273	-	-	-	-	941,878,071	2,727,273
Derecognition	(255,458,997)	(2,916,876)	-	-	(279,860)	(279,860)	(255,738,857)	(3,196,736)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 30 June 2021	1,034,787,253	4,167,806	-	-	677,663	677,663	1,035,464,916	4,845,469



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22.5.2.8.2 Expected Credit loss allowances for treasury investments measured at amortised cost (cont)

Dec 2020	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
At 1 January 2020	423,320,618	5,158,834	-	-	5,183,813	5,183,813	428,504,431	10,342,647
IAS 29 Adjustment	(328,951,509)	(4,008,796)			(4,028,207)	(4,028,207)	(332,979,716)	(8,037,003)
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	(4,045,670)	(21,048)			-	-	(4,045,670)	(21,048)
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	402,948,137	5,036,731	-	-	-	-	402,948,137	5,036,731
Derecognition	(86,280,637)	(1,075,009)	-	-	-	-	(86,280,637)	(1,075,009)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2020	406,990,939	5,090,712	-	-	1,155,606	1,155,606	408,146,545	6,246,318

HISTORICAL								
June 2021	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
At 1 January 2021	337,228,462	4,218,111	-	-	957,523	957,523	338,185,985	5,175,634
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	11,139,717	139,298	-	-	-	-	11,139,717	139,298
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	941,878,071	2,727,273	-	-	-	-	941,878,071	2,727,273
Derecognition	(255,458,997)	(2,916,876)	-	-	(279,860)	(279,860)	(255,738,857)	(3,196,736)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 30 June 2021	1,034,787,253	4,167,806	-	-	677,663	677,663	1,035,464,916	4,845,469

Dec 2020	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
At 1 January 2020	78,193,260	952,909	-	-	957,523	957,523	79,150,783	1,910,432
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	(3,352,200)	(17,440)	-	-	-	-	(3,352,200)	(17,440)
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	333,878,641	4,173,383	-	-	-	-	333,378,641	4,173,383
Derecognition	(71,491,239)	(890,741)	-	-	-	-	(71,491,239)	(891,741)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2020	337,228,462	4,218,111	-	-	957,523	957,523	338,185,985	5,175,634

Capitalisation treasury bills were not subjected to the ECL allowance calculation.

22.5.2.8.3 Expected Credit loss allowances for other receivables measured at amortised cost

The following table presents a reconciliation from the opening balance to the closing balance of the loss allowance for other receivables (Agency outstanding net deposits) measured at amortised cost and how significant changes in gross carrying amount contributed to changes in the loss allowance:

INFLATION ADJUSTED								
June 2021	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
At 1 January 2021	-	-	-	-	-	-	-	-
IAS 29 Adjustment					-	-	-	-
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	-	-			9,754,140	-	9,754,140	-
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	-	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-	-
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 30 June 2021	-	-	-	-	9,754,140	-	9,754,140	-

# Youth

## Account

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## FOR THE HALF YEAR ENDED JUNE 30, 2021 (CONT)

#### 22.5.2.8.3 Expected Credit loss allowances for other receivables measured at amortised cost (cont)

Dec 2020	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
<b>At 1 January 2020</b>	-	-	-	-	<b>27,429,848</b>	-	<b>27,429,848</b>	-
IAS 29 Adjustment					(21,315,026)	-	(21,315,026)	-
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	-	-			(6,114,822)	-	(6,114,822)	-
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	-	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-	-
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
<b>At 31 December 2020</b>	-	-	-	-	-	-	-	-

## HISTORICAL

June 2021	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
<b>At 1 January 2021</b>	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	-	-			9,754,140	-	9,754,140	-
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	-	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-	-
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
<b>At 30 June 2021</b>	-	-	-	-	<b>9,754,140</b>	-	<b>9,754,140</b>	-

Dec 2020	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
At 1 January 2020	-	-	-	-	5,066,678	-	5,066,678	-
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	-	-			(5,066,678)	-	(5,066,678)	-
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	-	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-	-
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2020	-	-	-	-	-	-	-	-

#### 22.5.2.8.4 Allowances for Credit losses on financial assets measured at fair value through other comprehensive income

The following loss allowances have been accumulated in other comprehensive income for financial assets measured at fair value through other comprehensive income

Category	2021	2020
Loss allowance for financial assets measured at fair value through other comprehensive income	Nil	Nil

### 22.5.3 Credit quality Analysis

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amount represented is gross of impairment allowances.

#### 22.5.3.1 Credit quality by internal grades

INFLATION AD JUSTED						
Jun-21	Neither past due nor impaired					
Type of financial asset	High grade	Standard Grade	Substandard Grade	Past due but not impaired	Impaired	Total
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Loans and advances	1,635,868,974	20,594,272	2,961,586	2,989,995	8,635,952	1,671,050,779
Interbank placements	91,563,470	-	-	-	677,662	92,241,132
Treasury bills	255,560,628	-	-	-	-	255,650,628

### 22.5.3.1 Credit quality by internal grades (cont)

Non negotiable certificate of deposits	704,289,107	-	-	-	-	704,289,107
Government bonds	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-
Debentures	48,493	-	-	-	-	48,493
Other receivables	-	-	-	-	9,754,140	9,754,140
<b>Total Credit exposure</b>	<b>2,687,420,672</b>	<b>20,594,272</b>	<b>2,961,586</b>	<b>2,989,995</b>	<b>19,067,754</b>	<b>2,733,034,279</b>

## Dec-20

**Neither past due nor impaired**

Type of financial asset	High grade	Standard Grade	Substandard Grade	Past due but not impaired	Impaired	Total
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Loans and advances	1,068,540,791	243,711	174,821	561,119	35,687,551	1,105,207,993
Interbank placements	98,287,749	-	-	-	875,601	99,163,350
Treasury bills	260,534,899	-	-	-	-	260,534,899
Non negotiable certificate of deposits	-	-	-	-	-	-



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2021 (CONT)

22.5.3.1 Credit quality by internal grades (cont)

Government bonds	68,502,276	-	-	-	-	68,502,276
Commercial paper	-	-	-	-	-	-
Debentures	57,168	-	-	-	-	57,168
Other receivables	-	-	-	-	-	-
<b>Total Credit exposure</b>	<b>1,495,922,883</b>	<b>243,711</b>	<b>174,821</b>	<b>561,119</b>	<b>36,563,152</b>	<b>1,533,465,686</b>

HISTORICAL

Jun-21 Type of financial asset	Neither past due nor impaired					Total
	High grade	Standard Grade	Substandard Grade	Past due but not impaired	Impaired	
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Loans and advances	1,635,868,974	20,594,272	2,961,586	2,989,995	8,635,952	1,671,050,779
Interbank placements	91,563,470	-	-	-	677,662	92,241,132
Treasury bills	255,560,628	-	-	-	-	255,650,628
Non negotiable certificate of deposits	704,289,107	-	-	-	-	704,289,107
Government bonds	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-
Debentures	48,493	-	-	-	-	48,493
Other receivables	-	-	-	-	9,754,140	9,754,140
<b>Total Credit exposure</b>	<b>2,687,420,672</b>	<b>20,594,272</b>	<b>2,961,586</b>	<b>2,989,995</b>	<b>19,067,754</b>	<b>2,733,034,279</b>

Dec-20 Type of financial asset	Neither past due nor impaired					Total
	High grade	Standard Grade	Substandard Grade	Past due but not impaired	Impaired	
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Loans and advances	885,381,793	201,936	144,855	464,937	29,570,334	915,763,855
Interbank placements	81,440,208	-	-	-	725,514	82,165,722
Treasury bills	215,876,509	-	-	-	-	215,876,509
Government bonds	-	-	-	-	-	-
Commercial paper	56,760,274	-	-	-	-	56,760,274
Debentures	47,369	-	-	-	-	47,369
Other receivables	-	-	-	-	-	-
<b>Total Credit exposure</b>	<b>1,239,506,153</b>	<b>201,936</b>	<b>144,855</b>	<b>464,937</b>	<b>30,295,848</b>	<b>1,270,613,729</b>

The following tables set out information about the credit quality of financial assets measured at amortised cost (Loans and advances, treasury investments and other receivables). Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

22.5.3.2 Credit quality of financial assets measured at amortised cost

INFLATION ADJUSTED

	12- Month ECL	Life time ECLNot credit impaired	Lifetime ECL Credit impaired	Purchased/ originated Credit impaired	Total
Jun-21	ZWL	ZWL	ZWL	ZWL	ZWL
Financial assets at amortised cost (loans and advances)					
Grades 1:Standard	1,619,691,333	2,329,356	13,848,285	-	1,635,868,974
Grades 2:Special mention	135,173	18,762,978	1,696,121	-	20,594,272
Grade 3:Substandard	-	-	2,961,586	-	2,961,586
Grade4: Doubtful	-	-	2,989,995	-	2,989,995
Grade 5: Loss	-	-	8,635,952	-	8,635,952
<b>Carrying amount</b>	<b>1,619,826,506</b>	<b>21,092,334</b>	<b>30,131,939</b>	<b>-</b>	<b>1,671,050,779</b>
Financial assets at amortised cost (Treasury investments)					
Grades 1:Standard	1,034,787,254	-	-	-	1,034,787,254
Grades 2:Special mention	-	-	-	-	-
Grade 3:	-	-	-	-	-
Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	677,662	-	677,662
<b>Carrying amount</b>	<b>1,034,787,254</b>	<b>-</b>	<b>677,662</b>	<b>-</b>	<b>1,035,464,916</b>

22.5.3.2 Credit quality of financial assets measured at amortised cost (cont)

Financial assets at amortised cost (Agency outstanding net deposits)					
Grades 1: Standard	-	-	-	-	-
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	9,754,140	-	9,754,140
<b>Carrying amount</b>		<b>-</b>	<b>9,754,140</b>	<b>-</b>	<b>9,754,140</b>

	12- Month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit impaired	Purchased/ originated Credit impaired	Total
Dec 2020	ZWL	ZWL	ZWL	ZWL	ZWL
Financial assets at amortised cost (loans and advances)					
Grades 1:Standard	1,071,239,622	1,540,601	9,159,048	-	1,081,939,271
Grades 2: Special mention	89,402	12,409,553	1,121,789	-	13,620,744
Grade 3: Substandard	-	-	1,958,749	-	1,958,749
Grade4: Doubtful	-	-	1,977,538	-	1,977,538
Grade 5: Loss	-	-	5,711,690	-	5,711,690
<b>Carrying amount</b>	<b>1,071,329,024</b>	<b>13,950,154</b>	<b>19,928,814</b>	<b>-</b>	<b>1,105,207,992</b>

Financial assets at amortised cost (Treasury investments)					
Grades 1: Standard	406,990,939	-	-	-	406,990,939
Grades 2: Special mention	-	-	-	-	-
Grade 3:	-	-	-	-	-
Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	1,155,606	-	1,155,606
<b>Carrying amount</b>	<b>406,990,939</b>	<b>-</b>	<b>1,155,606</b>	<b>-</b>	<b>408,146,545</b>

Financial assets at amortised cost (Agency outstanding net deposits)					
Grades 1: Standard	-	-	-	-	-
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	-	-	-
<b>Carrying amount</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

HISTORICAL

	12- Month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit impaired	Purchased/ originated Credit impaired	Total
Jun-21	ZWL	ZWL	ZWL	ZWL	ZWL
Financial assets at amortised cost (loans and advances)					
Grades 1: Standard	1,619,691,333	2,329,356	13,848,285	-	1,635,868,974
Grades 2:Special mention	135,173	18,762,978	1,696,121	-	20,594,272
Grade 3:Substandard	-	-	2,961,586	-	2,961,586
Grade4: Doubtful	-	-	2,989,995	-	2,989,995
Grade 5: Loss	-	-	8,635,952	-	8,635,952
<b>Carrying amount</b>	<b>1,619,826,506</b>	<b>21,092,334</b>	<b>30,131,939</b>	<b>-</b>	<b>1,671,050,779</b>

Financial assets at amortised cost (Treasury investments)					
Grades 1: Standard	1,034,787,254	-	-	-	1,034,787,254
Grades 2:Special mention	-	-	-	-	-
Grade 3:	-	-	-	-	-
Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	677,662	-	677,662
<b>Carrying amount</b>	<b>1,034,787,254</b>	<b>-</b>	<b>677,662</b>	<b>-</b>	<b>1,035,464,916</b>

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Unaudited Financial Results for the half year ended 30 June 2021

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2021 (CONT)

22.5.3.2 Credit quality of financial assets measured at amortised cost (cont)

Financial assets at amortised cost (Agency outstanding net deposits)					
Grades 1:Standard	-	-	-	-	-
Grades 2:Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	9,754,140	-	9,754,140
Carrying amount		-	9,754,140	-	9,754,140

	12- Month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit impaired	Purchased/ originated Credit impaired	Total
Dec 2020	ZWL	ZWL	ZWL	ZWL	ZWL
Financial assets at amortised cost (loans and advances)					
Grades 1: Standard	878,205,965	3,733,241	3,442,587	-	885,381,793
Grades 2: Special mention	1,203	23,146	177,587	-	201,936
Grade 3: Substandard	312	-	144,543	-	144,855
Grade4: Doubtful	10,985	-	453,952	-	464,937
Grade 5: Loss	47,435	-	29,522,899	-	29,570,334
Carrying amount	878,265,900	3,756,387	33,741,568	-	915,763,855
Financial assets at amortised cost (Treasury investments)					
Grades 1: Standard	337,228,462	-	-	-	337,228,462
Grades 2: Special mention	-	-	-	-	-
Grade 3:	-	-	-	-	-
Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	957,523	-	957,523
Carrying amount	337,228,462	-	957,523		338,185,985
Financial assets at amortised cost (Agency outstanding net deposits)					
Grades 1: Standard	-	-	-	-	-
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	-	-	-
Carrying amount	-	-	-	-	-

Treasury investments exclude Capitalisation treasury bills.

22.5.4 Collateral held

The Bank holds collateral and other credit enhancements against its credit exposures.

The following table sets out the maximum exposure on financial instruments within the scope of IFRS 9's impairment model to credit risk as well as the impact of collateral and other credit enhancements on credit risk:

Jun-21

Credit exposure per class of financial instrument	Maximum exposure to credit risk	Recognised loss allowance	Collateral held as security	Other credit enhancements	Principal type of collateral held
Loans and advances	1,671,050,779	102,693,724	420,150,140	-	Mortgage bond over immovable property
Treasury investments	1,052,229,360	4,845,469	137,700,000	-	Treasury bills, Government bonds, Savings bonds
Other receivables	9,754,140	-	8,320,000	-	Mortgage bond over immovable property

22.5.4 Collateral held (cont)

Dec-20

Credit exposure per class of financial instrument	Maximum exposure to credit risk	Recognised loss allowance	Collateral held as security	Other credit enhancements	Principal type of collateral held
Loans and advances	915,763,855	74.845,198	124,437,654	-	Mortgage bond over immovable property, Marketable securities
Treasury investments	354,849,874	5,175,634	88,000,000	-	Treasury bills
Other receivables	-	-	-	-	-

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are as follows:

- For money market assets, treasury bills are held
- For loans and advances, mortgage bonds over immovable properties, cash covers, treasury bills and notarial general covering bonds are held.
- For other receivables, mortgage bonds over immovable properties are held.

The Bank held collateral as detailed below:

	Jun-21 ZWL	Dec-20 ZWL
Mortgage bonds over immovable property	420,150,140	74,437,654
Marketable securities	-	50,000,000
Treasury bills	137,700,000	88,000,000
Government bonds	-	-
Savings bonds	-	-
	557,850,140	212,437,654

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

22.5.4.1 Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances and held the year end are shown in the table below.

Nature of collateral obtained	2021 (Carrying value)	2020 (Carrying value)
Immovable property	NIL	NIL

It is the Bank's policy to dispose of repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The Bank did not take possession of collateral in the form of immovable property during the year (Nil: 2020).

22.5.5 Carrying amount of assets whose terms have been renegotiated

The Bank did not have any re-negotiated loans during the year (2020: Nil).

22.6 Liquidity risk

This is the risk of the Bank being unable to meet its current and future financial obligations timely. Liquidity risk is inherent in the mismatch caused by borrowing short and lending long. In acute situations, it is evidenced by failure to repay depositors on demand or inability to fund proceeds of credit that has been extended.

In the management of this risk, the Bank endeavors to preserve reliable, stable and cost effective sources of funds in order to timely meet all financial obligations as they fall due. The Bank considers high quality assets, strong earnings and solid capital adequacy ratios as key for its success. The Bank also maintains a portfolio of liquid assets comprising inter-Bank placements and marketable securities that are easily convertible into cash, in its readiness for unforeseen and short term demands on liquidity.

The Bank's management of liquid assets is designed to ensure adequate liquidity even in very highly stressed scenarios. The Bank also manages this risk through adherence to assets and liability management processes and requirements which are driven by the relevant management and Board committees.

22.6.1 Liquid asset ratio

The Bank is required to keep a minimum regulatory liquidity ratio of 30%, according to Reserve Bank of Zimbabwe guidelines. The liquid asset ratio was 57% as at 30 June 2021 (67%: December 2020). Capitalisation treasury bills are excluded from liquid assets.

22.6.2 Liquidity Gap Analysis

The following liquidity gap analysis shows the extent to which the Bank was exposed to liquidity risk as at June 30, 2021;

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2021 (CONT)

### 22.6.2 Liquidity Gap Analysis (cont)

INFLATION ADJUSTED						
Jun-21	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Total
ASSETS	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Cash and cash equivalents	656,370,933	-	-	-	-	656,370,933
Advances	66,632,684	57,920,869	244,292,719	1,262,175,907	40,028,600	1,671,050,779
Investments	780,850,239	89,003,166	164,838,718	16,812,938	724,299	1,052,229,360
	1,503,853,856	146,924,035	409,131,437	1,278,988,845	40,752,899	3,379,651,072
LIABILITIES						
Deposits	1,239,518,277	272,017,061	420,761,230	841,959,931	-	2,774,256,499
	1,239,518,277	272,017,061	420,761,230	841,959,931	-	2,774,256,499
Liquidity gap	264,335,579	(125,093,026)	(11,629,793)	437,028,914	40,752,899	605,394,573
Cumulative gap	264,335,579	139,242,553	127,612,760	564,641,674	605,394,573	-
Dec-20	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Total
ASSETS	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Cash and cash equivalents	1,098,490,050	-	-	-	-	1,098,490,050
Advances	21,622,821	5,718,821	244,343,028	823,879,557	9,643,765	1,105,207,992
Investments	62,526,125	144,434,766	199,705,778	20,168,317	1,422,708	428,257,694
	1,182,638,996	150,153,587	444,048,806	844,047,874	11,066,473	2,631,955,736
LIABILITIES						
Deposits	909,458,876	216,582,263	322,848,958	653,816,950	-	2,102,707,047
	909,458,876	216,582,263	322,848,958	653,816,950	-	2,102,707,047
Liquidity gap	273,180,120	(66,428,676)	121,199,848	190,230,924	11,066,473	529,248,689
Cumulative gap	273,180,120	206,751,444	327,951,292	518,182,216	529,248,689	-
HISTORICAL						
Jun-21	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Total
ASSETS	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Cash and cash equivalents	656,370,933	-	-	-	-	656,370,933
Advances	66,632,684	57,920,869	244,292,719	1,262,175,907	40,028,600	1,671,050,779
Investments	780,850,239	89,003,166	164,838,718	16,812,938	724,299	1,052,229,360
	1,503,853,856	146,924,035	409,131,437	1,278,988,845	40,752,899	3,379,651,072
LIABILITIES						
Deposits	1,239,518,277	272,017,061	420,761,230	841,959,931	-	2,774,256,499
	1,239,518,277	272,017,061	420,761,230	841,959,931	-	2,774,256,499
Liquidity gap	264,335,579	(125,093,026)	(11,629,793)	437,028,914	40,752,899	605,394,573
Cumulative gap	264,335,579	139,242,553	127,612,760	564,641,674	605,394,573	-
Dec-20	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Total
ASSETS	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Cash and cash equivalents	910,197,438	-	-	-	-	910,197,438
Advances	17,916,445	4,738,556	202,460,093	682,658,038	7,990,723	915,763,855
Investments	51,808,497	119,677,146	165,474,132	16,711,258	1,178,841	354,849,874
	979,922,380	124,415,702	367,934,225	699,369,296	9,169,564	2,180,811,167
LIABILITIES						
Deposits	753,568,172	179,457,812	267,509,291	541,745,929	-	1,742,281,204
	753,568,172	179,457,812	267,509,291	541,745,929	-	1,742,281,204
Liquidity gap	226,354,208	(55,042,110)	100,424,934	157,623,367	9,169,564	438,529,963
Cumulative gap	226,354,208	171,312,098	271,737,032	429,360,399	438,529,963	-

### 22.7 Market risk

Market risk is the potential impact on earnings caused by unfavorable changes in market prices, interest rates and foreign exchange rates.

### 22.8 Price risk

Equity price risk is the possibility of loss arising from adverse movements in equity prices due to market volatility. This has the effect of affecting the fair value of scrip investments and hence the size of the Bank's statement of financial position and shareholder's value.

Changes on the equity market would have effect on financial assets at fair value through other comprehensive income and mark-to-market reserves on the Statement of financial position through fluctuations in the fair values of the equities as shown in the information below

INFLATION ADJUSTED			
Jun-21	Fair value as at 30-06-21 ZWL	10% increase in price ZWL	5% Decrease in price ZWL
Financial assets at fair value through other comprehensive income	292,856,813	322,142,494	278,213,972
Increase/(decrease)		29,285,682	(14,642,841)
Dec-20	Fair value as at 31-12-20 ZWL	10% increase in price ZWL	5% Decrease in price ZWL
Financial assets at fair value through other comprehensive income	132,209,000	145,429,900	125,598,549
Increase/(decrease)		13,220,900	(6,610,450)
HISTORICAL			
Jun-21	Fair value as at 30-06-2021 ZWL	10% increase in price ZWL	5% Decrease in price ZWL
Financial assets at fair value through other comprehensive income	292,856,813	322,142,494	278,213,972
Increase/(decrease)		29,285,682	(14,642,841)
Dec-20	Fair value as at 31-12-2020 ZWL	10% increase in price ZWL	5% Decrease in price ZWL
Financial assets at fair value through other comprehensive income	109,547,004	120,501,704	104,069,653
Increase/(decrease)		10,954,700	(5,477,350)

### 22.9 Interest rate risk

This mostly emanates from re-pricing risk. This risk relates to the timing differences between the ability to adjust rates earned on assets or those paid on liabilities to changes in market interest rates, which would result in a negative impact on interest income.

While there are no absolute measures to control the effects of interest rate movements, protection is offered by managing the maturity profile of customer balances and investment holdings and maintaining margins, wherever possible, as changes occur. The Bank manages interest rate exposures through limits, policy guidelines and control mechanisms as well as tools and techniques formulated by the Assets and Liability committee. Amongst the tools used to measure and manage interest rate risk exposures are the gap analysis, duration matching and use of the rate sensitive assets to rate sensitive liabilities ratio (RSA/RSL) ratio.

#### 22.9.1 Interest Rate Re-pricing Gap Analysis

The following interest rate re-pricing gap analysis shows the extent to which the Bank was exposed to interest rate risk as at June 30, 2021;

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Unaudited Financial Results for the half year ended 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED JUNE 30, 2021 (CONT)

22.9.1 Interest Rate Re-pricing Gap Analysis (cont)

INFLATION ADJUSTED

Jun-2021	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Non- interest bearing	Total
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
ASSETS							
Cash and cash equivalents	-	-	-	-	-	656,370,933	656,370,933
Advances and Other assets	66,632,684	57,920,869	244,292,719	1,262,175,907	40,028,600	234,283,779	1,905,334,558
Investments	780,850,239	89,003,166	164,838,718	16,812,938	724,299	584,151,344	1,636,380,704
Property, plant and equipment	-	-	-	-	-	469,295,809	469,295,809
Right of use assets	-	-	-	-	-	45,692,214	45,692,214
Intangible assets	-	-	-	-	-	60,975,161	60,975,161
	847,482,923	146,924,035	409,131,437	1,278,988,845	40,752,899	2,050,769,240	4,774,049,379
EQUITY AND LIABILITIES							
Deposits and other liabilities	1,239,518,277	272,017,061	420,761,230	841,959,931	-	445,358,929	3,219,615,428
Equity	-	-	-	-	-	1,554,433,951	1,554,433,951
	1,239,518,277	272,017,061	420,761,230	841,959,931	-	1,999,792,880	4,774,049,379
Interest rate re-pricing gap	(392,035,354)	(125,093,026)	(11,629,793)	437,028,914	40,752,899	50,976,360	-
Cumulative gap	(392,035,354)	(517,128,380)	(528,758,173)	(91,729,259)	(50,976,360)	-	-
Dec-20	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Non- interest bearing	Total
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
ASSETS							
Cash and cash equivalents	-	-	-	-	-	1,098,490,050	1,098,490,050
Advances and other assets	21,622,821	5,718,821	244,343,028	823,879,557	9,643,764	330,171,429	1,435,379,420
Investments	62,526,125	144,434,766	199,705,778	20,168,317	1,422,708	312,995,079	741,252,773
Property, plant and equipment	-	-	-	-	-	469,086,514	469,086,514
Right of use assets	-	-	-	-	-	29,692,674	29,692,674
Intangible assets	-	-	-	-	-	76,477,978	76,477,978
	84,148,946	150,153,587	444,048,806	844,047,874	11,066,472	2,316,913,724	3,850,379,409
EQUITY AND LIABILITIES							
Deposits and other liabilities	909,458,876	216,582,263	322,848,958	653,816,950	-	435,566,491	2,538,273,538
Equity	-	-	-	-	-	1,312,105,871	1,312,105,871
	909,458,876	216,582,263	322,848,958	653,816,950	-	1,747,672,362	3,850,379,409
Interest rate re-pricing gap	(825,309,930)	(66,428,676)	121,199,848	190,230,924	11,066,472	569,241,362	-
Cumulative gap	(825,309,930)	(891,738,606)	(770,538,758)	(580,307,834)	(569,241,362)	-	-

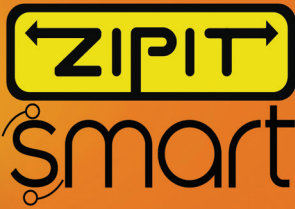
HISTORICAL

Jun-21	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Non- interest bearing	Total
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
ASSETS							
Cash and cash equivalents	-	-	-	-	-	656,370,933	656,370,933
Advances and Other assets	66,632,684	57,920,869	244,292,719	1,262,175,907	40,028,600	213,945,257	1,884,996,036
Investments	780,850,239	89,003,166	164,838,718	16,812,938	724,299	584,151,344	1,636,380,704
Property, plant and equipment	-	-	-	-	-	469,295,809	469,295,809
Right of use assets	-	-	-	-	-	45,692,214	45,692,214
Intangible assets	-	-	-	-	-	60,975,161	60,975,161
	847,482,923	146,924,035	409,131,437	1,278,988,845	40,752,899	2,018,708,469	4,741,988,608
EQUITY AND LIABILITIES							
Deposits and other liabilities	1,239,518,277	272,017,061	420,761,230	841,959,931	-	445,358,929	3,219,615,428
Equity	-	-	-	-	-	1,522,373,180	1,522,373,180
	1,239,518,277	272,017,061	420,761,230	841,959,931	-	1,967,732,109	4,741,988,608
Interest rate re-pricing gap	(392,035,354)	(125,093,026)	(11,629,793)	437,028,914	40,752,899	50,976,360	-
Cumulative gap	(392,035,354)	(517,128,380)	(528,758,173)	(91,729,259)	(50,976,360)	-	-
Dec-20	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Above 5 years	Non- interest bearing	Total
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
ASSETS							
Cash and cash equivalents	-	-	-	-	-	910,197,438	910,197,438
Advances and other assets	17,916,445	4,738,556	202,460,093	682,658,038	7,990,723	192,389,206	1,108,153,061
Investments	51,808,497	119,677,146	165,474,132	16,711,258	1,178,841	259,344,470	614,194,344
Property, plant and equipment	-	-	-	-	-	388,680,210	388,680,210
Right of use assets	-	-	-	-	-	12,176,978	12,176,978
Intangible assets	-	-	-	-	-	63,368,858	63,368,858
	69,724,942	124,415,702	367,934,225	699,369,296	9,169,564	1,826,157,160	3,096,770,889
EQUITY AND LIABILITIES							
Deposits and other liabilities	753,568,172	179,457,812	267,509,291	541,745,929	-	360,905,867	2,103,187,071
Equity	-	-	-	-	-	993,583,818	993,583,818
	753,568,172	179,457,812	267,509,291	541,745,929	-	1,354,489,685	3,096,770,889
Interest rate re-pricing gap	(683,843,230)	(55,042,110)	100,424,934	157,623,367	9,169,564	471,667,475	-
Cumulative gap	(683,843,230)	(738,885,340)	(638,460,406)	(480,837,039)	(471,667,475)	-	-



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Unaudited Financial Results for the half year ended 30 June 2021

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED JUNE 30, 2021 (CONT)

#### 22.10 Foreign exchange risk

Foreign exchange risk is the risk that arises from adverse changes or movements in foreign exchange rates and emanates from a mismatch between foreign currency inflows and outflows. The foreign currency position of the Bank expressed in ZWL as at June 30, 2021 was as follows:

INFLATION ADJUSTED								
Jun-21	TOTAL (ZWL)	ZWL	US\$	ZAR	BWP	GBP	EURO	JPY
Total assets	4,774,049,379	4,283,790,749	359,928,153	127,754,153	3,976	96,194	2,441,118	35,036
Total equity and liabilities	4,774,049,379	4,514,475,505	209,432,189	51,625,991	8,860	51,676	(1,544,842)	-
Dec - 20	TOTAL (ZWL)	ZWL	US\$	ZAR	BWP	GBP	EURO	JPY
Total assets	3,850,379,409	3,197,385,967	569,860,418	80,061,721	5,968	109,330	2,912,638	43,367
Total equity and liabilities	3,850,379,409	3,497,611,341	339,372,899	15,170,431	10,612	59,094	(1,844,968)	-
HISTORICAL								
Jun-21	TOTAL (ZWL)	ZWL	US\$	ZAR	BWP	GBP	EURO	JPY
Total assets	4,741,988,608	4,251,729,978	359,928,153	127,754,153	3,976	96,194	2,441,118	35,036
Total equity and liabilities	4,741,988,608	4,482,414,734	209,432,189	51,625,991	8,860	51,676	(1,544,842)	-
Dec - 20	TOTAL (ZWL)	ZWL	US\$	ZAR	BWP	GBP	EURO	JPY
Total assets	3,096,770,889	2,555,708,427	472,180,419	66,338,310	3,829	90,589	2,413,382	35,933
Total equity and liabilities	3,096,770,889	2,804,470,933	281,200,858	12,570,061	8,793	48,965	(1,528,721)	-

The exchange rates applicable during the financial period were as follows:

	Jun-21	Dec-20
US\$	85.4234	81.7866
ZAR	0.1677	0.1788
Pula	0.1270	0.1319
GBP	118.3200	111.4261
Euro	101.6709	100.5157
JPY	1.2933	1.2610

#### 22.11 Operational risk

Operational risk is inherent to the Bank, and is over and above, credit, interest rate exposure and capital risks. Operational risk relates specifically to fraud, unauthorised transactions by employees, by persons outside the Bank; errors, omissions and commissions in transaction processing, system and process failure and breaches on the Bank's system of internal compliance.

The operational control environment of the Bank is extremely important, especially given high volumes of transactions that pass through the system each day. This gives rise to the need for substantial and effective controls to be complied with at all times.

The Bank manages operational risk through risk transfer (insurance cover), procedural guidelines, policies, staff training, segregation of duties, internal audits and business continuity management that includes business continuity and disaster recovery plans.

#### 22.12 Reputational risk

Reputational risk is the risk of loss arising from the adverse perception of the image of the Bank by customers, counterparties, investors or regulators. This is particularly relevant on two fronts; Firstly, with the ethical stance that the Bank takes and, secondly, the fact that competition entails that the Bank has to convince customers that it is credible and can offer at least the basic, secure services expected of high quality Banks. The Bank is also susceptible to the reputation of its wider structural organisation, and its mandate of ensuring financial inclusion.

The Bank sees this risk as a knock-on of other risks materializing. Reputational risk is seen as compounding the effect of other risks, such as strategy, fraud and regulatory risk. Reputational risk has not been modeled in isolation but is considered throughout the Bank's ongoing risk review process, and is built into the assessment of other risks.

The operational systems and controls in place help to mitigate this risk. The loyal customer base also provides some immunity although this could be challenged in the event of the Bank's reputation suffering.

#### 22.13 Capital risk

This refers to the risk that the Bank's capital may not be adequate to absorb all the losses that it may incur. In this regard, the Bank embarks on risk based capital planning through the internal capital adequacy assessment process (ICAAP) to come up with a capital level that is commensurate with the nature and extent of risk it faces. The Bank's capital has invariably been above the ICAAP determined capital level over the years, an indication that the Bank maintains a healthy capital base.

For assessing capital risk, the loss is assessed in terms of the impact on anticipated earnings (profit) and capital (reserves). The knock-on effects of all other risks that impact on the Bank are also considered.

#### 22.14 Compliance and legal risk

This refers to the risk on earnings and capital arising from violations of or non-compliance with laws, rules, regulations, internal policies and authority levels, prescribed practices and ethical standards.

The Bank manages this risk by having a compliance policy framework, aligned to the Bank's business model. The policy is regularly reviewed by the risk management department and any incident of non-compliance is reported to the Board for the requisite corrective action.

#### 22.15 Strategic risk

Strategic risk arises from business decisions made in conditions of uncertainty over actions of competitors and service providers and more importantly through exogenous variables to the Bank.

The Bank recognises that the rapidly changing nature of financial markets and the economic environment is such that long term planning is often disturbed by fundamental changes which the Bank should rapidly respond to for sustainable growth and operational and strategic competitiveness. The change over to the multicurrency economic dispensation and upward economic growth, albeit slowly, have brought about some semblance of stability that allows proper business planning.

The Bank's Board of directors provides oversight for strategic risk through an approved strategic plan and operational strategy framework including scheduled periodic board and executive management meetings.

## 23. CAPITAL MANAGEMENT

Capital management is considered key for the Bank as a going concern. The Bank's capital management framework serves to ensure that the Bank is capitalized in line with its business requirements and also in compliance with the recommendations of the Reserve Bank of Zimbabwe and International standards. The Bank's capital management objectives are to:

- Maintain sufficient capital resources to meet board set standards in accordance with regulatory requirements.
- Maintain sufficient capital resources to support the Bank's risk profile.
- Allocate capital to business lines to support the Bank's strategic objectives including optimizing return on investment.
- Ensure the Bank holds adequate capital in order to withstand the impact of potential stress events.

The Bank manages its capital base to achieve a prudent balance between maintaining ideal capital ratios to supporting business growth and depositors' confidence as well as providing competitive returns.

### 23.1 Capital Adequacy

The capital adequacy of the Bank as at 30 June 2021 was as follows:

	INFLATION ADJUSTED		HISTORICAL	
	Jun-21 ZWL	Dec-20 ZWL	Jun-21 ZWL	Dec-20 ZWL
Share capital	816,624,644	816,624,644	48,349,746	48,349,746
Capital contribution	31,446,382	31,446,382	25,000,000	25,000,000
Mark- to- market reserves	216,079,515	71,801,768	208,372,295	64,094,548
Revenue reserves	109,532,104	33,210,429	806,287,940	443,504,982
Advances to insiders	-	-	-	-
Capital allocated to market and operational risk	-	-	-	-
<b>Tier 1 Capital</b>	<b>1,173,682,645</b>	<b>953,083,223</b>	<b>1,088,009,981</b>	<b>580,949,276</b>
Revaluation Reserves	380,751,306	359,022,649	417,778,974	396,050,317
Functional currency translation reserve	-	-	16,584,225	16,584,225
<b>Tier 1 &amp; 2 Capital</b>	<b>1,554,433,951</b>	<b>1,312,105,872</b>	<b>1,522,373,180</b>	<b>993,583,818</b>
<b>Tier 3 Capital allocated for market and operational risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Risk weighted assets</b>	<b>3,020,377,188</b>	<b>2,252,168,770</b>	<b>2,959,363,811</b>	<b>1,853,697,068</b>
Tier 1%	38.86%	42.32%	36.76%	31.34%
Tier 2%	12.61%	15.94%	14.68%	22.26%
Tier 3%	0.00%	0.00%	0.00%	0.00%
<b>Capital adequacy ratio</b>	<b>51.47%</b>	<b>58.26%</b>	<b>51.44%</b>	<b>53.60%</b>
<b>RBZ Minimum required capital adequacy ratio</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>