

People's Own Savings Bank

AUDITED FINANCIAL RESULTS

for the Year Ended 31 December 2020



CHAIRPERSON'S STATEMENT

ECONOMIC ENVIRONMENT

The economy continued to underperform as a result of a number of negative factors, the major ones being; the continued hyperinflationary environment, the inherent foreign currency supply constraints and the effects of COVID 19 on business. The year-on-year (YoY) rate of inflation in December 2020 as measured by the all items Consumer Price Index declined to 349% down from the highest YoY inflation rate of 837.53% recorded in July 2020, as annual inflation continued to slow down, underpinned by reduced money supply growth coupled with government initiated fiscal consolidation measures that are anti-inflationary. We are encouraged by measures taken by the monetary authorities to stabilize the operating environment, in particular, the introduction of the foreign exchange auction system which has reduced the exchange rate volatility and is expected to stabilize prices in the economy.

HYPERINFLATIONARY REPORTING

The Public Accountants and Auditors Board (PAAB) pronounced Zimbabwe as a hyperinflationary economy effective for reporting periods ended on or after 1 July 2019, thus the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies have been applied to the financial statements for the year ended 31 December 2020.

FINANCIAL HIGHLIGHTS

We continue to make progress towards the targets we have set for the Bank in terms of financial inclusion. The financial results of the Bank for the year 2020 reflect how well our business model has performed even in an uncertain environment.

The following summarizes the key financial highlights of the Bank's performance in 2020:

- In inflation adjusted terms the Bank recorded a loss of ZWL 434.94 million during the year ended 31 December 2020 and in historical terms the Bank recorded a net profit of ZWL 352.38 million for the year in question. The loss reported by the Bank in inflation adjusted terms reflects the impact of hyperinflation on monetary assets which constituted a significant portion of its balance sheet considering the nature of the business of the Bank.
- Net operating income for the year declined by 17% in inflation adjusted terms to reach ZWL1.267 billion for the year 2020 due to below inflation yields on financial assets.
- Operating expenses decreased by 4% to ZWL 775 million in 2020 from ZWL807 million in 2019 reflecting management's commitment to keep costs under control.
- Non-performing loans ratio improved significantly, from 5% as at 31 December 2019 to 0.94% as at 31 December 2020 demonstrating the significant improvement in the quality of the Bank's loan book.
- Total assets increased by 11% to ZWL3.190 billion as at 31 December 2020 from ZWL2.879 billion in 2019.
- The liquidity ratio of the Bank was at 67% as at 31 December 2020 confirming that the Bank is highly liquid and has the capacity to honor its obligations.
- Capital adequacy of the Bank was at 58% as at 31 December 2020 against the minimum regulatory ratio of 12%.

PARTIAL PRIVATISATION OF THE BANK

The Bank is one of the state entities earmarked by the Government for partial privatization. In July 2020, KPMG Advisory Services (Zimbabwe) was engaged to provide transactional advisory services to the Bank. By December 2020, KPMG had issued the final Inception Report which was subsequently approved and adopted by the Technical Committee (TC). At the time of preparing this report, the draft due diligence and valuation reports were in the process of being presented to the TC for consideration. It is anticipated that the identification of the ideal investors and proposals for the listing of the Bank on the stock exchange will be finalised and ready for consideration by Cabinet in the second half of the year 2021.

CORPORATE GOVERNANCE

POSB continues to work on maintaining high standards of Corporate Governance. In December 2020, the Board approved the participation of POSB in the certification process under the European Organization for Sustainable Development (EODS) Sustainability Standards and Certification Initiative (SSCI), which is being spearheaded locally by the Reserve Bank of Zimbabwe. The SSCI is a framework developed for responsible financial institutions to enable them to assess and manage the environmental, social and governance risks associated with project finance. At the time of reporting, the Bank had submitted its Purpose Statement and High Impact Goals to EODS for consideration and as part of the certification process.

OUTLOOK

The general economic prospects indicate that economic growth trend will be positive in the outlook period. As procurement of vaccines for the containment of the coronavirus show promise and the vaccines are now being deployed, coupled with the measures adopted by the Government as articulated in the National Development Strategy 1 (NDS1), there is hope that 2021 will bring a more certain, prosperous outlook for business. The NDS1 projects a growth rate of 7.4% in 2021. However

the World Bank is projecting that the country's real Gross Domestic Product will grow by 3% in 2021, driven by a rebound in agriculture as a result of the above normal rainfall. With the continued improvement in the economic environment POSB is committed to playing its intermediary and financial inclusion role. Financial inclusion has been and will always be our focus as POSB. We believe that when financial inclusion indicators improve, more individuals will be empowered, more jobs created and the economy grows.

APPRECIATION

I would like to thank our valued customers, stakeholders and the shareholder for their continued support and trust as the Bank navigated through yet another difficult financial year. I wish to extend my sincere appreciation to the Chief Executive Officer, management and staff for putting in great effort in the otherwise difficult environment. I am grateful to the Board for their commitment and wise counsel.

ISRAEL NDLOVU (MR)
BOARD CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REPORT

FINANCIAL SERVICES SECTOR OVERVIEW

The year 2020 was very challenging from a macro-economic and business perspective. These same challenges inspired us as players in the banking sector to respond to the market requirements in a special way. Since the COVID 19 outbreak savings and commercial banks have been thrust into the frontlines, serving people during times where economic uncertainty and a global pandemic has impacted on how we live, work and connect with our stakeholders and business partners. Fortunately we were well prepared to help our customers to get access to efficient services within our branch networks buttressed by online and mobile offering. In light of this I am proud of the resilience that our sector has shown - we delivered on our mandate in that our banking operations were managed to withstand the COVID 19 headwinds that took us into lockdown without closing down.

Foreign currency receipts for the year 2020 amounted to US\$6.3 billion compared to US\$5.5 billion accounted for in the year 2019. This reflects a positive movement in foreign currency supply of 14.9%, with international remittances contributing total foreign currency receipts in the sum of US\$1.7 billion. On a related note, the Zimbabwe dollar was relatively volatile during the year under review. The pre-pandemic rate was pegged at US\$1: ZWL25. Lockdown measures saw the beginning of an upward movement in the exchange rate to end the year at US\$1:ZWL83.

The Zimbabwe Stock Exchange (ZSE) closed the year 2020 at ZWL317 billion in terms of market capitalization which was a significant increase from ZWL30.45 billion recorded as at 31 December 2019. Currency fluctuations and inflationary pressures were the key drivers to the nominal gains in the value of shares of entities listed on ZSE. Negative real returns in fixed income assets and fears of potential further depreciation of the local currency are some of the factors likely to sustain the equity rally in the short to medium term.

CORPORATE DEVELOPMENTS

• IFRS 9 Model Recalibration

In order to ensure provisioning is consistently done in line with best accounting and model governance practices, the adopted IFRS 9 model was recalibrated. This was necessitated by changes in the operating environment characterised by negative macro-economic fundamentals.

• Launch of the Revamped POSB Website

POSB revamped and re-launched its website www.posb.co.zw at the end of March 2020. Additional features and capabilities to deliver a truly world class user experience were introduced.

• Special Civil Service and Government Pensioners Accounts

During the month of June 2020, POSB automatically opened Special Nostro accounts for existing Civil Service and Government Pensioner accountholders to enable receipt of the respective COVID 19 allowances. Clients' existing ZWL debit cards were also linked to the new Nostro accounts to enable ease of transacting.

• Deployment of Nostro POS Devices

In August 2020, the Bank deployed Nostro POS devices into the market so as to increase transacting options for Covid-19 Special Nostro accountholders.

• UNICEF Village Health Workers USD Accounts

These low cost transactional accounts were created specifically for community based volunteers under the UNICEF Village Health Workers (VHWs) Programme.

• 'On the Go' App Security Upgrade

Security of the POSB 'On the Go' app was upgraded during the month of June 2020 for the convenience of all clients registered

on the platform.

• Autonomy of Treasury function

Following a directive from the regulator in July 2020, the Treasury function was granted autonomy and now operates as a stand-alone division that reports directly to the Chief Executive Officer.

• ZIMPOST Form Acceptance Facility

The ZIMPOST Form Acceptance Facility was introduced in September 2020 in order to enhance the Bank's service delivery through ZIMPOST agents. This facility allows both new and existing clients to drop off the following forms for onward transmission to POSB branches for processing; Account opening forms, Loan application forms and Nostro liquidation forms.

• Standard Chartered Bank Systems Integration

POSB entered into an agency arrangement with Standard Chartered Bank in which POSB processes selected transactions on behalf of Standard Chartered Bank at a commission. The requisite systems integration was successfully completed during the last quarter of 2020.

• Introduction of EMV/ Chip and PIN Debit Cards

The Bank began the systematic and gradual roll-out of the more secure Chip and PIN debit cards in December 2020 in order to comply with regulatory requirements. These new cards will be replacing Magnetic Stripe cards which are more vulnerable to card skimming and cloning practices.

We have put in place a bank wide transformation program which includes strengthening of digital capabilities for the convenience of our customers. Our core focus is to inculcate a culture of savings among the people of Zimbabwe, protect their savings and help them optimize their daily transactions in a secure environment and in fulfilment of the Bank's mandate.

BRANCH NETWORK

The Bank operated through its 32 branches country wide as well as 343 agency outlets which largely cover rural communities nationwide and other urban areas in various parts of the country as we continue pursuing our financial inclusion mandate.

In line with the Bank's digitalization strategy, four POSB branches were permanently merged with other branches on the 1st of October 2020. Operations at the Mbare, Harare Main, Parirenyatwa and Nkulumane branches were discontinued and all accounts formerly resident at those branches were migrated to the Southerton, Chiedza, Westgate and Fort Street branches respectively.

LEGAL STATUS

The Bank's operations are governed by the People's Own Savings Bank of Zimbabwe Act [Chapter 24:22] of 1999, the Banking Act of Zimbabwe [Chapter 24:20] and is also under the supervision of the Reserve Bank of Zimbabwe.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Guided by its Corporate Social Responsibility Policy, the People's Own Savings Bank implemented transformational programmes aimed at improving the lives of the socially and economically vulnerable segments of our society during the year under review. To this end, 5% of the annual marketing budget is set aside for the execution of these programmes.

In the year 2020, the Bank undertook the following CSR initiatives:

Posb Covid-19 Response

• Participation in the banking industry's collective Covid-19 CSR initiative

As a member of the Bankers Association of Zimbabwe, POSB contributed towards the banking industry's collective Covid-19 Corporate Social Responsibility initiative, aimed at raising ZW\$10 million to purchase resources critical to the fight against the pandemic.

• Downward Review of Business Conditions as Covid-19 Relief measures to clients.

During the month of May 2020, POSB reviewed downwards its digital platform and lending business conditions back to the March 2020 fees and charges in a bid to provide a measure of relief to clients in light of the pandemic and its financial impacts. As an additional measure, further increases of the same were suspended for the remainder of the second quarter and only reviewed in the month of August 2020 following the general relaxation of lockdown restrictions.

Customer Service Week

The Bank extended its Covid-19 awareness initiatives to the transacting public in a practical way through the distribution of pocket sized hand sanitizers to customers at POSB banking halls as part of its Customer Service Week celebrations in October 2020.

Health

During the year, the Bank also supported several worthwhile charitable initiatives to various organizations with the most notable being; partnering with the Kidney Association of



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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

CHIEF EXECUTIVE OFFICER'S REPORT continued

Zimbabwe in commemorating World Kidney Day to raise awareness of the importance of kidneys and pro-kidney lifestyles as well as sponsorship at the St Giles annual fundraising dinner.

Education

In 2020, the Bank continued to provide support in the form of tuition, boarding fees, transport and groceries to all beneficiaries of the POSB Scholarship Program. Additionally, the Bank also sponsored graduation prizes to 16 university students who graduated top of their classes in Banking and Finance or related degree programs.

ACCOLADES TO THE BANK

1. Zimbabwe Institute of Management

POSB was named the National Leadership Excellence - Public Sector Award winner for the year 2020.

2. Institute of Chartered Accountants and Secretaries 2020 Excellence in Corporate Governance Awards

The Bank was presented with the 2nd Runner Up – Best Corporate Disclosure (State Enterprises and Parastatals) Award.

3. Institute of Corporate Directors Zimbabwe Awards

Chief Executive Officer, Admore Kandlela received the 2020 CEO of the Year Award in the Public Enterprises /Parastatals category.

4. Megafest Business Awards Southern Region

POSB was presented with a Silver Shield for Good Corporate Governance at the 2020 Megafest Business Awards - Southern Region.

RISK MANAGEMENT

The Bank analyses and addresses all risks perceived to have a significant bearing on its operations with the ultimate goal of achieving sustainable benefits to the shareholders. To this end, the bank has embraced the Enterprise Risk Management approach to ensure risks are holistically managed. Generally there has been an upsurge in cyber related frauds on the market due to increased use of plastic money and digital banking platforms. This has been exacerbated by remote working arrangements necessitated by the Covid-19 pandemic and attendant lockdowns. In order to mitigate card cloning related frauds, the bank has introduced chip and pin based cards. In addition the bank continues to educate its customers through risk awareness campaigns.

COMPLIANCE AND FINANCIAL CRIME CONTROL

POSB is committed to conducting its business activities with integrity and respect for regulatory, ethical and social responsibilities. The Bank has hence adopted a “zero tolerance to non-compliance”. Identification, assessment and monitoring of compliance risk is carried out by an independent compliance function as part of the overall risk management framework of the Bank.

POSB does not tolerate any deliberate breach of financial crime laws and regulations including bribery, corruption, money laundering, sanctions, and/or tax evasion facilitation, which apply to its business and the transactions it undertakes. To this end, Bank remains supportive of local and international efforts to combat money laundering and terrorist financing and continues to abide by the requirements of the Money Laundering and Proceeds of Crime Act [Chapter 9:24], the Bank Use Promotion Act [Chapter 24:24] and the Suppression of Foreign and International Terrorism Act [Chapter 11:21] as well as the expectations of important stakeholders such as its regulators and correspondent banks.

As the Bank's ability to comply with applicable laws and regulations is directly linked to the conduct of its customers, POSB expects its customers to comply with these laws and conduct business in a manner which will not place themselves or the Bank in breach of all applicable laws and regulations.

COVID-19 IMPACT ON BANK PERFORMANCE

The COVID-19 pandemic continues to cripple business operations across the globe. The Bank's operations have not been spared from the devastating impact of the deadly virus. In an effort to minimize the impact of the pandemic on business operations as well as to safeguard the health and safety of employees and customers, the Bank implemented the following mitigatory measures:

- Activated the Bank's business continuity plan to ensure continuity of operations;
- Capacitation of key staff through technology to enable them to work remotely;
- Enhancement of digital delivery channels for the convenience of customers and
- Introducing new digital solutions which enables customers to easily transact whilst in the comfort of their homes.

During the year under review we saw an accelerated emergence of new technologies that the bank adopted supporting business continuity in the face of the COVID 19 pandemic. Thus, the Bank embraced remote working arrangements in light of the pandemic and the resultant lockdowns. As working from home became

mandatory, the Bank had to ensure enhanced security of its systems through implementation of a variety of security modules that support remote access such as Virtual Private Networks, enhanced malware and virus filtering user awareness campaigns and enhanced risk management. The bank also undertook system hardening to close off potential cyber security risks that could arise due to remote access.

The Bank has noted that the changed operating models and market dynamics induced by the pandemic which have affected the ability of some borrowers to service their obligations given the disruptions that the pandemic has caused in some key sectors of the economy such as tourism, manufacturing, transport and distribution. In an effort to alleviate the impact of the COVID-19 pandemic on our customers' businesses, some facilities were restructured during the period under review.

OUTLOOK

The year 2021 began with renewed lockdown regulations as local COVID 19 cases increased significantly, a phenomenon that was consistent with the second wave. In light of this the Bank has developed a comprehensive response strategy which is being executed to mitigate the impact of COVID 19 as we continue to take decisive action to help safeguard the health and wellbeing of our employees and customers.

On the economic front the country is expected to enjoy a better 2021 agricultural season on the back of the above average rainfall and increased capacity utilization in the mining sector driven by renewed commodities demand. The beginning of the vaccination programmes and easing of the lockdown restrictions which started in March 2021 has also led to positive sentiments and renewed optimism supporting economic recovery in the year 2021.

As we look into the future of our business, the Bank will continue to invest significantly in digital platforms to increase customer satisfaction, gain market share and deliver more value to our customers. The Board approved the budgets for the Contact Centre and Omni channel digital platforms including WhatsApp banking for the projects to commence in the first half of the year 2021 in line with our digital transformation strategy.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to all our customers, business partners, the Board and shareholder for consistently supporting the Bank in the year 2020. I also wish to thank management and staff for their contribution which led to the satisfactory performance of the bank.

A. KANDLELA CHIEF EXECUTIVE OFFICER

CORPORATE GOVERNANCE REPORT

In line with the Public Entities Corporate Governance (PECG) Act (Chapter 10:31), POSB as a state owned commercial entity, is obliged to conduct its business operations in a commercially viable manner and abide by generally accepted standards of good corporate governance practices as prescribed under the PECG Act (Chapter 10:31), the Banking Act (Chapter 24:20) and regulatory directives issued from time to time by the Reserve Bank of Zimbabwe and the Corporate Governance Unit.

The POSB Board, management and staff have for some years been committed to building a strong corporate governance culture within the entity. In line with that commitment, the Bank adopted a corporate governance improvement strategy that is reviewed annually so as to implement measures to close any gaps and departures from the prescribed governance framework.

The initiated process which entails the involvement of the stakeholders has significantly progressed in line with the gradual issue of policy guidelines and directives by the Office of the President and Cabinet as part of the operationalization of the requirements under the PECG Act. To ensure the Bank has an enhanced review and evaluation of governance practices adopted and implemented, the Bank prioritized the preparations for the full implementation of the sustainability standards certification initiative under the European Standards for Sustainable Development programme that is being spearheaded by the RBZ locally.

Due to the impact of Covid 19 containment measures, the Bank's Annual General Meeting was held virtually on the 29th of July 2020 and a dividend of ZWL\$17,889,386 was declared. The Board managed to hold all its meetings virtually following the Covid 19 pandemic declaration and imposition of restrictive containment in March 2020. The initial phase of the partial privatization process that was spearheaded by the Technical Committee from 2018 was managed in line with Covid 19 protocols in 2020.

Protracted delays were encountered initially prior to contract signing then subsequently during the due diligence processes following agreement that all processes were to be done virtually. Following the contract signing with the selected Transaction Advisory Services Consultants, KPMG in July 2020, the project implementation was commenced as per agreed work plan with projections for completion remaining at approximately seven months. By the end of 2020, the Consultants had produced the Inception Report and the project was estimated to be concluded in the second half of year 2021.

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 Accounting 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 on 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 PECG Act as read with PECG 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. During the year under review the two report back meetings were held with the Minister of Finance and Economic Development.

Details of the Board Committees as at 31st Dec 2020 are outlined in the following paragraphs:

1. Board Audit Committee

The Board Audit Committee 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 disclosure controls and procedures and 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 Accounting Officer and Head Internal Audit are not members of the Board Audit and Finance 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.



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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Composition
I. Mvere (Non- Executive Committee Chairman)
I. Ndlovu (Non- Executive Member)
A. Kandlela (Executive Director) Chief Executive Officer,
G. Changunda (Executive Director) Chief Accounting Officer

The Head Procurement Management Unit 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 has the mandate over risks underwritten by the Bank in as far as they affect its overall performance including particularly market risks and credit risks. 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 General Manager Banking Operations, the Corporate & Investment Banking Executive, the Information Technology Executive, the Marketing Manager, the Treasury Manager 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.

It additionally has oversight on governance and in that regard

8. Director’s attendance at Board and Committe meetings.

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 Resources 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 Accounting Officer, the General Manager Risk, Security and Investigations, the Information Technology Executive and the Head of Compliance 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. Ndlovu (Non- Executive Member)
O. Jambwa (Non-Executive Member)

The Chief Executive Officer and the General Manager Risk, Security & Investigations 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, there are still some gaps relating to compliance with the PECG 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.

	Total No. of meetings	I NDLOVU	O JAMBWA	N CHINDOMU	I MVERE	M MURERIWA	C NYAMUTSWA	A KANDLELA*	G CHANGUNDA*
BOARD MEETINGS 6/2/2020,30/3/2020,28/5/2020,7/7/2020,19/8/2020,5/10/2020,14/12/2020	7	7	7	7	6**	7	6**	7	7
TRAINING / WORKSHOPS 29-30/9/2020	2	2	N/A	N/A	N/A	N/A	N/A	2	N/A
BOARD HUMAN RESOURCES & GOVERNANCE COMMITTEE 11/3/2020, 20/3/2020,19/5/2020,5/8/2020,1/10/2020,19/11/2020	6	6	6	6	N/A	N/A	6	6	6
BOARD RISK COMMITTEE 5/3/2020, 11/5/2020,4/8/2020,17/11/2020	4	4	N/A	N/A	6**	N/A	4	4	4
BOARD AUDIT COMMITTEE 19/3/2020,22/5/2020,6/8/2020,26/11/2020	4	4	N/A	N/A	4	4	N/A	4	4
BOARD FINANCE COMMITTEE 19/3/2020,22/5/2020,6/8/2020,27/11/2020	4	4	N/A	N/A	4	N/A	N/A	4	4
BOARD CREDIT & INVESTMENTS COMMITTEE 2/3/2020,27/3/2020,12/5/2020,3/8/2020,25/9/2020,18/11/2020	6	N/A	N/A	N/A	6	6	N/A	6	6
BOARD CREDIT REVIEW COMMITTEE 5/3/2020,11/5/2020,4/8/2020,17/11/2020	4	4	4	4	N/A	N/A	4	4	N/A
JOB EVALUATION 4/2/2020, 5/2/2020	2	2	N/A	N/A	N/A	N/A	N/A	2	N/A
RBZ MEETING 10/3/2020	1	1	N/A	N/A	N/A	N/A	N/A	1	N/A
MEETING WITH MINISTRY OF FINANCE 24/6/2020	1	1	1	1	1	1	1	1	1
ANNUAL GENERAL MEETING 29/7/2020	1	1	1	1	1	1	1	1	1
PARTIAL PRIVATISATION MEETINGS 4/9/2020,11/12/2020	2	2	N/A	N/A	N/A	N/A	N/A	2	2
STRATEGIC PLANNING WORKSHOP 9/11/2020	1	1	1	1	**	1	1	1	1

Key:
N/A – Not a Member - Did not attend *Executive Director **Leave of Absence granted

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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020

	Notes	INFLATION ADJUSTED		HISTORICAL	
		Dec 20 ZWL	Dec 19 ZWL	Dec 20 ZWL	Dec 19 ZWL
Interest income	5	217,748,806	339,188,677	137,745,722	27,360,778
Interest expense	6	(21,681,330)	(48,075,921)	(13,249,983)	(3,576,536)
Net interest income		196,067,476	291,112,756	124,495,739	23,784,242
(Increase)/decrease in impairment losses on financial assets	10.6	(66,852,644)	4,640,045	(66,852,644)	938,453
Net interest income after impairment losses		129,214,832	295,752,801	57,643,095	24,722,695
Fees and commission income	7	987,09,114	665,339,650	680,718,748	62,619,454
Dividend income		758,050	60,199	708,941	2,679
Fair value gain on investment properties		107,506,057	282,265,868	107,506,057	38,832,801
Other operating income	8	42,085,367	275,669,729	35,606,949	19,114,186
Net operating income		1,266,673,420	1,519,088,247	882,183,790	145,291,815
Operating expenses	9	(775,236,429)	(807,223,052)	(529,801,759)	(73,734,273)
Operating profit for the year		491,436,991	711,865,195	352,382,031	71,557,542
Monetary loss		(926,373,790)	(1,312,615,750)	-	-
Net profit/(loss) for the year		(434,936,799)	(600,750,555)	352,382,031	71,557,542
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	12.1	59,494,199	-	59,494,199	258,577
Gain on revaluation of non-current assets		297,482,436	-	297,482,436	98,161,049
Items that will be reclassified to profit or loss		-	-	-	-
Total comprehensive income/(loss) for the year		(77,960,164)	(600,750,555)	709,358,666	169,977,168

STATEMENT OF FINANCIAL POSITION As at December 31, 2020

	Notes	INFLATION ADJUSTED		HISTORICAL	
		Dec 20 ZWL	Dec 19 ZWL	Dec 20 ZWL	Dec 19 ZWL
ASSETS					
Cash and balances with banks		311,807,776	138,310,335	311,807,776	30,832,948
Balances with the Central Bank		598,389,662	693,103,947	598,389,662	154,510,782
Financial assets at amortised cost	10	1,190,592,897	1,062,050,968	1,190,592,897	236,758,608
Other assets	11	348,421,811	143,612,214	267,234,404	32,014,874
Financial assets at fair value through other comprehensive income	12.1	109,547,004	26,446,925	109,547,004	5,895,703
Investment properties	12.2	154,973,100	213,185,579	154,973,100	47,524,575
Property, plant and equipment	13	388,680,210	360,863,889	388,680,210	80,445,887
Right- of- Use Assets	14	24,603,041	12,482,752	12,176,978	2,782,728
Intangible assets	15	63,368,858	228,992,949	63,368,858	51,048,446
TOTAL ASSETS		3,190,384,359	2,879,049,558	3,096,770,889	641,814,551
LIABILITIES					
Customer deposits	16	1,742,281,204	1,501,697,388	1,742,281,204	334,767,157
Other liabilities	17	360,905,867	246,417,622	360,905,867	54,932,856
TOTAL LIABILITIES		2,103,187,071	1,748,115,010	2,103,187,071	389,700,013
CAPITAL AND RESERVES					
Share capital	18.1	676,646,692	650,590,547	48,349,746	23,349,746
Capital contribution	18.2	26,056,145	-	25,000,000	-
Mark-to-market reserves	18.3	59,494,199	-	64,094,548	4,600,349
Revaluation reserve	18.4	297,482,436	-	396,050,317	98,567,881
Functional currency translation reserve	18.5	-	-	16,584,225	16,584,225
Revenue reserves	18.6	27,517,816	480,344,001	443,504,982	109,012,337
TOTAL CAPITAL AND RESERVES		1,087,197,288	1,130,934,548	993,583,818	252,114,538
TOTAL EQUITY AND LIABILITIES		3,190,384,359	2,879,049,558	3,096,770,889	641,814,551

.....  Chief Accounting Officer [G Changunda - CA (Z)]
P.A.A.B. Reg. # 0766 20 April 2021

.....  Chief Executive Officer [A. Kandelela] 20 April 2021

.....  Board Chairperson [I. Ndlovu] 20 April 2021

STATEMENT OF CHANGES IN EQUITY For the year ended December 31, 2020

	INFLATION ADJUSTED						
	Share capital ZWL	Capital contribution Reserve ZWL	Mark- to- market reserve ZWL	Revaluation reserves ZWL	Functional currency translation reserve ZWL	Revenue reserves ZWL	Total ZWL
Balance at January 01, 2019	650,590,547	-	-	-	-	1,141,623,240	1,792,213,787
Loss for the year	-	-	-	-	-	(600,750,555)	(600,750,555)
Other comprehensive income							
Fair value gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Subtotal	650,590,547	-	-	-	-	540,872,685	1,191,463,232
Dividend	-	-	-	-	-	(60,528,684)	(60,528,684)
Increase in capital	-	-	-	-	-	-	-
Transfer to distributable reserves	-	-	-	-	-	-	-
Transfer to share capital	-	-	-	-	-	-	-
Balance at December 31, 2019	650,590,547	-	-	-	-	480,344,001	1,130,934,548
Loss for the year	-	-	-	-	-	(434,936,799)	(434,936,799)
Other comprehensive income	-	-	-	-	-	-	-
Fair value gain of financial assets at fair value through other comprehensive income	-	-	59,494,199	-	-	-	59,494,199
Revaluation gain	-	-	-	297,482,436	-	-	297,482,436
Total other comprehensive income	-	-	59,494,199	297,482,436	-	-	356,976,635
Subtotal	-	-	59,494,199	297,482,436	-	(434,936,799)	(77,960,164)
Dividend	-	-	-	-	-	(17,889,386)	(17,889,386)
Issue of shares	26,056,145	-	-	-	-	-	26,056,145
Additional capital	-	26,056,145	-	-	-	-	26,056,145
Balance at December 31, 2020	676,646,692	26,056,145	59,494,199	297,482,436	-	27,517,816	1,087,197,288



AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2020

	HISTORICAL				Functional	Revenue	Total
	Share capital ZWL	Capital contribution Reserve ZWL	Mark- to- market reserve ZWL	Revaluation reserves ZWL	currency translation reserve ZWL	reserves ZWL	
Balance at January 01, 2019	23,349,746	-	5,045,828	406,832	18,058,730	40,972,948	87,834,084
Profit for the year	-	-	-	-	-	71,557,542	71,557,542
Other comprehensive income							
Fair value gain of financial assets at fair value through other comprehensive income	-	-	258,577	-	-	-	258,577
Revaluation gain	-	-	-	98,161,049	-	-	98,161,049
Adjustment to change in functional currency	-	-	-	-	(1,474,505)	-	(1,474,505)
Total other comprehensive income	-	-	258,577	98,161,049	(1,474,505)	-	96,945,121
Subtotal	-	-	258,577	98,161,049	(1,474,505)	71,557,542	168,502,663
Dividend	-	-	-	-	-	(4,222,209)	(4,222,209)
Transfer to distributable reserves	-	-	(704,056)	-	-	704,056	-
Increase in Capital	-	-	-	-	-	-	-
Balance at December 31, 2019	23,349,746	-	4,600,349	98,567,881	16,584,225	109,012,337	252,114,538
Profit for the year	-	-	-	-	-	352,382,031	352,382,031
Other comprehensive income	-	-	-	-	-	-	-
Fair value gain of financial assets at fair value through other comprehensive income	-	-	59,494,199	-	-	-	59,494,199
Revaluation gain	-	-	-	297,482,436	-	-	297,482,436
Total other comprehensive income	-	-	59,494,199	297,482,436	-	-	356,976,635
Subtotal	-	-	59,494,199	297,482,436	-	352,382,031	709,358,666
Dividend	-	-	-	-	-	(17,889,386)	(17,889,386)
Issue of shares	25,000,000	-	-	-	-	-	25,000,000
Increase in capital	-	25,000,000	-	-	-	-	25,000,000
Balance at December 31, 2020	48,349,746	25,000,000	64,094,548	396,050,317	16,584,225	443,504,982	993,583,818

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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

Cash flows from operating activities		ZWL	ZWL	ZWL	ZWL
Profit for the year		491,436,991	711,865,195	352,382,031	71,557,542
Net monetary loss		(926,373,790)	(1,312,615,750)	-	-
Adjustments for non- cash items					
Increase in Impairment loss on financial assets at amortised cost		66,852,644	(4,640,045)	66,852,644	(938,453)
Bad debts written off		(1,026,184)	-	(1,026,184)	-
(Profit)/ loss on disposal of property, plant and equipment		4,788,346	(649,117)	4,048,022	(36,401)
(Profit)/loss on disposal of financial assets at fair value through other comprehensive income		-	2,864,214	-	120,819
12.2	Increase in fair value of investment properties	(107,506,057)	(282,265,868)	(107,506,057)	(38,832,800)
	Foreign exchange gain	(42,514,220)	(252,693,173)	(36,312,465)	(16,611,058)
13	Depreciation of property, plant and equipment	22,288,298	39,789,227	22,288,298	4,112,003
	Depreciation of right of use assets	5,527,374	3,596,285	3,632,944	-
15	Amortisation of intangible assets	5,364,240	9,882,357	5,364,240	845,361
Operating cash flow before changes in operating assets and liabilities					
		(481,162,358)	(1,084,866,677)	309,723,473	20,217,012
Changes in operating assets and liabilities					
		640,386,071	487,411,823	493,062,613	131,553,068
Decrease /(Increase) in financial assets at amortised cost and other assets		285,314,009	(348,764,903)	(1,220,424,445)	(54,852,334)
Increase in deposits and other liabilities		355,072,062	836,176,726	1,713,487,058	186,405,402
Net cash flows from operating activities		159,223,713	(597,454,854)	802,786,086	151,770,080
Cash flows from investing activities		(114,663,461)	(83,720,598)	(110,042,992)	(18,663,485)
Proceeds from sale of property, plant and equipment		810,924	136,135	810,924	30,348
Proceeds from sale of financial assets at fair value through other comprehensive income		-	4,741,568	-	1,057,018
Purchase of financial assets at fair value through other comprehensive income		(42,300,174)	(471,802)	(42,300,174)	(105,177)
Purchase of investment properties		(435,098)	(8,968,341)	(435,098)	(1,999,275)
13	Purchase of property, plant and equipment	(54,620,695)	(79,120,477)	(54,620,695)	(17,637,999)
Purchase of right of use assets		(17,647,663)	-	(13,027,194)	-
15	Purchase of intangible asset	(470,755)	(37,681)	(470,755)	(8,400)
Cash flows from financing activities		34,222,904	(60,528,684)	32,110,614	(4,222,209)
Issue of shares		26,056,145	-	25,000,000	-
Additional capital		26,056,145	-	25,000,000	-
Dividend paid		(17,889,386)	(60,528,684)	(17,889,386)	(4,222,209)
Net increase/(decrease) in cash and cash equivalents		78,783,156	(741,704,136)	724,853,708	128,884,386
Cash and cash equivalents at the beginning of the year		831,414,282	1,573,118,418	185,343,730	56,459,344
Cash and cash equivalents at the end of the year		910,197,438	831,414,282	910,197,438	185,343,730

Notes to the financial statements For the year ended December 31, 2020

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 will 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 3rd Street/Central Avenue, Harare, Zimbabwe.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements for the year ended December 31, 2020 have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) interpretations promulgated by International Accounting Standards Board (IASB) which include standards and interpretations approved by the IASB, International Accounting Standards (IAS) as well as Standing Interpretations Committee (SIC) and in the manner required by relevant statutes.

The Bank's financial statements for the year ended December 31, 2020 were authorized for issue in accordance with a resolution of the directors on 20 April 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), the financial statements are based on the historical cost records which are restated to take account of inflation. In preparing 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 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
31 December 2020	2474.5	1.00
31 December 2019	551.6	4.49
Average for 12 months to:		
31 December 2020	1579.09	
31 December 2019	240.27	

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 issued 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 is not 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. The estimated economic lives of assets are set out in detail in the audited financial statements and no changes to these useful lives have been considered necessary during the year.

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 22.5.1.

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.



Corporate
Banking

Transactional accounts

Corporate loans

Bulk payments processing

Corporate overdrafts

POS machines

Structured finance

Online Banking

Export facilities

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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements for the year ended December 31, 2020 continued

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:

• 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 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”

iii. Choosing models and assumptions used for the measurement of expected credit losses

iv. 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 following new and amended IFRS and IFRIC interpretations were adopted in 2020:

2.5.1 IFRS 16 Leases (amendments) (IFRS 16) – The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. This applies to Covid-19 related rent concessions that reduce lease payments due on or before 30 June 2021. The amendment became effective on 1 June 2020 and the Bank has adopted it.

2.5.2 IAS 16 Property, plant and equipment (amendments) (IAS16) – The amendments clarify the accounting requirements in prohibiting the entity from deducting amounts received when selling items produced while an entity is preparing an asset for its intended use from the cost of the property, plant and equipment and instead recognizing such sale proceeds and related cost in profit or loss. This amendment became effective for annual periods beginning on or after 1 January 2020 and the Bank adopted the amendment as issued.

2.5.3 IAS 37 Provisions, Contingent Liabilities and Contingent assets (amendments) (IAS 37) – The amendments clarify that the cost of fulfilling a contract includes both the incremental costs of fulfilling the contract and an allocation of costs that relate directly to fulfilling the contract. This amendment became effective for annual periods beginning on or after 1 January 2020 and the Bank adopted the amendment as issued.

2.6 Going concern

The Bank’s management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.6.1 Impact of Covid-19 pandemic

The resurgence of the Covid-19 pandemic in January 2021 led to the implementation of another national lockdown in Zimbabwe with the aim of reducing the spike in the number of infections in the country which were becoming uncontrollable.

The Bank continued to implement measures to protect its employees, customers as well as the communities surrounding its operations, some of which were:

- Decongesting the work place by ensuring some employees work from their homes
- Providing employees with suitable protective clothing
- Sanitising all public areas
- Rationalising branch network by temporarily closing some branches

- Encouraging customers to utilize digital delivery channels
- Revamping agency banking platforms
- Suspending unnecessary capital and operating expenditure.

Despite the challenges brought by the pandemic on the economy as a whole, the Bank’s operations were not significantly affected. The Bank continues to actively monitor the situation so as to react swiftly to any possible outcome that has potential to affect its sustainability and going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are consistent with those applied in the financial statements for the year ended December 31, 2019 except as detailed in Note 2.5. A full set of the Bank’s accounting policies is available in the Annual report, which is ready for inspection at the Bank’s registered office.

4. SEGMENT REPORT

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

Individual customers’ deposits, consumer loans, overdrafts, debit card facilities and funds transfer facilities.

Corporate Banking

Loans, other credit facilities, deposits and current accounts for corporate and institutional customers.

Treasury

Treasury Banking services including money market and equities market investments. Products include certificates of deposits and call accounts for individuals and corporate clients.

Head office function

This is predominantly a central service function to the entire Bank and has departments such as finance and administration, risk management, internal audit, human resources, information technology and other central functions. All executive management are based at head office.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements.

	INFLATION ADJUSTED		HISTORICAL	
	Dec 20	Dec 19	Dec 20	Dec 19
	ZWL	ZWL	ZWL	ZWL
5. INTEREST INCOME				
Money market assets	29,262,252	57,284,595	20,601,478	4,320,336
Corporate loans	21,219,919	8,721,172	18,219,773	380,441
Individual loans	147,720,584	230,012,223	87,395,740	19,146,669
Mortgage loans	5,186,021	6,228,841	3,444,324	532,599
SME loans	1,088,733	419,966	844,110	31,242
Microfinance loans	12,636,280	27,649,101	7,023,826	2,358,869
Other Interest	635,017	8,872,779	216,471	590,622
	217,748,806	339,188,677	137,745,722	27,360,778
6. INTEREST EXPENSE				
Individual accounts	5,595,406	13,279,480	2,927,299	953,950
Corporate accounts	1,899,966	2,482,052	1,246,157	219,872
Term deposits	14,054,793	32,148,538	9,004,826	2,387,124
SME deposits	131,165	165,851	71,701	15,590
	21,681,330	48,075,921	13,249,983	3,576,536
7. FEES AND COMMISSION INCOME				
Retail banking fees and commission	952,322,776	607,791,390	657,154,950	57,919,440
Credit related fees	18,110,890	45,993,463	11,929,492	3,257,092
Money Transfer Agency commission	16,675,448	11,554,797	11,634,306	1,442,922
	987,109,114	665,339,650	680,718,748	62,619,454

	INFLATION ADJUSTED		HISTORICAL	
	Dec 20	Dec 19	Dec 20	Dec 19
	ZWL	ZWL	ZWL	ZWL
8. OTHER OPERATING INCOME				
Foreign exchange gain	42,514,220	252,693,173	36,312,465	16,611,058
Profit/ (Loss) on disposal of property, plant and equipment	(4,788,346)	649,117	(4,048,022)	36,401
Profit/ (Loss) on disposal of financial assets at fair value through other comprehensive income	-	(2,864,214)	-	(120,819)
Profit/ (loss) on re-measurement of Finance leases	83,870	-	83,870	-
Discount income on treasury bills	1,648,373	22,179,325	1,176,595	2,343,534
Miscellaneous income	2,627,250	3,012,328	2,082,041	244,012
	42,085,367	275,669,729	35,606,949	19,114,186

	Dec 20	Dec 19	Dec 20	Dec 19
	ZWL	ZWL	ZWL	ZWL
9. OPERATING EXPENSES				
Staff costs	363,107,202	291,289,699	247,822,325	26,282,367
Agency fees	15,052,787	19,878,869	8,579,913	1,730,318
Administration expenses	360,908,815	438,910,277	239,564,039	39,533,756
Audit fees	2,987,713	3,876,338	2,550,000	428,763
Depreciation of property, plant and equipment	22,288,298	39,789,227	22,288,298	4,112,003
Depreciation of right of use assets	5,527,374	3,596,285	3,632,944	801,705
Amortisation of intangible assets	5,364,240	9,882,357	5,364,240	845,361
	775,236,429	807,223,052	529,801,759	73,734,273



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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements for the year ended December 31, 2020 continued

10. FINANCIAL ASSETS MEASURED AT AMORTISED COST	INFLATION ADJUSTED		HISTORICAL	
	Dec 20	Dec 19	Dec 20	Dec 19
	ZWL	ZWL	ZWL	ZWL
10.1 LOANS AND ADVANCES				
Individual loans	686,841,101	618,441,078	686,841,101	137,866,499
Corporate loans	154,599,525	12,768,488	154,599,525	2,846,426
Mortgage loans	34,468,407	18,454,688	34,468,407	4,114,027
Microfinance loans	24,769,432	22,909,995	24,769,432	5,107,230
SME and agribusiness loans	14,495,988	758,773	14,495,988	169,150
	915,174,453	673,333,022	915,174,453	150,103,332
Interest accrued	589,402	4,179,107	589,402	931,631
Gross total	915,763,855	677,512,129	915,763,855	151,034,963
Provision for impairment losses	(74,845,198)	(55,103,257)	(74,845,198)	(12,283,940)
	840,918,657	622,408,872	840,918,657	138,751,023
10.2 MONEY MARKET ASSETS				
Treasury bills	193,506,025	200,323,943	193,506,025	44,657,384
Debentures	41,878	187,856	41,878	41,878
Interbank placements	80,725,514	125,095,097	80,725,514	27,886,930
Government bonds	-	17,943,187	-	4,000,000
Commercial paper	50,000,000		50,000,000	
	324,273,417	343,550,083	324,273,417	76,586,192
Interest accrued	13,912,568	11,504,234	13,912,568	2,564,591
Gross total	338,185,985	355,054,317	338,185,985	79,150,783
Provision for impairment losses	(5,175,634)	(8,569,809)	(5,175,634)	(1,910,432)
	333,010,351	346,484,508	333,010,351	77,240,351

10.3 CAPITALISATION TREASURY BILLS	INFLATION ADJUSTED		HISTORICAL	
	Dec 20	Dec 19	Dec 20	Dec 19
	ZWL	ZWL	ZWL	ZWL
Treasury bills	15,680,000	66,928,086	15,680,000	14,220,000
Interest accrued	983,889	3,501,415	983,889	780,556
Gross total	16,663,889	70,429,501	16,663,889	15,700,556
Provision for impairment losses	-	-	-	-
	16,663,889	70,429,501	16,663,889	15,700,556

10.4 AGENCY OUTSTANDING SETTLEMENTS				
Outstanding net settlements	-	22,728,087	-	5,066,678
Provision for impairment losses	-	-	-	-
	-	22,728,087	-	5,066,678

TOTAL FINANCIAL ASSETS MEASURED AT AMORTISED COST	1,190,592,897	1,062,050,968	1,190,592,897	236,758,608
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10.5 MATURITY ANALYSIS				
10.5.1 LOANS AND ADVANCES				
Maturing within 1 year	225,225,094	104,468,822	225,225,094	23,288,800
Maturing after 1 year but within 5 years	682,658,038	549,634,601	682,658,038	122,527,757
Maturing after 5 years	7,990,723	23,408,706	7,990,723	5,218,405
	915,873,855	677,512,129	915,873,855	151,034,962
10.5.2 MONEY MARKET ASSETS				
Maturing within 1 year	336,959,775	190,807,295	336,959,775	75,516,850
Maturing after 1 year but within 5 years	47,369	176,865,822	47,369	2,606,133
Maturing after 5 years	1,178,841	6,384,023	1,178,841	1,027,800
	338,185,985	374,057,140	338,185,985	79,150,783

10.5.3 CAPITALISATION TREASURY BILLS				
Maturing after 5 years	16,663,889	70,429,501	16,663,889	15,700,556
	16,663,889	70,429,501	16,663,889	15,700,556

10.5.4 OTHER RECEIVABLES (Agency outstanding settlements)				
Maturing within 1 year	-	5,382,956	-	1,200,000
Maturing after 1 year but within 5 years	-	17,345,131	-	3,866,678
	-	22,728,087	-	5,066,678

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

10.6 PROVISION FOR IMPAIRMENT ALLOWANCES ON FINANCIAL ASSETS AT AMORTISED COST	INFLATION ADJUSTED		HISTORICAL	
	Dec 20	Dec 19	Dec 20	Dec 19
	ZWL	ZWL	ZWL	ZWL
At January 1	63,673,065	68,313,110	14,194,372	15,228,758
IAS 29 Adjustment	(49,478,693)	-	-	-
Increase/ (Decrease) in impairment losses	66,852,644	(4,209,709)	66,852,644	(938,453)
Corporate Lending	53,169,746	(26,098,635)	53,169,746	(5,818,060)
Individual Lending	10,417,696	32,937,299	10,417,696	7,342,575
Money market assets	3,265,202	1,134,898	3,265,202	252,998
Other receivables	-	(12,183,271)	-	(2,715,966)
Bad debts written off	(1,026,184)	(430,336)	(1,026,184)	(95,933)
As at December 31	80,020,832	63,673,065	80,020,832	14,194,372
Specific provisions	80,020,832	63,673,065	80,020,832	14,194,372
General provisions	-	-	-	-
	80,020,832	63,673,065	80,020,832	14,194,372

10.6.1 PROVISION FOR IMPAIRMENT ALLOWANCES ON LOANS AND ADVANCES

Dec-20

At January 1, 2019

IAS 29 Adjustment

Charge for the year

Bad debts written off

As at December 31, 2020

Specific provisions

General provisions

Dec-19

At January 1, 2019

Charge for the year

Bad debts written off

As at December 31, 2019

Specific provisions

General provisions

Dec-20

At January 1, 2020

Charge for the year

Bad debts written off

As at December 31, 2020

Specific provisions

General provisions

Dec-19

At January 1, 2019

Charge for the year

Bad debts written off

As at December 31, 2019

Specific provisions

General provisions

10.6.2. PROVISION FOR IMPAIRMENT ALLOWANCES ON MONEY MARKET ASSETS

At January 1

IAS 29 Adjustment

Charge for the year

As at December 31

Specific provisions

10.6.3 PROVISION FOR IMPAIRMENT ALLOWANCES ON OTHER RECEIVABLES

At January 1

IAS 29 Adjustment

Charge for the year

As at December 31

Specific provisions

11. OTHER ASSETS

Accounts receivable

Prepayments

Inventory

12. ASSETS MEASURED AT FAIR VALUE

Dec-20

Recurring fair value measurements

Equity securities:

Communication

Financial services industry

Manufacturing industry

Other

INFLATION ADJUSTED		
Corporate lending ZWL	Individual Lending ZWL	Total ZWL
9,152,676	45,950,581	55,103,257
(7,112,308)	(35,707,009)	(42,819,317)
53,169,746	10,417,696	63,587,442
(1,026,184)	-	(1,026,184)
54,183,930	20,661,268	74,845,198
54,183,930	20,661,268	74,845,198
-	-	-
54,183,930	20,661,268	74,845,198
35,681,647	13,013,282	48,694,929
(26,098,635)	32,937,299	6,838,664
(430,336)	-	(430,336)
9,152,676	45,950,581	55,103,257
9,152,676	45,950,581	55,103,257
-	-	-
9,152,676	45,950,581	55,103,257

HISTORICAL		
Corporate lending ZWL	Individual Lending ZWL	Total ZWL
2,040,368	10,243,572	12,283,940
53,169,746	10,417,696	63,587,442
(1,026,184)	-	(1,026,184)
54,183,930	20,661,268	74,845,198
54,183,930	20,661,268	74,845,198
-	-	-
54,183,930	20,661,268	74,845,198
7,954,361	2,900,997	10,855,358
(5,818,060)	7,342,575	1,524,515
(95,933)	-	(95,933)
2,040,368	10,243,572	12,283,940
2,040,368	10,243,572	12,283,940
-	-	-
2,040,368	10,243,572	12,283,940

INFLATION ADJUSTED		HISTORICAL	
Dec 20 ZWL	Dec 19 ZWL	Dec 20 ZWL	Dec 19 ZWL
8,569,810	7,434,912	1,910,432	1,657,434
(3,647,174)	-	-	-
252,998	1,134,898	3,265,202	252,998
5,175,634	8,569,810	5,175,634	1,910,432
5,175,634	8,569,810	5,175,634	1,910,432
5,175,634	8,569,810	5,175,634	1,910,432
-	12,182,271	-	2,715,966
-	-	-	-
-	(12,182,271)	-	(2,715,966)
-	-	-	-
-	-	-	-
175,484,788	98,517,967	175,484,788	21,962,201
63,319,457	11,446,327	46,264,831	2,551,682
109,617,566	33,647,920	45,484,785	7,500,991
348,421,811	143,612,214	267,234,404	32,014,874

INFLATION ADJUSTED Fair value measurements at the end of the reporting period using			
Quoted prices in active markets for identical assets (Level 1) ZWL	Significant other observable inputs (Level 2) ZWL	Significant unobservable inputs (Level 3) ZWL	Total ZWL
36,478,498	-	-	36,478,498
-	-	11,319,160	11,319,160
46,866,707	-	-	46,866,707
14,882,639	-	-	14,882,639
98,227,844	-	11,319,160	109,547,004

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements for the year ended December 31, 2020 continued

	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
	ZWL	ZWL	ZWL	ZWL
Total equity securities				
Investment properties:				
Residential - Bulawayo	-	-	-	-
Residential - Harare	-	20,935,680	-	20,935,680
Commercial - Kwekwe	-	5,724,600	-	5,724,600
Commercial - Harare	-	117,681,420	-	117,681,420
Commercial Masvingo	-	10,631,400	-	10,631,400
		154,973,100		154,973,100
Total recurring fair value measurement	98,227,844	154,973,100	11,319,160	264,520,104

	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
	ZWL	ZWL	ZWL	ZWL
	ZWL	ZWL	ZWL	ZWL
Dec-19				
Recurring fair value measurements				
Equity securities:				
Communication	20,710,192	-	-	20,710,192
Financial services industry	-	-	2,496,144	2,496,144
Manufacturing industry	1,850,571	-	-	1,850,571
Other	1,390,018	-	-	1,390,018
	23,950,781	-	2,496,144	26,446,925

	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
	ZWL	ZWL	ZWL	ZWL
	ZWL	ZWL	ZWL	ZWL
Dec-19				
Recurring fair value measurements				
Equity securities:				
Communication	-	6,710,752	-	6,710,752
Residential - Harare	-	19,342,755	-	19,342,755
Commercial - Kwekwe	-	8,052,902	-	8,052,902
Commercial - Harare	-	170,315,717	-	170,315,717
Commercial Masvingo	-	8,763,453	-	8,763,453
	-	213,185,579	-	213,185,579
Total recurring fair value measurement	23,950,781	213,185,579	2,496,144	239,632,504

	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
	ZWL	ZWL	ZWL	ZWL
Dec-20				
Recurring fair value measurements				
Equity securities:				
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
	98,227,844	-	11,319,160	109,547,004

	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
	ZWL	ZWL	ZWL	ZWL
	ZWL	ZWL	ZWL	ZWL
Dec-20				
Recurring fair value measurements				
Equity securities:				
Communication	-	-	-	-
Residential - Harare	-	20,935,680	-	20,935,680
Commercial - Kwekwe	-	5,724,600	-	5,724,600
Commercial - Harare	-	117,681,420	-	117,681,420
Commercial Masvingo	-	10,631,400	-	10,631,400
	-	154,973,100	-	154,973,100
Total recurring fair value measurement	98,227,844	154,973,100	11,319,160	264,520,104

	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
	ZWL	ZWL	ZWL	ZWL
	ZWL	ZWL	ZWL	ZWL
Dec-19				
Recurring fair value measurements				
Equity securities:				
Communication	4,616,837	-	-	4,616,837
Financial services industry	-	-	556,455	556,455
Manufacturing industry	412,540	-	-	412,540
Other	309,871	-	-	309,871
	5,339,248	-	556,455	5,895,703
Investment properties:				
Residential - Bulawayo	-	1,496,000	-	1,496,000
Residential - Harare	-	4,312,000	-	4,312,000
Commercial - Kwekwe	-	1,795,200	-	1,795,200
Commercial - Harare	-	37,967,775	-	37,967,775
Commercial Masvingo	-	1,953,600	-	1,953,600
	-	47,524,575	-	47,524,575
Total recurring fair value measurement	5,339,248	47,524,575	556,455	53,420,278

12.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	INFLATION ADJUSTED		HISTORICAL	
	Dec-20	Dec-19	Dec-20	Dec-19
	ZWL	ZWL	ZWL	ZWL
Opening balance	26,446,925	28,382,075	5,895,703	6,327,098
IAS 29 Adjustment	(20,551,222)	-	-	-
Additions	42,300,174	471,802	42,300,174	105,177
Disposals	-	(5,283,537)	-	(117,7837)
Fair value gain/(loss)	59,494,199	1,159,924	59,494,199	258,577
Foreign exchange gain/(loss) on foreign shares	1,856,928	1,716,661	1,856,928	382,688
Closing balance	109,547,004	26,446,925	109,547,004	5,895,703

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	
	Dec-20	Dec-19	Dec-20	Dec-19
	ZWL	ZWL	ZWL	ZWL
Opening balance	213,185,579	30,021,194	47,524,575	6,692,500
IAS 29 adjustment	(165,661,004)	-	-	-
Additions	435,098	8,968,341	435,098	1,999,275
Transfer from property, plant and equipment	1,003,370	-	1,003,370	-
Transfer to property, plant and equipment	(1,496,000)	-	(1,496,000)	-
Fair value gain	107,506,057	174,196,044	107,506,057	38,832,801
Closing balance	154,973,100	213,185,579	154,973,100	47,524,575

Investment properties were accounted for using the fair value model. In respect of the closing balances, valuations were carried out as at December 31, 2020 by Sworn appraisers, Bard Real Estate and these were based on market values.

13. Property, Plant and Equipment	INFLATION ADJUSTED		HISTORICAL	
	Dec-20	Dec-19	Dec-20	Dec-19
	ZWL	ZWL	ZWL	ZWL
Opening carrying amount	360,863,889	69,910,482	80,445,887	15,584,852
Gross carrying amount	360,863,889	69,910,482	80,445,887	15,584,852
Accumulated depreciation	-	-	-	-
IAS 29 Adjustment	(280,418,002)	-	-	-
Revaluation (loss)/ gain	280,268,241	230,284,676	280,268,241	51,336,407
Disposals	(4,858,945)	(6,132)	(4,858,945)	(1,368)
Additions at cost	54,620,695	79,120,473	54,620,695	17,637,999
Transfer from investment properties	1,496,000	-	1,496,000	-
Transfer to investment properties	(1,003,370)	-	(1,003,370)	-
Depreciation	(22,288,298)	(18,445,610)	(22,288,298)	(4,112,003)
Closing carrying amount	388,680,210	360,863,889	388,680,210	80,445,887
Gross carrying amount	388,680,210	360,863,889	388,680,210	80,445,887
Accumulated depreciation	-	-	-	-

Property, plant and equipment was accounted for using the fair value model. In respect of the closing balances, valuations were carried out as at December 31, 2020 by Sworn appraisers, Bard Real Estate and these were based on market values.

14 RIGHT OF USE ASSETS	INFLATION ADJUSTED		HISTORICAL	
	Dec-20	Dec-19	Dec-20	Dec-19
	ZWL	ZWL	ZWL	ZWL
Carrying amount at 1 January 2019	12,482,752	16,079,038	2,782,728	3,584,433
Additions	17,647,663	-	13,027,194	-
Depreciation	(5,527,374)	(3,596,286)	(3,632,944)	(801,705)
Closing balance	24,603,041	12,482,752	12,176,978	2,782,728

15. INTANGIBLE ASSETS	INFLATION ADJUSTED		HISTORICAL	
	Dec-20	Dec-19	Dec-20	Dec-19
	ZWL	ZWL	ZWL	ZWL
Opening carrying amount	228,992,949	18,534,613	51,048,446	4,131,844
Gross carrying amount	228,992,949	18,534,613	51,048,446	4,131,844
Accumulated amortisation	-	-	-	-
IAS 29 Adjustment	(177,944,503)	-	-	-
Foreign exchange gain	(296)	4,438,340	(296)	989,421
Revaluation gain	17,214,193	209,774,433	17,214,193	46,764,142
Additions	470,755	37,681	470,755	8,400
Amortisation charge during the year	(5,364,240)	(3,792,118)	(5,364,240)	(845,361)
Closing carrying amount	63,368,858	228,992,949	63,368,858	51,048,446
Gross carrying amount	63,368,858	228,992,949	63,368,858	51,048,446
Accumulated amortisation	-	-	-	-



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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements for the year ended December 31, 2020 continued

16. CUSTOMER DEPOSITS

	Dec-20 ZWL	Dec-19 ZWL	Dec-20 ZWL	Dec-19 ZWL
Individual accounts	1,169,220,543	774,332,923	1,169,220,543	172,618,820
Corporate accounts	346,898,669	455,473,665	346,898,669	101,536,851
Term deposits	226,161,992	271,890,800	226,161,992	60,611,486
	1,742,281,204	1,501,697,388	1,742,281,204	334,767,157

17. OTHER LIABILITIES

	Dec-20 ZWL	Dec-19 ZWL	Dec-20 ZWL	Dec-19 ZWL
Interest payable on deposits	3,260,952	3,060,040	3,260,952	682,162
Accounts payable	303,839,964	211,827,540	303,839,964	47,221,833
Provisions	21,289,078	7,071,132	21,289,078	1,576,338
Deferred fee income	19,147,634	10,470,011	19,147,634	2,334,036
Lease Liability	13,368,239	13,988,899	13,368,239	3,118,487
	360,905,867	246,417,622	360,905,867	54,932,856

17.1 INTEREST PAYABLE ON DEPOSITS

	Dec-20 ZWL	Dec-19 ZWL	Dec-20 ZWL	Dec-19 ZWL
Individual accounts	565,719	969,278	565,719	216,077
Corporate accounts	343,016	229,722	343,016	51,211
Term deposits	2,352,217	1,861,040	2,352,217	414,874
	3,260,952	3,060,040	3,260,952	682,162

18. SHARE CAPITAL AND RESERVES

18.1 Share capital

	Dec-20 ZWL	Dec-19 ZWL	Dec-20 ZWL	Dec-19 ZWL
Authorised				
50 million Ordinary shares at ZWL1 each	50,000,000	50,000,000	50,000,000	50,000,000
Issued and fully paid				
Opening balance	650,590,547	650,590,547	23,349,746	23,349,746
Additional shares issued	26,056,145	-	25,000,000	-
Closing balance (Ordinary shares at ZWL1 each)	676,646,692	650,590,547	48,349,746	23,349,746

Issued and fully paid share capital comprised of 48,349,746 (2019: 23,349,746) ordinary shares at ZWL 1 each. During the year, the Bank issued an additional 25,000,000 shares to the Government at ZWL 1 each.

18.2 Capital contribution

The Bank received funds amounting to ZWL 25,000,000 from the Government for the purpose of recapitalization of the Bank.

18.3 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.

18.4 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 2020.

18.5 Functional currency translation reserve

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

	Dec-20 ZWL	Dec-19 ZWL	Dec-20 ZWL	Dec-19 ZWL
Opening balance	-	-	16,584,225	18,058,730
Adjustment	-	-	-	(1,474,505)
Change in functional currency	-	-	-	-
Closing balance	-	-	16,584,225	16,584,225

18.6 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.

	Dec-20 ZWL	Dec-19 ZWL	Dec-20 ZWL	Dec-19 ZWL
Opening balance	480,344,001	1,141,623,240	109,012,337	40,972,948
Profit/ (Loss) for the year	(434,936,799)	(600,750,555)	352,382,031	71,557,542
Dividend paid	(17,889,386)	(60,528,684)	(17,889,386)	(4,222,209)
Transfer from Mark-to-market reserve	-	-	-	704,056
Closing balance	27,517,816	480,344,001	443,504,982	109,012,337

18.7 Dividend

The Board of Directors approved a dividend of 36.99996 cents per share in year 2020 (2019: 18.08246 cents per share).

	Dec-20 ZWL	Dec-19 ZWL	Dec-20 ZWL	Dec-19 ZWL
Opening balance	-	-	-	-
Dividend declared	17,889,386	60,528,684	17,889,386	4,222,209
Dividend paid	(17,889,386)	(60,528,684)	(17,889,386)	(4,222,209)
Dividend payable as at December 31	-	-	-	-

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. The latest Actuarial report provided to the Bank is as at 31 December 2019. The report does not show the following information which is critical for Defined Benefit accounting purposes:

- Reconciliation of the present value of the defined benefit obligation and plan assets;
- The past and current service costs, gains and losses arising from settlements, as well as net interest on the net defined benefit obligation;
- Re-measurements of the net defined benefit liability or asset comprising actuarial gains and/or losses to be recognised in other comprehensive income;
- Disaggregation of plan assets by nature and risk of those assets i.e. those with a quoted market price in an active market and those which do not have;
- Disclosure of fair value of the transferable financial instruments held as plan assets and plan assets that are property occupied and
- The key risks to which the fund is exposed as well as the sensitivity of defined benefit obligation to changes in actuarial assumptions.

In the current year the Bank made contributions amounting to ZWL13,596,312 (2019: ZWL2,319,053). The expected contributions to the plan for the next annual reporting period are ZWL34,858,435 The Actuarial Valuation report prepared as at 31 December 2019 does not show the Bank's funding deficit as share of assets is not available. However the report shows that the Bank had a past service liability of ZWL95,159,205. The level of participation of the Bank in the plan measured by the Bank's proportion of the total number of active members entitled to benefits was 13%.

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 as follows:

Employees: 4.5% of the monthly basic salary to a maximum of ZWL5,000.

Bank: 4.5% of the monthly basic salary to a maximum of ZWL5,000.

The Bank also contributes 1.25% towards Workers' Compensation Insurance Fund (WCIF) on behalf of its employees.

Total amount charged through the statement of profit or loss and other comprehensive income during the year under review amounted to ZWL768,010 (2019: ZWL122,938).

20. EMPLOYEES

The average number of permanent persons employed by the Bank during the reporting period was 369 (December 2019: 337).

21. RELATED PARTY DISCLOSURES

21.1 Compensation to key management personnel

	Dec-20 ZWL	Dec-19 ZWL	Dec-20 ZWL	Dec-19 ZWL
Short term employee benefits	32,561,227	41,322,470	15,961,386	2,807,233
Termination benefits	-	40,230	-	2,733
Post-employment benefit	3,405,059	5,312,801	1,669,146	360,924
	35,966,286	46,675,501	17,630,532	3,170,890

21.2 Loans to key management personnel of the Bank

	Dec-20 ZWL	Dec-19 ZWL	Dec-20 ZWL	Dec-19 ZWL
Mortgage loans	1,972,628	3,669,951	1,972,628	818,127
Personal loans	11,635,380	2,371,645	11,635,380	528,701
	13,608,008	6,041,597	13,608,008	1,346,828

Key management personnel refers to the Bank's executive management team which consists of the Chief Executive Officer, the General Manager Finance and Administration, the General Manager Banking Operations, the General Manager Risk, Security and Investigations, the General Manager Corporate and Investments Banking, the Human Resources Executive, the Information Technology Executive, the Head of Internal Audit, the Marketing Manager, the Compliance Officer, the Company Secretary and Legal advisor and Head of the Procurement Management Unit.

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

21.2 Non- executive directors' fees

	Dec-20 ZWL	Dec-19 ZWL	Dec-20 ZWL	Dec-19 ZWL
Fees and other emoluments	2636,062	2137,605	1,883,000	225,606
	2,636,062	2,137,605	1,883,000	225,606

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Notes to the financial statements for the year ended December 31, 2020 continued

21.3 Loans to non-executive directors

The Bank had no outstanding loans due from non-executive directors (2019: Nil).

21.4 TERMS AND CONDITIONS OF RELATED PARTY TRANSACTIONS

The above mentioned outstanding balances arose from the ordinary course of business. Loans to non-executive directors of the Bank were at the Bank’s normal lending rates, terms and conditions. Outstanding balances at year end were secured. The Bank had no outstanding loans to non-executive directors as at December 31, 2020.

22. RISK MANAGEMENT AND CONTROL

22.1 Overview of the Bank’s risk 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 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. 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.

22.5.1.1 Impacts on Governance and Controls

As part of the implementation of IFRS 9, the Bank has 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, the Bank has established an IFRS 9 implementation Committee to provide oversight to the IFRS 9 impairment process. The IFRS 9 implementation Committee is comprised of senior representatives from Finance, Risk Management and Economics

and is responsible for reviewing and approving key inputs and assumptions used in the expected credit loss estimates. It also assesses the appropriateness of the overall allowance results to be included in the Bank’s 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.

22.5.1.2 Impacts on Capital Planning

IFRS 9 will impact the 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 for regulatory capital purposes.

22.5.2 Exposure to credit risk

The bank’s total exposure to credit risk as of December 31, 2020 was ZWL1.25 billion (Dec 2019: ZWL235.25 million) before taking account of collateral of ZWL212.44 million (Dec 2019: ZWL47.82 million) 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

Dec 2020	Loans and advances ZWL	Treasury investments 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	-

Dec 2019	Loans and advances ZWL	Treasury investments ZWL	Other receivables ZWL
Carrying amount	677,512,129	355,054,317	22,728,087
Amount committed	677,512,129	355,054,317	22,728,087
Concentration by sector			
Corporate	14,643,068	202,287	22,728,087
Individual	626,710,614	-	-
Mortgage	20,351,185	-	-
Microfinance	14,391,572	-	-
SME and Agribusiness	1,415,690	-	-
Government	-	18,133,398	-
Central Bank	-	210,628,873	-
Other Banks	-	126,089,759	-
Total	677,512,129	355,054,317	22,728,087

HISTORICAL

Dec 2020	Loans and advances ZWL	Treasury investments 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	-



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Notes to the financial statements for the year ended December 31, 2020 continued

Dec 2019	Loans and advances ZWL	Treasury investments ZWL	Other receivables ZWL
Carrying amount	151,034,962	79,150,783	5,066,678
Amount committed	151,034,962	79,150,783	5,066,678
Concentration by sector			
Corporate	3,264,318	45,095	5,066,678
Individual	139,709,992	-	-
Mortgage	4,536,805	-	-
Microfinance	3,208,253	-	-
SME and Agribusiness	315,594	-	-
Government	-	4,042,403	
Central Bank	-	46,954,619	-
Other Banks	-	28,108,666	-
Total	151,034,962	79,150,783	5,066,678

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 year ended 31 December 2020.

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. 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 table below shows the PD percentages which were applied to each internal credit risk grade as at 31 December 2020.

Internal credit rating table

Internal Credit Rating	Description	Average 12 Months PDs	
		Dec 2020	Dec 2019
1	Pass- Prime Grade	0.19	0.05
2	Pass - Strong	0.38	0.17
3	Pass - Satisfactory	0.15	0.37
4	Special Mention - Moderate	0.48	0.52
5	Special Mention - Fair	0.10	0.30
6	Special Mention - Speculative	0.76	0.88
7	Special Mention - Speculative	1.00	1.00
8	Substandard	1.00	1.00
9	Doubtful	1.00	1.00
10	Loss	0.91	0.88

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

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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

The following tables present reconciliations from the opening balance to the closing balance of the loss allowance for financial assets measured at amortised cost and how significant changes in gross carrying amount contributed to changes in the loss allowance:

22.5.8.1 Expected credit loss allowances for loans and advances measured at amortised cost
INFLATION ADJUSTED

Dec 2020	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
LOANS AND ADVANCES	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	590,006,447	16,033,849	36,326,132	2,519,810	51,179,550	36,549,598	677,512,129	55,103,257
IAS 29 Adjustment	(458,478,762)	(12,459,490)	(28,228,098)	(1,958,079)	(39,770,306)	(28,401,748)	(526,477,166)	(42,819,317)
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

Dec 2019	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
LOANS AND ADVANCES	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 2019	504,117,433	21,264,067	7,614,979	965,459	41,027,020	26,465,402	552,759,432	48,694,928
Transfer to Lifetime ECL (Not Credit- Impaired)	(26,324,462)	(1,229,516)	-	-	(724,060)	(431)	(27,048,522)	(1,229,947)
Transfer to Lifetime ECL (Credit-Impaired)	(13,798,808)	(612,473)	(959,193)	(129,527)	-	-	(14,758,001)	(742,000)
Changes due to Modifications that did not result in Derecognition	(94,940,450)	1,964,707	24,046,095	2,980,386	978,671	3,077,207	(69,915,684)	8,022,300
Changes in Models or Risk Parameters	(1,047,083)	(9,418,500)	(7,919,580)	(2,113,900)	8,966,663	9,490,690	-	(2,041,710)
New Financial Assets or originated purchase	390,319,063	10,739,631	14,664,446	931,713	9,138,227	4,323,245	414,121,736	15,994,589
Derecognition	(168,319,246)	(6,674,067)	(1,120,615)	(114,321)	(8,206,971)	(6,806,515)	(177,646,832)	(13,594,903)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	(799,768)	(799,768)	(174,515)	(174,515)	(476,625)	(476,625)	(1,450,908)	(1,450,908)
Recoveries of amounts previously written off	799,768	799,768	174,515	174,515	476,625	476,625	1,450,908	1,450,908
At 31 December 2019	590,006,447	16,033,849	36,326,132	2,519,810	51,179,550	36,549,598	677,512,129	55,103,257

HISTORICAL

Dec 2020	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
LOANS AND ADVANCES	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	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



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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements for the year ended December 31, 2020 continued

Dec 2019	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 2019	112,380,804	4,740,310	1,697,576	215,226	9,145,983	5,899,822	123,224,363	10,855,358
Transfer to Lifetime ECL (Not Credit- Impaired)	(5,868,403)	(274,091)	-	-	(161,412)	(96)	(6,029,815)	(274,187)
Transfer to Lifetime ECL (Credit-Impaired)	(3,076,111)	(136,536)	(213,829)	(28,875)	-	-	(3,289,940)	(165,411)
Changes due to Modifications that did not result in Derecognition	(21,164,680)	437,984	5,360,496	664,405	218,171	685,989	(15,586,013)	1,788,378
Changes in Models or Risk Parameters	(233,422)	(2,099,627)	(1,765,479)	(471,243)	1,998,901	2,115,720	-	(455,150)
New Financial Assets or originated purchase	87,012,206	2,394,141	3,269,084	207,703	2,037,147	963,763	92,318,437	3,565,607
Derecognition	(37,522,710)	(1,487,822)	(249,814)	(25,485)	(1,829,546)	(1,517,348)	(39,602,070)	(3,030,655)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	(178,289)	(178,289)	(38,904)	(38,904)	(106,252)	(106,252)	(323,445)	(323,445)
Recoveries of amounts previously written off	178,289	178,289	38,904	38,904	106,252	106,252	323,445	323,445
At 31 December 2019	131,527,684	3,574,359	8,098,034	561,731	11,409,244	8,147,850	151,034,962	12,283,940

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

INFLATION ADJUSTED

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	350,759,064	4,274,556	-	-	4,295,253	4,295,253	355,054,317	8,569,809
IAS 29 Adjustment	(272,565,801)	(3,321,647)	-	-	(3,337,730)	(3,337,730)	(275,903,531)	(6,659,377)
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	333,878,638	4,173,383	-	-	-	-	333,378,638	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

Dec 2019	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 2019	265,846,380	3,139,658	-	-	4,295,253	4,295,253	270,141,633	7,434,911
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	9,606,163	120,076	-	-	-	-	9,606,163	120,076
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	228,362,127	2,854,528	-	-	-	-	228,362,127	2,854,528
Derecognition	(153,055,606)	(1,839,706)	-	-	-	-	(153,055,606)	(1,839,706)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2019	350,759,064	4,274,556	-	-	4,295,253	4,295,253	355,054,317	8,569,809







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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements for the year ended December 31, 2020 continued

HISTORICAL

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

Dec 2019	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 2019	59,264,029	699,911	-	-	957,523	957,523	60,221,552	1,657,434
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	2,141,462	26,768	-	-	-	-	2,141,462	26,768
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	50,907,819	636,348	-	-	-	-	50,907,819	636,348
Derecognition	(34,120,050)	(410,118)	-	-	-	-	(34,120,050)	(410,118)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2019	78,193,260	952,909	-	-	957,523	957,523	79,150,783	1,910,432

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

INFLATION ADJUSTED

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	-	-	-	-	22,728,087	-	22,728,087	-
IAS 29 Adjustment					(17,661,409)	-	(17,661,409)	-
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	-	-	-	-	-	-	-	-

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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements for the year ended December 31, 2020 continued

Dec 2019	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 2019	-	-	-	-	27,626,613	12,183,269	27,626,613	12,183,269
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	(10,922,466)	-	(10,922,466)
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	-	-	-	-	(4,898,526)	(1,260,803)	(4,898,526)	(1,260,803)
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 2019	-	-	-	-	22,728,087	-	22,728,087	-

HISTORICAL

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	-	-	-	-	-	-	-	-

Dec 2019	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 2019	-	-	-	-	6,158,686	2,715,967	6,158,686	2,715,967
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	(2,434,900)	-	(2,434,900)
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	-	-	-	-	(1,092,008)	(281,067)	(1,092,008)	(281,067)
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 2019	-	-	-	-	5,066,678	-	5,066,678	-

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

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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements for the year ended December 31, 2020 continued

Category	2020	2019
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

Dec-20 Type of financial asset	INFLATION ADJUSTED					
	Neither past due nor impaired					
	High grade ZWL	Standard Grade ZWL	Substandard Grade ZWL	Past due but not impaired ZWL	Impaired ZWL	Total 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	-	-	-	-	-	-
Total Credit exposure	1,239,506,153	201,936	144,855	464,937	30,295,848	1,270,613,729

Dec-20 Type of financial asset	HISTORICAL					
	Neither past due nor impaired					
	High grade ZWL	Standard Grade ZWL	Substandard Grade ZWL	Past due but not impaired ZWL	Impaired ZWL	Total 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	-	-	-	-	-	-
Total Credit exposure	1,239,506,153	201,936	144,855	464,937	30,295,848	1,270,613,729

Dec-19 Type of financial asset	Neither past due nor impaired					
	Neither past due nor impaired					
	High grade ZWL	Standard Grade ZWL	Substandard Grade ZWL	Past due but not impaired ZWL	Impaired ZWL	Total ZWL
Loans and advances	591,082,868	63,030,045	795,709	573,841	22,029,666	677,512,129
Interbank placements	122,111,178	-	-	-	3,978,585	126,089,763
Treasury bills	281,058,368	-	-	-	-	281,058,368
Government bonds	18,133,398	-	-	-	-	18,133,398
Debentures	202,289	-	-	-	-	202,289
Other receivables	-	22,728,087	-	-	-	22,728,087
Total Credit exposure	1,012,588,101	85,758,132	795,709	573,841	26,008,251	1,125,724,034

Dec-19 Type of financial asset	Neither past due nor impaired					
	Neither past due nor impaired					
	High grade ZWL	Standard Grade ZWL	Substandard Grade ZWL	Past due but not impaired ZWL	Impaired ZWL	Total ZWL
Loans and advances	131,767,647	14,051,026	177,384	127,924	4,910,981	151,034,962
Interbank placements	27,221,737	-	-	-	886,930	28,108,667
Treasury bills	62,655,174	-	-	-	-	62,655,174
Government bonds	4,042,403	-	-	-	-	4,042,403
Debentures	45,095	-	-	-	-	45,095
Other receivables	-	5,066,678	-	-	-	5,066,678
Total Credit exposure	225,732,056	19,117,704	177,384	127,924	5,797,911	250,952,979

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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements for the year ended December 31, 2020 continued

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					
Dec 2020	12 month ECL ZWL	Lifetime ECL Not credit impaired ZWL	Lifetime ECL Credit Impaired ZWL	Purchased/ originated Credit impaired ZWL	Total 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	337,460,471	-	-	-	337,460,471
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	725,514	-	725,514
Carrying amount	337,460,471	-	725,514	-	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	-	-	-	-	-

Dec 2019	12 month ECL ZWL	Lifetime ECL Not credit impaired ZWL	Lifetime ECL Credit Impaired ZWL	Purchased/ originated Credit impaired ZWL	Total ZWL
Financial assets at amortised cost (Loans and advances)					
Grades 1: Standard	698,036,521	-	-	-	698,036,521
Grades 2: Special mention	-	10,386,010	12,694,013	-	23,080,023
Grade 3: Substandard	-	-	3,401,950	-	3,401,950
Grade4: Doubtful	-	-	3,010,486	-	3,010,486
Grade 5: Loss	-	-	37,860,670	-	37,860,670
Carrying amount	698,036,521	10,386,010	56,967,119	-	765,389,650
Financial assets at amortised cost (Treasury Investments)					
Grades 1: Standard	351,094,823	-	-	-	351,094,823
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	3,978,804	-	3,978,804
Carrying amount	351,094,823	-	3,978,804	-	355,073,627
Financial assets at amortised cost (Agency outstanding net deposits)					
Grades 1: Standard	-	-	-	-	-
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	22,728,087	-	22,728,087
Carrying amount	-	-	22,728,087	-	22,728,087

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

HISTORICAL					
Dec 2020	12 month ECL ZWL	Lifetime ECL Not credit impaired ZWL	Lifetime ECL Credit Impaired ZWL	Purchased/ originated Credit impaired ZWL	Total 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	351,094,823	-	-	-	351,094,823
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	3,978,804	-	3,978,804
Carrying amount	351,094,823	-	3,978,804	-	355,073,627
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	-	-	-	-	-

Dec 2019	12 month ECL ZWL	Lifetime ECL Not credit impaired ZWL	Lifetime ECL Credit Impaired ZWL	Purchased/ originated Credit impaired ZWL	Total ZWL
Financial assets at amortised cost (loans and advances)					
Grades 1: Standard	131,767,647	-	-	-	131,767,647
Grades 2: Special mention	-	-	6,322,962	7,728,064	14,051,026
Grade 3: Substandard	-	-	-	177,384	177,384
Grade4: Doubtful	-	-	-	127,924	127,924
Grade 5: Loss	-	-	-	4,910,981	4,910,981
Carrying amount	131,767,647	-	6,322,962	12,944,353	151,034,962
Financial assets at amortised cost (Treasury investments)					
Grades 1: Standard	78,263,853	-	-	-	78,263,853
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	886,930	-	886,930
Carrying amount	78,263,853	-	886,930	-	79,150,783
Financial assets at amortised cost (Agency outstanding net deposits)					
Grades 1: Standard	-	-	-	-	-
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	5,066,678	-	5,066,678
Carrying amount	-	-	5,066,678	-	5,066,678





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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements for the year ended December 31, 2020 continued

Dec 2020

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	-	-	-	-	-

Dec 2019

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	151,034,962	12,283,940	17,514,625	-	Mortgage bond over immovable property
Treasury investments	94,851,339	1,910,,432	30,309,887	-	Treasury bills, Government bonds, Savings bonds
Other receivables	5,066,678	-	8,320,000	-	Mortgage bond over immovable property

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:

	Dec-20 ZWL	Dec-19 ZWL
Mortgage bonds over immovable property	74,437,654	17,514,625
Marketable securities	50,000,000	-
Treasury bills	88,000,000	17,800,000
Government bonds	-	10,100,000
Savings bonds	-	2,409,887
	212,437,654	47,824,512

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	2020 (Carrying value)	2019 (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: 2019).

22.5.5 Carrying amount of assets whose terms have been renegotiated

The Bank did not have any re-negotiated loans during the year (2019: 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 67% as at 31 December 2020 (76%: December 2019). 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 December 31, 2020;

Dec - 20 ASSETS	INFLATION ADJUSTED					
	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Total 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	-

Dec - 19 ASSETS	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Total ZWL
Cash and cash equivalents	831,414,282	-	-	-	-	831,414,282
Advances	35,460,956	9,683,062	59,324,802	549,634,601	23,408,708	677,512,129
Investments	151,226,284	187,526,953	-	11,690,581	75,040,000	425,483,818
	1,018,101,522	197,210,015	59,324,802	561,325,182	98,448,708	1,934,410,229
LIABILITIES						
Deposits	944,909,691	228,950,812	214,537,849	113,299,036	-	1,501,697,388
	944,909,691	228,950,812	214,537,849	113,299,036	-	1,501,697,388
Liquidity gap	73,191,831	(31,740,797)	(155,213,047)	448,026,146	98,448,708	432,712,841
Cumulative gap	73,191,831	41,451,034	(113,762,013)	334,264,133	432,712,841	-

Dec - 20 ASSETS	HISTORICAL					
	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Total 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	-

Dec - 19 ASSETS	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Total ZWL
Cash and cash equivalents	185,343,730	-	-	-	-	185,343,730
Advances	7,905,164	2,158,605	13,225,031	122,527,757	5,218,405	151,034,962
Investments	33,712,247	41,804,604	-	2,606,133	16,728,355	94,851,339
	226,961,141	43,963,209	13,225,031	125,133,890	21,946,760	431,230,031
LIABILITIES						
Deposits	210,664,790	51,039,053	47,826,031	25,257,283	-	334,767,157
	210,664,790	51,039,053	47,826,031	25,257,283	-	334,767,157
Liquidity gap	16,316,351	(7,075,844)	(34,601,000)	99,876,607	21,946,760	96,462,874
Cumulative gap	16,316,351	9,240,507	(25,360,493)	74,516,114	96,462,874	-

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.

Dec - 20	INFLATION ADJUSTED		
	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	(5,477,351)
Dec-19	Fair value as at 31-12-2019 ZWL	10% increase in price ZWL	5% Decrease in price ZWL
Financial assets at fair value through other comprehensive income	26,446,924	29,091,617	25,124,569
Increase/(decrease)	-	2,644,692	(1,322,355)

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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements for the year ended December 31, 2020 continued

Dec - 20
Financial assets at fair value through other comprehensive income
Increase/(decrease)

HISTORICAL		
Fair value as at 31-12-2020 ZWL	10% increase in price ZWL	5% Decrease in price ZWL
109,547,004	120,501,704	104,069,653
	10,954,700	(5,477,351)

Dec-19
Financial assets at fair value through other comprehensive income
Increase/(decrease)

Fair value as at 31-12-2019 ZWL	10% increase in price ZWL	5% Decrease in price ZWL
5,895,703	6,485,273	5,600,916
	589,570	(294,787)

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 December 31, 2020;

INFLATION ADJUSTED							
Dec - 20	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Non-interest bearing ZWL	Total 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	273,576,613	1,189,340,468
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	-	-	-	-	-	24,603,041	24,603,041
Intangible assets	-	-	-	-	-	63,368,858	63,368,858
	69,724,942	124,415,702	367,934,225	699,369,296	9,169,564	1,919,770,630	3,190,384,359
EQUITY AND LIABILITIES							
Deposits and other liabilities	753,568,172	179,457,812	267,509,291	541,745,929	-	360,907,867	2,103,187,071
Reserves	-	-	-	-	-	1,087,197,288	1,087,197,288
	753,568,172	179,457,812	267,509,291	541,745,929	-	1,448,103,155	3,190,384,359
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)	-	-
Dec - 19	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Non-interest bearing ZWL	Total ZWL
ASSETS							
Cash and cash equivalents	-	-	-	-	-	831,414,282	831,414,282
Advances and Other assets	35,460,956	9,683,062	59,324,802	549,634,601	23,408,703	111,237,049	788,749,173
Investments	151,226,284	187,526,953	-	11,690,581	75,040,000	231,062,695	656,546,513
Property, plant and equipment	-	-	-	-	-	360,863,889	360,863,889
Right of use assets	-	-	-	-	-	12,482,752	12,482,752
Intangible assets	-	-	-	-	-	228,992,949	228,992,949
	186,687,240	197,210,015	59,324,802	561,325,182	98,448,703	1,776,053,616	2,879,049,558
EQUITY AND LIABILITIES							
Deposits and other liabilities	944,909,693	228,950,811	214,537,851	113,299,032	-	246,417,623	1,748,115,010
Reserves	-	-	-	-	-	1,130,934,548	1,130,934,548
	944,909,693	228,950,811	214,537,851	113,299,032	-	1,377,352,171	2,879,049,558
Interest rate re-pricing gap	(758,222,452)	(31,740,796)	(155,213,049)	448,026,150	98,448,703	398,701,445	-
Cumulative gap	(758,222,452)	(789,963,249)	(945,176,298)	(497,150,148)	(398,701,445)	-	-
HISTORICAL							
Dec - 20	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Non-interest bearing ZWL	Total 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
Reserves	-	-	-	-	-	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)	-	-
Dec - 19	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Non-interest bearing ZWL	Total ZWL
ASSETS							
Cash and cash equivalents	-	-	-	-	-	185,343,730	185,343,730
Advances and Other assets	7,905,164	2,158,605	13,225,031	122,527,757	5,218,405	24,797,612	175,832,574
Investments	33,712,247	41,804,604	-	2,606,133	16,728,355	51,509,847	146,361,186
Property, plant and equipment	-	-	-	-	-	80,445,887	80,445,887
Right of use assets	-	-	-	-	-	2,782,728	2,782,728
Intangible assets	-	-	-	-	-	51,048,446	51,048,446
	41,617,411	43,963,209	13,225,031	125,133,890	21,946,760	395,928,250	641,814,551
EQUITY AND LIABILITIES							
Deposits and other liabilities	210,644,790	51,039,053	47,826,031	25,257,283	-	54,932,856	389,700,013
Reserves	-	-	-	-	-	252,114,538	252,114,538
	210,644,790	51,039,053	47,826,031	25,257,283	-	307,047,394	641,814,551
Interest rate re-pricing gap	(169,027,379)	(7,075,844)	(34,601,000)	99,876,607	21,946,760	88,880,856	-
Cumulative gap	(169,027,379)	(176,103,223)	(210,704,223)	(110,827,616)	(88,880,856)	-	-

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Notes to the financial statements for the year ended December 31, 2020 continued

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 December 31, 2020 was as follows;

Dec - 20	TOTAL	INFLATION ADJUSTED						
	(ZWL)	ZWL	US\$	ZAR	BWP	GBP	EURO	JPY
Total assets	3,190,384,359	2,649,321,897	472,180,419	66,338,310	3,829	90,589	2,413,382	35,933
Total equity and liabilities	3,190,384,359	2,898,084,403	281,200,858	12,570,061	8,793	48,965	(1,528,721)	-

Dec - 19	TOTAL							
	(ZWL)	ZWL	US\$	ZAR	BWP	GBP	EURO	JPY
Total assets	2,879,049,558	2,736,277,482	133,808,228	6,461,877	(54,709)	225,806	2,299,511	-
Total equity and liabilities	2,879,049,558	2,840,200,554	35,416,856	5,130,279	4,038	38,522	(1,740,691)	-

Dec - 20	TOTAL	HISTORICAL						
	(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)	-

Dec - 19	TOTAL							
	(ZWL)	ZWL	US\$	ZAR	BWP	GBP	EURO	JPY
Total assets	641,814,551	609,986,965	29,829,313	1,440,519	(12,196)	50,338	512,620	6,992
Total equity and liabilities	641,814,551	633,154,105	7,895,332	1,143,672	900	8,588	(388,046)	-

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

	Dec-20	Dec-19
US\$	81.7866	16.7734
ZAR	0.1788	0.8421
Pula	0.1319	0.6359
GBP	111.4261	21.9975
Euro	100.5157	18.7954
JPY	12610	6.4810

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 Bank 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 the requirements of its business lines 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 support business growth and depositors' confidence as well as providing competitive returns.

During the year under review, the Bank issued 25 million shares to the shareholder at a nominal value of ZWL1 per share.

23.1 Capital Adequacy

The capital adequacy of the Bank as at 31 December 2020 was as follows:

	INFLATION ADJUSTED		HISTORICAL	
	Dec-20	Dec-19	Dec-20	Dec-19
Share capital	676,646,692	650,590,547	48,349,746	23,349,746
Capital contribution	26,056,145	-	25,000,000	-
Mark- to- market reserves	59,494,199	-	64,094,548	4,600,349
Revenue reserves	27,517,816	480,344,001	443,504,982	109,012,337
Advances to insiders	-	-	-	-
Capital allocated to market and operational risk	-	-	-	-
Tier 1 Capital	789,714,850	1,130,934,548	580,949,276	136,962,432
Revaluation Reserves	297,482,436	-	396,050,317	98,567,881
Functional currency translation reserve	-	-	16,584,225	16,584,225
Tier 1 & 2 Capital	1,087,197,288	1,130,934,548	993,583,818	252,114,538
Tier 3 Capital allocated for market and operational risk	-	-	-	-
Risk weighted assets	1,866,123,634	1,607,879,222	1,853,697,068	358,437,832
Tier 1%	42.32%	70.34%	31.34%	38.21%
Tier 2%	15.94%	0.00%	22.26%	32.13%
Tier 3%	0.00%	0.00%	0.00%	0.00%
Capital adequacy ratio	58.26%	70.34%	53.60%	70.34%
RBZ minimum required capital adequacy ratio	12%	12%	12%	12%

24. EVENTS AFTER REPORTING PERIOD

Subsequent to the Bank's year end date of 31 December 2020, The Government of Zimbabwe announced more stringent Covid-19 induced lockdown measures in an attempt to reduce the increase in the number of Covid-19 infections across the country. The Bank continued to implement measures such as reducing the number of employees working from the offices, providing employees with suitable protective clothing, sanitizing all public areas and encouraging customers to utilize digital delivery channels. Management has assessed this development and concluded that it has an insignificant impact on the Bank's operations largely due to the fact that the Bank had been operating under lockdown conditions for the greater part of year 2020 and these had no significant impact on its operations. However, the Bank will continue to monitor the Covid-19 developments and include their material impact in the 2021 financial reports.

The Bank is one of those state entities earmarked by the Government of Zimbabwe for partial privatization. In July 2020, KPMG Advisory Services (Zimbabwe) was engaged to provide transactional advisory services to the Bank. In December 2020, KPMG issued the final Inception Report which was subsequently approved and adopted by the Technical Committee (TC). At the time of preparing this report, the draft due diligence and valuation reports were presented to the Technical Committee members for their consideration. It is anticipated that the identification of the ideal investors and the listing of the Bank on the stock exchange will be finalized for recommendation and consideration by Cabinet in the second half of the year 2021.