

Unaudited Financial Results for the half year ended 30 June 2020



CHAIRPERSON'S STATEMENT

INTRODUCTION

It is with great pleasure that I present to you the interim financial results of the People's Own Savings Bank for the six months ended 30 June 2020.

OPERATING ENVIRONMENT

During the first half of the year 2020, the economy continued to underperform as a result of a number of negative factors, the major ones being; the continued hyperinflationary environment, the acute shortage of basic commodities, the inherent foreign currency and fuel supply constraints which negatively affected the performance of the majority of the productive sectors of the economy.

The year-on-year rate of inflation for the month of June 2020 as measured by the all items Consumer Price Index rose to 737% up from 521% recorded in December 2019, as annual inflation continued to accelerate, underpinned by increases in both food and non-food inflation. The benchmarking of prices on the parallel market exchange rate largely explained the increase in prices of both imported and locally produced food and non-food items.

During the period under review the Reserve Bank of Zimbabwe introduced a formal market-based foreign exchange auction system in order to bring transparency and efficiency in the trading of foreign currency in Zimbabwe. We fully back the regulatory authorities on this noble initiative which if implemented consistently will assist in reducing the exchange rate volatility and may stabilize prices in the economy.

COVID-19 IMPACT ON BANK PERFORMANCE

The advent of the corona virus disease (COVID-19) which was declared a global health and societal emergency by the World Health Organisation (WHO) and a state of national disaster by the Government of Zimbabwe has worsened economic performance as nations implemented lockdown measures to curb the spread of the virus, thereby negatively affecting business performance and placing a significant strain on the nation's fiscal position as resources were channeled towards critical health interventions which were not anticipated.

In response to this pandemic, the Government of Zimbabwe implemented a nationwide lockdown on 31 March 2020 through statutory instrument (SI) 83 of 2020- Public Health (COVID-19) Prevention, containment and Treatment National lockdown order, 2020. The Government further issued statutory instruments (SI) 91 and SI 99 with the effect of extending the lockdown period. Banks were classified as essential service providers, therefore they continued operating during the lockdown period. The People's Own Savings Bank took the following measures in order to mitigate the impact of COVID-19 on its employees and customers:

- Streamlining operations and decongesting of all departments and banking halls
- Provision of personal protective equipment (PPE) to all staff members
- Capacitation of key staff through technology to work remotely
- Enhancement of digital delivery channels for the convenience of customers
- Postponement of all non-critical capital and operational expenditure and
- Rationalizing the branch network and reconfiguring the Bank to meet the needs and demands of the "new normal".

The Bank incurred costs in the sum of ZWL3.1 million relating to COVID-19 safety and health interventions during the period under review. Whilst the full COVID-19 impact is yet to unravel, the Bank has assessed that the changed operating models and market dynamics induced by the pandemic have affected the ability of some borrowers to service their obligations, as such the Bank may consider loan forbearance to cushion some borrowing customers and mitigate against the risk of credit losses. In addition mismatches may arise between assets and liabilities of the Bank due to changed business models of providers of long term funding. The Bank might be forced to maintain a significant liquidity buffer and this may affect asset creation activities of the Bank in the short to medium term.

FINANCIAL HIGHLIGHTS

The Bank posted a net profit of ZWL 107.74 million during the six months to 30 June 2020, up from ZWL 24.70 million recorded in the comparative prior period in historical terms. However in inflation adjusted terms the Bank recorded a loss of ZWL 66.92 million, down from a loss of ZWL 208.03 million recorded in the six months ended 30 June 2019. The following summarizes the Bank's financial performance in inflation adjusted terms;

- Net operating income for the half year declined by 46% to ZWL268 million from ZWL 497 million achieved in the six months ended 30 June 2019;
- Operating expenses were restricted to ZWL 208 million - representing a decrease of 11% from ZWL 230 million incurred in the comparative period; Operating costs would have been much lower than reported had it not been higher staff costs incurred by the Bank to cushion staff against rising inflation.
- The monetary loss declined from ZWL 475 million in prior comparative period to ZWL 127 million in 2020 and
- Shareholders' funds increased by 4% to ZWL686 million up from ZWL 661 million as at 31 December 2019 mainly driven by growth in operating profit and revaluation gains on properties and other non-current assets.
- The liquidity ratio of the Bank improved remarkably to 71% as at 30 June 2020 up from 30% prescribed by regulations.
- More significantly capital adequacy of the Bank surged from 70%

achieved as at 31 December 2019 to reach 76% as at end of the period under review.

The Board is optimistic that the performance of the Bank in the second half of the year 2020 will remain satisfactory as the Bank continues to strengthen its position in the market by growing its customer base and introducing new and innovative products in keeping with the Bank's mandate with respect to promotion of financial inclusion.

PARTIAL PRIVATISATION UPDATE

The groundwork for the partial privatization process of the Bank started in 2018 with the setting up of a Technical Committee to spearhead the process. I am happy to report that the Bank has concluded the process of procuring the Transaction Advisory Services Consultant. In this regard, KPMG Advisory Services was formally engaged to assist in the partial privatization process following the signing of the contract in July 2020. The delay in signing the contract was caused by the need to clarify and agree on who will be obliged to pay the foreign currency to KPMG Nigeria who are working as a consortium with KPMG Advisory Services (Zimbabwe), the lead consultant. It is therefore anticipated that by the end of February 2021, the identification of the ideal investors and the listing of the Bank on the stock exchange will have been finalized for recommendation and consideration by Cabinet, considering the impact of COVID 19 pandemic which may affect the original work plan.

CORPORATE GOVERNANCE AND COMPLIANCE WITH THE LAWS AND REGULATIONS

As a parastatal, POSB complies with the corporate governance principles enshrined in the Public Entities and Corporate Governance Act which sets out the minimum corporate governance standards to be observed by public entities.

In line with its commitment to build a robust corporate governance culture, POSB has realigned its practices with the Public Entities and Corporate Governance Act framework and the realignment process continues to improve the corporate governance standards of the Bank which are in tandem with its strategic objectives.

The Bank has an independent compliance function that ensures the bank complies with regulatory and statutory requirements. To this end, a comprehensive compliance system 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.

ANNUAL GENERAL MEETING

The Bank held its 6th Annual General Meeting on the 29th of July 2020 and due to the need to meet the capital requirements of the Bank, a scrip dividend of ZWL 17,889,385.50 was declared.

CORPORATE DEVELOPMENTS

The following highlights summarise the Bank's Corporate Developments for the period under review:

• Launch of a revamped POSB website

At the end of the first quarter of 2020, the Bank launched a refreshed and more modern website (www.posb.co.zw) which now boasts a world-class look and feel in addition to a bouquet of new features and capabilities to offer site visitors the very best of user experiences.

• Introduction of Civil Service and Government Pensions Nostro Accounts

During the month of June 2020, POSB automatically opened Nostro Accounts for existing Civil Service and Government Pensions accountholders to enable the receipt of their respective Covid-19 allowances.

• Downward review of Business conditions as COVID-19 Relief measures to clients

As part of efforts to provide a measure of financial relief to clients, during the month of May 2020 the Bank reviewed downwards its digital platform and lending business conditions back to the March 2020 fees and charges. As an additional measure, further increases of the same were suspended for the remainder of the second quarter.

• Implementation of new ZIPIT, Bank to Wallet limits

In compliance with the Reserve Bank of Zimbabwe's directive for all financial institutions to implement new ZIPIT and Internal transfer limits, the Bank successfully configured the said changes in addition to the new Bank to Wallet limits.

• 'On the Go' App Security upgrade

The Bank continues to review its service delivery channels in order to keep enhancing the overall customer experience. To this effect the Bank's mobile banking application, 'On the Go' app was upgraded during the month of June 2020.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Guided by its Corporate Social Responsibility policy, the Bank participated in several transformational programmes which were aimed at improving the lives of socially and economically vulnerable segments of the society during the period under review. Annually the Bank allocates 5% of its marketing budget towards the undertaking of CSR activities in the broad areas of Education and Financial Literacy as well as Health and Philanthropy.

In the first six months of the year 2020, POSB conducted the following CSR initiatives:

• COVID 19 Pandemic Response

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 ZWL\$10 million for the purpose of purchasing essential resources required in the fight against the pandemic.

• Health

POSB partnered with the Kidney Association of Zimbabwe in commemorating World Kidney day in order to raise awareness of the importance of kidneys and pro-kidney lifestyles.

• Education

During the first half of the year 2020, the Bank continued to provide support in the form of tuition, boarding fees, transport and groceries to financially excluded students under the POSB Scholarship Programme.

OUTLOOK

In the outlook, the rapidly depreciating local currency, the impact of the COVID - 19 pandemic on business, and the pressure on government to fund the fiscus, compounded by limited foreign currency reserves are some of the negative factors that are likely to stifle economic growth. Despite the anticipated economic challenges ahead the Bank will continue to create value for its shareholders by identifying opportunities for improvement and growth by focusing on the ongoing digitalization of its platforms in line with the Bank's digitally focused business model. This will be done in order to minimize costs of serving customers and at the same time provide flexibility, convenience and safety to the Bank's clients in the face of COVID-19 pandemic. The Bank's strategic intent is heavily dependent on the mobilization of foreign currency to support the strategy and this will be the Bank's prime focus in the second half of the year.

APPRECIATION

My sincere appreciation goes to the Shareholders, Board, Management and staff for their continued dedication towards the achievement of these satisfactory results. I would like to further acknowledge our customers who have continued to do business with us in this dynamic environment and reaffirm our commitment to them as they are at the core of our value proposition as the people's bank. We also wish to thank all our stakeholders whom we have not specifically mentioned for their continued support in all our engagements.

I.P. NDLOVU (MR)
ACTING BOARD CHAIRMAN

CORPORATE GOVERNANCE REPORT

As a parastatal, the People's Own Savings Bank is compelled by law and is also committed 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 Public Entities Corporate Governance (PECG) Act (Chapter 10:31) and the applicable provisions of the Banking Act (Chapter 24:20).

In line with its commitment to build the correct corporate governance culture, POSB embarked on aligning its practices with the standards set under the Public Entities Corporate Governance Act framework in the 4th Quarter of 2018. The initiated process is still ongoing in line with the gradual issue of policy guidelines and or directives envisaged in the implementation of the PECG Act. The realignment process continues to improve the corporate governance standards of the Bank which are in tandem with its strategic objectives.

The Board held its Annual General Meeting on the 29th of July 2020, and declared a dividend of ZWL17,889,385.50. The Bank is one of those state entities targeted for partial privatization. The groundwork for the partial privatization was commenced in 2018 through the setting up of a Technical Committee to spearhead the process. The contract with the selected Transaction Advisory Services Consultants, KPMG was signed in mid July 2020 paving way for the project to be implemented as per the agreed work plan of approximately seven months.

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,
- To assign responsibilities and decision making authorities, incorporating a hierarchy of required approvals from Management to the Board, and
- To ensure good return to the shareholder's investment.

Bank with POSB, bank on solid ground



UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

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. Details of the Board Committees as at 30 June 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)

The Board Chairperson, the Chief Executive Officer, the Chief Accounting Officer and Head Internal Audit attend the meetings of the Board Audit Committee by invitation. External Auditors are invited to attend all meetings.

2. Board Finance Committee

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

Composition

I. Mvere	(Non- Executive Committee Chairman)
I. Ndlovu	(Non- Executive Member)
A. Kandlela	(Executive 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, and the Marketing Manager attend the committee 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 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. 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 a Credit Review Committee as separate Committees.

Composition

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

The Chief Executive Officer, the General Manager Finance & Administration, the General Manager Risk, Security and Investigations, the Information Technology Executive and the Compliance Officer are not members of the Board Risk Management but attend its meetings by invitation.

6. Board Credit Review Committee

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

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

Composition

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

The Chief Executive Officer and the 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.

DIRECTORS ATTENDANCE AT BOARD AND COMMITTEE MEETINGS FOR THE HALF YEAR ENDED 30/6/2020

	TOTAL MEETINGS	I P NDLOVU	O JAMBWA	N C CHINDOMU	I MVERE	M MURERIWA	C NYAMUTSWA	A KANDLELA*	G CHANGUNDA*
BOARD MEETINGS(3) 6/2/2020,30/3/2020,28/5/2020	3	3	3	3	2	3	2	3	3
BOARD HUMAN RESOURCES & GOVERNANCE COMMITTEE(3) 11/3/2020, 20/3/2020,19/5/2020	3	3	3	3	N/A	N/A	3	3	3
BOARD RISK COMMITTEE(2) 5/3/2020,11/5/2020	2	2	N/A	2	N/A	N/A	2	2	2
BOARD AUDIT COMMITTEE(2) 19/3/2020,22/5/2020	2	2	N/A	N/A	2	2	N/A	2	2
BOARD FINANCE COMMITTEE (2) 19/3/2020,22/5/2020	2	2	N/A	N/A	2	N/A	N/A	2	2
BOARD CREDIT & INVESTMENTS COMMITTEE(3) 2/3/2020,27/3/2020,12/5/2020	2	N/A	N/A	N/A	3	3	N/A	3	3
BOARD CREDIT REVIEW COMMITTEE (2) 5/3/2020,11/5/2020	2	2	2	N/A	N/A	N/A	2	2	N/A
JOB EVALUATION(2) 4/2/2020, 5/2/2020	2	2	0	0	0	0	0	2	0
RBZ MEETING (1) 10/3/2020	1	1	N/A	N/A	N/A	N/A	N/A	1	N/A
MEETING WITH MINISRTY OF FINANCE (1) 24/6/2020	1	1	1	1	1	1	1	1	1

KEY: N/A Not a Member * Executive Director ** Leave of Absence granted

DIRECTORS: I P Ndlovu (Acting Chairperson), O Jambwa, I Mvere, M Mureriwa, C Nyamutswa, N C Chindomu, A Kandlela*, G Changunda* * Executive Directors



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UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED JUNE 30, 2020

	Notes	INFLATION ADJUSTED		HISTORICAL	
		Jun 20	Jun 19	Jun 20	Jun 19
		ZWL	ZWL	ZWL	ZWL
Interest income	5	65,634,577	114,515,833	40,173,796	10,250,098
Interest expense	6	(6,716,612)	(17,584,973)	(3,777,853)	(1,537,807)
Net interest income		58,917,965	96,930,860	36,395,943	8,712,291
(Increase)/decrease in impairment losses on financial assets	10.6	(11,246,143)	27,494,173	(11,246,143)	2,342,374
Net interest income after impairment losses		47,671,822	124,425,033	25,149,800	11,054,665
Fees and commission income	7	231,185,780	194,171,125	145,097,312	14,531,167
Dividend income		35,441	31,229	26,320	2,679
Loss on disposal of financial assets at fair value through other comprehensive income		-	(835,849)	-	(120,819)
Fair value gain/ (loss) on investment properties		(15,330,310)	75,903,394	61,661,054	10,971,567
Other operating income	8	4,854,020	102,848,444	203,132	6,889,569
Net operating income		268,416,753	496,543,376	232,137,618	43,328,828
Operating expenses	9	(208,353,358)	(229,839,827)	(124,400,565)	(18,629,698)
Operating profit for the period		60,063,395	266,703,549	107,737,053	24,699,130
Monetary loss		(126,987,958)	(474,733,455)	-	-
Net profit/(loss) for the period		(66,924,563)	(208,029,906)	107,737,053	24,699,130
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	36,405,257	-	45,956,488	1,504,739
Gain on revaluation of non-current assets	13	55,683,192	-	182,795,159	29,144,708
Items that will be reclassified to profit or loss					
Total comprehensive income for the period		25,163,886	(208,029,906)	336,488,701	55,348,577

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	INFLATION ADJUSTED		HISTORICAL	
		Jun 20	Dec-19	Jun-20	Dec-19
		ZWL	ZWL	ZWL	ZWL
ASSETS					
Cash and balances with banks		47,293,569	80,783,328	47,293,569	30,832,948
Balances with the Central Bank		250,074,400	404,823,292	250,074,400	154,510,782
Financial assets at amortised cost	10	338,093,183	620,315,280	338,093,183	236,758,608
Other assets	11	93,764,067	83,880,015	70,413,449	32,014,874
Financial assets at fair value through other comprehensive income	12.1	71,365,450	15,446,934	71,365,450	5,895,703
Investment properties	12.2	108,693,000	124,515,940	108,693,000	47,524,575
Property, plant and equipment	13	258,785,648	210,770,847	258,785,648	80,445,887
Right-of-Use Assets	14	13,335,505	7,290,838	5,199,371	2,782,728
Intangible assets	15	130,221,575	133,748,595	48,392,331	51,048,446
TOTAL ASSETS		1,311,626,397	1,681,575,069	1,198,310,401	641,814,551
LIABILITIES					
Customer deposits	16	490,193,247	877,100,875	490,193,247	334,767,157
Other liabilities	17	135,720,949	143,925,879	119,513,916	54,932,856
TOTAL LIABILITIES		625,914,196	1,021,026,754	609,707,163	389,700,013
CAPITAL AND RESERVES					
Share capital	18.1	337,452,864	337,452,864	23,349,746	23,349,746
Mark-to-market reserves	18.2	36,405,257	-	50,556,837	4,600,349
Revaluation reserve	18.3	55,683,192	-	281,363,040	98,567,881
Functional currency translation reserve	18.4	-	-	16,584,225	16,584,225
Revenue reserves	18.5	256,170,888	323,095,451	216,749,390	109,012,337
TOTAL CAPITAL AND RESERVES		685,712,201	660,548,315	588,603,238	252,114,538
TOTAL EQUITY AND LIABILITIES		1,311,626,397	1,681,575,069	1,198,310,401	641,814,551

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2020

	Notes	INFLATION ADJUSTED										
		Share capital	Mark-to-market reserve	Revaluation reserves	Functional currency translation reserve	Revenue reserves	Total					
								ZWL	ZWL	ZWL	ZWL	ZWL
								ZWL	ZWL	ZWL	ZWL	ZWL
Balance at January 01, 2020		337,452,864	-	-	-	323,095,451	660,548,315					
Loss for the period		-	-	-	-	(66,924,563)	(66,924,563)					
Other comprehensive income												
Fair value gain of financial assets at fair value through other comprehensive income		36,405,257	-	-	-	36,405,257	36,405,257					
Revaluation gain		-	55,683,192	-	-	55,683,192	55,683,192					
Change in functional currency		-	-	-	-	-	-					
Total other comprehensive income		36,405,257	55,683,192	-	-	92,088,449	92,088,449					
Subtotal		36,405,257	55,683,192	-	-	(66,924,563)	92,088,449					
Dividend		-	-	-	-	-	-					
Increase in capital		-	-	-	-	-	-					
Transfer to distributable reserves		-	-	-	-	-	-					
Transfer to share capital		-	-	-	-	-	-					
Balance at June 30, 2020		337,452,864	36,405,527	55,683,192	-	256,170,888	685,712,201					

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED JUNE 30, 2020 CONTINUED

	Share capital	Mark-to-market reserve	Revaluation reserves	Functional currency translation reserve	Revenue reserves	Total						
							ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
							ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Balance at January 01, 2019	337,452,864	-	-	-	592,145,142	929,598,006						
Loss for the period	-	-	-	-	(208,029,906)	(208,029,906)						
Other comprehensive income												
Fair value gain of financial assets at fair value through other comprehensive income	-	-	-	-	-	-						
Revaluation gain	-	-	-	-	-	-						
Change in functional currency	-	-	-	-	-	-						
Total other comprehensive income	-	-	-	-	-	-						
Subtotal	-	-	-	-	(208,029,906)	(208,029,906)						
Dividend	-	-	-	-	(35,339,889)	(35,339,889)						
Increase in capital	-	-	-	-	-	-						
Transfer to distributable reserves	-	-	-	-	-	-						
Transfer to share capital	-	-	-	-	-	-						
Balance at June 30, 2019	337,452,864	-	-	-	348,775,347	686,228,211						

	Share capital	Mark-to-market reserve	Revaluation reserves	Functional currency translation reserve	Revenue reserves	Total						
							ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
							ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Balance at January 01, 2020	23,349,746	4,600,349	98,567,881	16,584,225	109,012,337	252,114,538						
Profit for the period	-	-	-	-	107,737,053	107,737,053						
Other comprehensive income												
Fair value gain of financial assets at fair value through other comprehensive income	45,956,488	-	-	-	-	45,956,488						
Revaluation gain	-	-	182,795,159	-	-	182,795,159						
Total other comprehensive income	45,956,488	182,795,159	-	-	-	228,751,647						
Subtotal	69,306,234	4,600,349	98,567,881	16,584,225	109,012,337	288,068,189						
Dividend	-	-	-	-	-	-						
Increase in capital	-	-	-	-	-	-						
Transfer to distributable reserves	-	-	-	-	-	-						
Transfer to share capital	-	-	-	-	-	-						
Balance at June 30, 2020	23,349,746	50,556,837	281,363,040	16,584,225	216,749,390	588,603,238						

	Share capital	Mark-to-market reserve	Revaluation reserves	Functional currency translation reserve	Revenue reserves	Total						
							ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
							ZWL	ZWL	ZWL	ZWL	ZWL	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 period	-	-	-	-	24,699,130	24,699,130						
Other comprehensive income												
Fair value gain of financial assets at fair value through other comprehensive income	45,956,488	-	-	-	-	45,956,488						
Revaluation gain	-	1,504,739	-	-	-	1,504,739						
Change in functional currency	-	-	29,144,708	-	-	29,144,708						
Total other comprehensive income	45,956,488	1,504,739	29,144,708	-	-	76,605,935						
Subtotal	69,306,234	6,550,567	29,144,708	18,058,730	24,699,130	147,759,369						
Dividend	-	-	-	-	(4,222,209)	(4,222,209)						
Increase in capital	-	-	-	-	-	-						
Transfer to distributable reserves	-	(704,056)	-	-	704,056	-						
Transfer to share capital	-	-	-	-	-	-						
Balance at June 30, 2019	23,349,746	5,846,511	29,551,540	18,058,730	62,153,925	138,960,452						

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UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 JUNE 2020

Notes	INFLATION ADJUSTED		HISTORICAL	
	Jun 20 ZWL	Jun 19 ZWL	Jun 20 ZWL	Jun 19 ZWL
Cash flows from operating activities				
Profit for the period	60,063,395	266,703,549	107,737,053	24,699,130
Net monetary loss	(126,987,958)	(474,733,455)	-	-
Adjustments for non- cash items	39,140,018	(186,907,733)	(41,398,095)	(17,913,540)
Operating cash flow before changes in operating assets and liabilities	(27,784,545)	(394,937,639)	66,338,958	6,785,590
Changes in operating assets and liabilities	(131,759,896)	(190,967,215)	69,643,704	(15,130,805)
Net cash flows from operating activities	(159,544,441)	(585,904,854)	135,982,662	(8,345,215)
Cash flows from investing activities	(28,694,210)	5,984,098	(23,958,423)	864,754
Cash flows from financing activities	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	(188,238,651)	(579,920,756)	112,024,239	(7,480,461)
Cash and cash equivalents at the beginning of the period	485,606,620	918,766,001	185,343,730	56,459,344
Cash and cash equivalents at the end of the period	297,367,969	338,845,245	297,367,969	48,978,883

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 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 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 interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements for the year ended 31 December 2019.

The interim financial statements of the Bank for the six months ended 30 June 2020 were authorized for issue in accordance with a resolution of the directors on 19 August 2020.

2.2 Basis of measurement

These interim financial statements prepared on a historical cost basis (except for financial assets measured at fair value with changes presented in other comprehensive income, investment properties measured at fair value and revalued property, plant and equipment) and restated to take account of inflation, agree with the underlying statutory records, in accordance with the accounting policies of POSB and in compliance with the disclosure requirements of the POSB Act (Chapter 24:22) and Banking Act (Chapter 24:20).

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

DATE	GENERAL PRICE INDEX	CONVERSION FACTOR
30 June 2020	1445.21	1.00
30 June 2019	172.6	8.32
31 December 2019	551.6	2.62
Average for the period to:		
30 June 2019	118.24	
31 December 2019	136.67	
30 June 2020	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 interim 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 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.

2.4.2 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 note 3.7.2 and no changes to these useful lives have been considered necessary during the period.

2.4.3 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.

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

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

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

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

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

- 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 product and associated expected credit loss.

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

2.5 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations adopted in 2020:

2.5.1 IAS 8 Accounting policies, changes in accounting estimates and errors

The standard requires compliance with any specific IFRS applying to a transaction, event or condition and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

The amendment to this standard is effective for annual reporting periods beginning on or after January 1 2020 and earlier application is permitted. The Bank has adopted the amendment.



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UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

Notes to the Financial Statements

for the half year ended June 30, 2020 (continued)

2.5.2 IFRS 16 Leases

The objective of IFRS 16, Leases is to report information that faithfully represents lease transactions and provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. Lessees are required to recognize assets and liabilities arising from all leases unless the lease term is 12 months or less or the underlying asset is of low value.

In the current environment, lessees may be seeking rent concessions from lessors. This may take the form of reduced or free rent for a period, a deferral of rent or some other type of relief. The accounting implications of an agreed change to rent will depend on whether the change was envisaged in the original lease agreement.

The IASB has issued an amendment to IFRS 16 to make it easier for lessees to account for COVID 19 related rent concessions. The changes:

- Provide lessees with an exemption from assessing whether a COVID 19 related rent concession is a lease modification
- Requires lessees that apply the exemption to account for COVID 19 related rent concessions as if they were not lease modifications and to disclose the fact if the exemption is applied
- Requires lessees to apply the exemption retrospectively in accordance with IAS 8, Accounting policies, changes in accounting estimates and errors but not require them to restate prior period figures.

This amendment is effective June 01, 2020, but lessees can apply the amendment immediately in any financial statements (Interim or annual) not yet authorized for issue. The Bank has adopted the amendment.

2.6 New and amended standards and interpretations not yet effective

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

2.6.1 IFRS 17 Insurance contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The IASB tentatively decided to defer the effective date of IFRS 17, Insurance contracts to annual periods beginning on or after January 01, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

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

4. SEGMENT REPORTING

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	
	Jun-20 ZWL	Jun 19 ZWL	Jun 20 ZWL	Jun 19 ZWL
5. INTEREST INCOME				
Money market assets	6,419,288	20,517,451	3,588,306	1,805,643
Corporate loans	1,639,386	3,774,378	990,438	278,285
Individual loans	50,858,733	75,682,122	31,496,392	6,862,969
Mortgage loans	1,444,505	1,993,923	895,782	178,184
SME loans	195,044	183,947	127,447	175,23
Microfinance loans	4,724,900	8,881,064	2,884,890	803,941
Other Interest	352,721	3,482,948	190,541	303,553
	65,634,577	114,515,833	40,173,796	10,250,098
6. INTEREST EXPENSE				
Individual accounts	1,972,400	4,987,294	871,921	433,524
Corporate accounts	528,192	744,339	335,116	67,346
Term deposits	4,164,960	11,806,466	2,539,687	1,032,655
SME deposits	510,60	46,874	31,129	4,282
	6,716,612	17,584,973	3,777,853	1,537,807
7. FEES AND COMMISSION INCOME				
Retail banking fees and commission	222,746,784	175,119,809	140,135,667	12,820,134
Credit related fees	4,915,058	17,088,749	2,890,324	1,516,088
Money Transfer Agency commission	3,523,938	1,962,567	2,071,321	194,946
	231,185,780	194,171,125	145,097,312	14,531,167

INFLATION ADJUSTED

Jun-20
ZWL

Jun 19
ZWL

HISTORICAL

Jun 20
ZWL

Jun 19
ZWL

8. OTHER OPERATING INCOME

Foreign exchange gain/loss	3,796,209	95,919,855	(425,227)	5,854,190
Profit on disposal of property, plant and equipment	-	299,513	-	29,950
Discount income on treasury bills	676,173	5,582,832	364,883	912,456
Miscellaneous income	381,638	1,046,244	263,476	92,972
	4,854,020	102,848,444	203,132	6,889,568

9. OPERATING EXPENSES

Staff costs	89,841,362	91,022,897	54,505,811	8,506,107
Agency fees	5,670,605	6,204,410	3,528,136	544,718
Administration expenses	94,094,560	119,143,776	55,529,849	8,105,281
Audit fees	355,290	1,595,391	213,194	309,869
Depreciation of property, plant and equipment	8,237,984	9,207,696	4,797,395	948,279
Depreciation of right of use assets	2,210,195	-	1,102,433	-
Amortisation of intangible assets	3,526,505	2,665,657	2,655,819	215,444
Loss on disposal of property, plant and equipment	4,416,857	-	2,067,928	-
	208,353,358	229,839,827	124,400,565	18,629,698

INFLATION ADJUSTED

Jun-20
ZWL

Dec-19
ZWL

HISTORICAL

Jun-20
ZWL

Dec-19
ZWL

10. FINANCIAL ASSETS MEASURED AT AMORTISED COST

10.1 LOANS AND ADVANCES

Individual loans	239,679,888	361,214,726	239,679,888	137,866,499
Corporate loans	10,610,120	7,457,729	10,610,120	2,846,426
Mortgage loans	5,999,460	10,778,885	5,999,460	4,114,027
Microfinance loans	7,201,385	13,381,109	7,201,385	5,107,230
SME and agribusiness loans	1,426,956	443,179	1,426,956	169,150
	264,917,809	393,275,628	264,917,809	150,103,332
Interest accrued	544,526	2,440,904	544,526	931,631
Gross total	265,462,335	395,716,532	265,462,335	151,034,963
Provision for impairment losses	(22,462,727)	(32,184,324)	(22,462,727)	(12,283,940)
	242,999,608	363,532,208	242,999,608	138,751,023

10.2 MONEY MARKET ASSETS

Treasury bills	21,713,963	117,003,803	21,713,963	44,657,384
Debentures	41,878	109,722	41,878	41,878
Interbank placements	56,386,930	73,064,667	56,386,930	27,886,930
Government bonds	-	10,480,131	-	4,000,000
	78,142,771	200,658,323	78,142,771	76,586,192
Interest accrued	1,647,185	6,719,312	1,647,185	2,564,591
Gross total	79,789,956	207,377,635	79,789,956	79,150,783
Provision for impairment losses	(1,936,713)	(5,005,394)	(1,936,713)	(1,910,432)
	77,853,243	202,372,241	77,853,243	77,240,351

10.3 CAPITALISATION TREASURY BILLS

Treasury bills	14,920,000	39,090,887	14,920,000	14,920,000
Interest accrued	881,667	2,045,082	881,667	780,556
Gross total	15,801,667	41,135,969	15,801,667	15,700,556
Provision for impairment losses	-	-	-	-
	15,801,667	41,135,969	15,801,667	15,700,556

10.4 AGENCY OUTSTANDING SETTLEMENTS

Outstanding net settlements	1,438,665	13,274,862	1,438,665	5,066,678
Provision for impairment losses	-	-	-	-
	1,438,665	13,274,862	1,438,665	5,066,678

TOTAL FINANCIAL ASSETS MEASURED AT AMORTISED COST

	338,093,183	620,315,280	338,093,183	236,758,608
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10.5 MATURITY ANALYSIS

10.5.1 LOANS AND ADVANCES

Maturing within 1 year	38,993,310	61,017,416	38,993,310	23,288,800
Maturing after 1 year but within 5 years	221,250,617	321,026,722	221,250,617	122,527,757
Maturing after 5 years	5,218,408	13,672,394	5,218,408	5,218,405
	265,462,335	395,716,532	265,462,335	151,034,962

10.5.2 MONEY MARKET ASSETS

Maturing within 1 year	65,153,446	197,856,610	65,153,446	75,516,850
Maturing after 1 year but within 5 years	13,608,994	6,828,152	13,608,994	2,606,133
Maturing after 5 years	1,027,516	2,692,873	1,027,516	1,027,800
	79,789,956	207,377,635	79,789,956	79,150,783

10.5.3 CAPITALISATION TREASURY BILLS

Maturing after 5 years	15,801,667	41,135,969	15,801,667	15,700,556
	15,801,667	41,135,969	15,801,667	15,700,556

10.5.4 OTHER RECEIVABLES (Agency outstanding settlements)

Maturing within 1 year	1,200,000	3,144,039	1,200,000	1,200,000
Maturing after 1 year but within 5 years	238,665	10,130,823	238,665	3,866,678
	1,438,665	13,274,862	1,438,665	5,066,678

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

For all your hard work, you deserve a bank that serves you well.

Open yours today

UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020
Notes to the Financial Statements

for the half year ended June 30, 2020 (continued)

Fair value measurements at the end of the reporting period using

Dec-19	Quoted	Significant	Significant	Total
	prices for			
	markets for	observable	unobservable	
	identical	inputs	inputs	
	assets			
	(Level 1)	(Level 2)	(Level 3)	
	ZWL	ZWL	ZWL	ZWL
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
Total equity securities	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	-	37,967,776	-	37,967,776
Commercial Masvingo	-	1,953,600	-	1,953,600
		47,524,576		47,524,576
Total recurring fair value measurement	5,339,248	47,524,576	556,455	53,420,279

12.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	INFLATION ADJUSTED		HISTORICAL	
	Jun-20	Dec-19	Jun-20	Dec-19
	ZWL	ZWL	ZWL	ZWL
Opening balance	15,446,934	16,577,203	5,895,703	6,327,098
Additions	18,522,052	257,567	18,522,052	105,177
Disposals	-	(3,085,971)	-	(1,177,837)
Fair value gain/(loss)	36,405,257	677,480	45,956,488	258,577
Foreign exchange gain/(loss) on foreign shares	991,207	1,002,655	991,207	382,688
Closing balance	71,365,450	15,446,934	71,365,450	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	
	Jun-20	Dec-19	Jun-20	Dec-19
	ZWL	ZWL	ZWL	ZWL
Opening balance	124,515,940	17,534,568	47,524,575	6,692,500
Additions	-	5,238,166	-	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	(15,330,310)	101,743,206	61,661,054	38,832,800
Closing balance	108,693,000	124,515,940	108,693,000	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 June 30 2020 by Sworn appraisers, Edinview Property Global Pvt. Ltd. and these were based on market values.

13. PROPERTY, PLANT AND EQUIPMENT

	INFLATION ADJUSTED					Jun-20	Dec-19
	Land & Buildings	Motor Vehicles	Computer Equipment	Furniture and Fittings	Office Equipment		
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Opening carrying amount	95,857,954	56,746,957	26,903,863	21,446,490	9,815,583	210,770,847	40,832,824
Gross carrying amount	95,857,954	56,746,957	26,903,863	21,446,490	9,815,583	210,770,847	40,832,824
Accumulated depreciation	-	-	-	-	-	-	-
Revaluation gain	30,159,744	8,112,463	8,253,960	6,474,016	2,683,009	55,683,192	134,503,059
Disposals	-	(1,527,839)	-	-	-	(1,527,839)	(3,585)
Additions at cost	-	174,502	1,375,075	349,062	198,793	2,097,432	46,212,130
Depreciation	(721,963)	(3,196,096)	(2,889,544)	(660,734)	(769,647)	(8,237,984)	(10,773,581)
Closing carrying amount	125,295,735	60,309,987	33,643,354	27,608,834	11,927,738	258,785,648	210,770,847
Gross carrying amount	125,295,735	60,309,987	33,643,354	27,608,834	11,927,738	258,785,648	210,770,847
Accumulated depreciation	-	-	-	-	-	-	-

	HISTORICAL					Jun-20	Dec-19
	Land & Buildings	Motor Vehicles	Computer Equipment	Furniture and Fittings	Office Equipment		
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Opening carrying amount	36,586,550	21,658,874	10,268,523	8,185,581	3,746,359	80,445,887	15,584,852
Gross carrying amount	36,586,550	21,658,874	10,268,523	8,185,581	3,746,359	80,445,887	15,584,852
Accumulated depreciation	-	-	-	-	-	-	-
Revaluation gain	88,631,627	42,623,378	23,661,018	19,454,062	8,425,073	182,795,158	51,336,407
Disposals	-	(2,248,064)	-	-	-	(2,248,064)	(1,368)
Additions at cost	-	174,502	1,375,075	349,062	198,793	2,097,432	17,637,999
Depreciation	(415,072)	(1,898,703)	(1,661,262)	(379,871)	(442,487)	(4,797,395)	(4,112,003)
Closing carrying amount	125,295,735	60,309,987	33,643,354	27,608,834	11,927,738	258,785,648	80,445,887
Gross carrying amount	125,295,735	60,309,987	33,643,354	27,608,834	11,927,738	258,785,648	80,445,887
Accumulated depreciation	-	-	-	-	-	-	-

14. RIGHT OF USE ASSETS

	INFLATION ADJUSTED		HISTORICAL	
	Jun-20	Dec-19	Jun-20	Dec-19
	ZWL	ZWL	ZWL	ZWL
Carrying amount at 1 January 2019	7,290,838	9,391,331	2,782,728	3,584,433
Additions	8,254,862	-	3,519,076	-
Accumulated Depreciation	(2,210,195)	(2,100,493)	(1,102,433)	(801,705)
Closing balance	13,335,505	7,290,838	5,199,371	2,782,728

15. INTANGIBLE ASSETS

	INFLATION ADJUSTED		HISTORICAL	
	Jun-20	Dec-19	Jun-20	Dec-19
	ZWL	ZWL	ZWL	ZWL
Opening carrying amount	133,748,595	10,825,567	51,048,446	4,131,844
Gross carrying amount	133,748,595	10,825,567	51,048,446	4,131,844
Accumulated amortisation	-	-	-	-
Foreign exchange gain/ (loss)	-	2,592,314	(296)	989,421
Revaluation gain	-	122,523,579	-	46,764,142
Additions	(515)	22,008	-	-
Amortisation charge during the year	(3,526,505)	(2,214,873)	-	8,400
Closing carrying amount	130,221,575	133,748,595	(2,655,819)	(845,361)
Gross carrying amount	130,221,575	133,748,595	48,392,331	51,048,446
Accumulated amortisation	-	-	-	-

16. CUSTOMER DEPOSITS

	INFLATION ADJUSTED		HISTORICAL	
	Jun-20	Dec-19	Jun-20	Dec-19
	ZWL	ZWL	ZWL	ZWL
Individual accounts	277,938,384	452,266,941	277,938,384	172,618,820
Corporate accounts	139,588,751	266,029,863	139,588,751	101,536,851
Term deposits	72,666,112	158,804,071	72,666,112	60,611,486
Closing balance	490,193,247	877,100,875	490,193,247	334,767,157

17. OTHER LIABILITIES

	Note	INFLATION ADJUSTED		HISTORICAL	
		Jun-20	Dec-19	Jun-20	Dec-19
		ZWL	ZWL	ZWL	ZWL
Interest payable on deposits	171	1,014,600	1,787,287	1,014,600	682,162
Accounts payable		105,285,066	123,722,747	105,285,066	47,221,833
Provisions		14,585,172	4,130,057	7,342,644	1,576,338
Deferred fee income		-	6,115,250	-	2,334,036
Lease Liability		14,838,111	8,170,538	5,871,606	3,118,487
Closing balance		135,720,949	143,925,879	119,513,916	54,932,856

17.1 INTEREST PAYABLE ON DEPOSITS

	Note	INFLATION ADJUSTED		HISTORICAL	
		Jun-20	Dec-19	Jun-20	Dec-19
		ZWL	ZWL	ZWL	ZWL
Individual accounts		525,115	566,130	525,115	216,077
Corporate accounts		164,127	134,174	164,127	51,211
Term deposits		325,358	1,086,983	325,358	414,874
Closing balance		1,014,600	1,787,287	1,014,600	682,162

18. SHARE CAPITAL AND RESERVES

	INFLATION ADJUSTED		HISTORICAL	
	Jun-20	Dec-19	Jun-20	Dec-19
	ZWL	ZWL	ZWL	ZWL
18.1 Share capital				
Authorised				
50 million Ordinary shares at ZWL1 each	50,000,000	50,000,000	50,000,000	50,000,000
Issued and fully paid				
Ordinary shares at ZWL1 each	337,452,864	337,452,864	23,349,746	23,349,746

Issued and fully paid share capital comprised of 23,349,746 (2019: 23,349,746) ordinary shares at ZWL1 each.

18.2 Mark- to-market reserve

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

18.3 Revaluation reserve

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

18.4 Functional currency translation reserve

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

	INFLATION ADJUSTED		HISTORICAL	
	Jun-20	Dec-19	Jun-20	Dec-19
	ZWL	ZWL	ZWL	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



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Notes to the Financial Statements

for the half year ended June 30, 2020 (continued)

18.5 Revenue reserve

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

	INFLATION ADJUSTED		HISTORICAL	
	Jun-20 ZWL	Dec-19 ZWL	Jun-20 ZWL	Dec-19 ZWL
Opening balance	323,095,451	592,145,142	109,012,337	40,972,948
Loss/ (Profit) for the year	(66,924,563)	(208,029,905)	107,737,053	71,557,542
Dividend paid	-	(61,019,786)	-	(4,222,209)
Transfer from Mark-to-market reserve	-	-	-	704,056
Closing balance	256,170,888	323,095,451	216,749,390	109,012,337

19. PENSION ARRANGEMENTS

19.1 Defined benefit pension plan

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

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

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

19.2 NSSA Pension

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

Total amount charged through the statement of profit or loss and other comprehensive income during the period under review amounted to ZWL156,910 (2019 : ZWL61,912).

20. EMPLOYEES

The average number of permanent persons employed by the Bank during the reporting period was 373 (December 2019 : 363).

21. RELATED PARTY DISCLOSURES

21.1 Compensation to key management personnel

	INFLATION ADJUSTED		HISTORICAL	
	Jun-20 ZWL	Jun-19 ZWL	Jun-20 ZWL	Jun-19 ZWL
Short term employee benefits	11,312,130	14,397,017	6,503,591	1,264,005
Termination benefits	-	-	-	-
Post-employment benefit	667,004	1,587,242	383,475	139,354
	11,979,134	15,984,259	6,887,066	1,403,359

21.1.2 Loans to key management personnel of the Bank

	INFLATION ADJUSTED		HISTORICAL	
	Jun-20 ZWL	Dec-19 ZWL	Jun-20 ZWL	Dec-19 ZWL
Mortgage loans	1,348,699	2,143,519	1,348,699	818,127
Personal loans	1,650,051	1,385,214	1,650,051	528,701
	2,998,750	3,528,733	2,998,750	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

	Jun-20	Jun-19	Jun-20	Jun-19
	ZWL	ZWL	ZWL	ZWL
Fees and other emoluments	408,322	708,551	216,250	39,070
	408,322	708,551	216,250	39,070

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

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

21.3 Loans to non-executive directors

The Bank had no outstanding loans due from non-executive directors (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 June 30, 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 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, this has been exploited by fraudsters resulting in an upward trajectory in the rate of cybercrime. To curtail this risk, the bank has taken great strides to be EMV compliant and issuance of chip based cards commences in August 2020.

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 also conducts vulnerability assessment and penetration tests to identify areas in its information technology infrastructure requiring further enhancement.

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 Exposure to credit risk

The bank's total exposure to credit risk as of June 30, 2020 was ZWL 362.49 million (Dec 2019: ZWL250.93 million) before taking account of collateral of ZWL 121.75 million (Dec 2019: ZWL478.2 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 ADJUSTED

June-20	Loans and advances	Treasury Investments	Other receivables
	ZWL	ZWL	ZWL
Carrying amount	265,462,335	79,789,956	1,438,665
Amount committed	265,462,335	79,789,956	1,438,665
Concentration by sector			
Corporate	10,634,382	49,226	1,438,665
Individual	240,174,299	-	-
Mortgage	6,000,589	-	-
Microfinance	7,226,590	-	-
SME and Agribusiness	1,426,472	-	-
Government	-	-	-
Central Bank	-	22,900,579	-
Other Banks	-	56,543,151	-
Total	265,462,335	79,789,956	1,438,665

Dec-19	Loans and advances	Treasury investments	Other receivables
	ZWL	ZWL	ZWL
Carrying amount	395,716,532	207,377,635	13,274,862
Amount committed	395,716,532	207,377,635	13,274,862
Concentration by sector			
Corporate	8,552,622	118,151	13,274,862
Individual	366,044,739	-	-
Mortgage	11,886,577	-	-
Microfinance	8,405,728	-	-
SME and Agribusiness	826,866	-	-
Government	-	10,591,228	-
Central Bank	-	123,022,634	-
Other Banks	-	73,645,622	-
Total	395,716,532	207,377,635	13,274,862

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UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

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for the half year ended June 30, 2020 (continued)

HISTORICAL

Jun-20	Loans and advances ZWL	Treasury Investments ZWL	Other receivables ZWL
Carrying amount	265,462,335	79,789,956	1,438,665
Amount committed	265,462,335	79,789,956	1,438,665
Concentration by sector			
Corporate	10,634,385	49,226	1,438,665
Individual	240,174,299	-	-
Mortgage	6,000,589	-	-
Microfinance	7,226,590	-	-
SME and Agribusiness	1,426,472	-	-
Government	-	-	-
Central Bank	-	22,900,579	-
Other Banks	-	56,543,151	-
Total	265,462,335	79,789,956	1,438,665

Dec-19	Loans and advances ZWL	Treasury Investments ZWL	Other receivables ZWL
Carrying amount	151,034,963	79,150,783	5,066,678
Amount committed	151,034,963	79,150,783	5,066,678
Concentration by sector			
Corporate	3,264,319	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	151,034,963	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 30 June 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 the regulatory requirements, 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.

Internal Credit Rating	Description	Average 12 Months PDs	
		June 2020	Dec 2019
1	Pass - Prime Grade	0.57	0.05
2	Pass - Strong	0.02	0.17
3	Pass - Satisfactory	0.01	0.37
4	Special Mention - Moderate	0.08	0.52
5	Special Mention - Fair	0.00	0.30
6	Special Mention - Speculative	0.88	0.88
7	Special Mention - Speculative	0.11	1.00
8	Substandard	1.00	1.00
9	Doubtful	1.00	1.00
10	Loss	1.00	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 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 table presents a reconciliation from the opening balance to the closing balance of the loss allowance for loans and advances at amortised cost and how significant changes in gross carrying amount contributed to changes in the loss allowance:

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Notes to the Financial Statements

for the half year ended June 30, 2020 (continued)

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

INFLATION ADJUSTED

Jun-20	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
LOANS AND ADVANCES								
At 1 January 2020	344,606,827	9,364,938	21,217,112	1,471,753	29,892,593	21,347,633	395,716,532	32,184,324
IAS 29 Adjustment	(213,079,142)	(5,790,581)	(13,119,077)	(910,023)	(18,483,350)	(13,199,780)	(244,681,569)	(19,900,384)
Transfer to Lifetime ECL (Not Credit-Impaired)	-	9,978,286	-	1,063,646	-	465,745	(6,550,125)	11,507,677
Transfer to Lifetime ECL (Credit-Impaired)	(6,085,393)	(163,657)	-	-	(464,732)	(91,864)	(5,615,663)	(255,521)
Changes due to Modifications that did not result in Derecognition	(3,844,517)	(209,650)	(1,771,146)	(110,987)	-	-	(5,615,663)	(320,637)
Changes in Models or Risk Parameters	(12,372,454)	(11,105,284)	2,564,789	(1,279,149)	9,902,160	5,884,617	94,495	(6,499,816)
New Financial Assets or originated purchase	146,997,553	6,086,505	7,217,751	456,087	7,063,941	3,424,609	161,279,245	9,967,201
Derecognition	(29,903,265)	(755,122)	(1,081,533)	(78,318)	(2,746,589)	(2,337,484)	(33,731,387)	(3,170,924)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	(1,049,193)	(1,049,193)	(1,049,193)	(1,049,193)
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 30 June 2020	226,319,609	7,405,435	15,027,896	613,009	24,114,830	14,444,283	265,462,335	22,462,727

Dec-19	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	294,441,376	12,419,767	4,447,704	563,898	23,962,774	15,457,726	322,851,854	28,441,391
Transfer to Lifetime ECL (Not Credit-Impaired)	(15,375,407)	(718,127)	-	-	(422,904)	(252)	(15,798,311)	(718,379)
Transfer to Lifetime ECL (Credit-Impaired)	(8,059,511)	(357,729)	(560,239)	(75,653)	-	-	(8,619,750)	(433,382)
Changes due to Modifications that did not result in Derecognition	(55,452,152)	1,147,532	14,044,674	1,740,763	571,615	1,797,314	(40,835,863)	4,685,609
Changes in Models or Risk Parameters	(611,573)	(5,501,091)	(4,625,613)	(1,234,672)	5,237,186	5,543,255	-	(1,192,508)
New Financial Assets or originated purchase	227,974,819	6,272,728	8,565,107	544,189	5,337,392	2,525,091	241,877,318	9,342,008
Derecognition	(98,310,725)	(3,898,142)	(654,521)	(66,772)	(4,793,470)	(3,975,501)	(103,758,716)	(7,940,415)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	(467,123)	(467,123)	(101,930)	(101,930)	(278,384)	(278,384)	(847,437)	(847,437)
Recoveries of amounts previously written off	467,123	467,123	101,930	101,930	278,384	278,384	847,437	847,437
At 31 December 2019	344,606,827	9,364,938	21,217,112	1,471,753	29,892,593	21,347,633	395,716,532	32,184,324

HISTORICAL

Jun-20	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
LOANS AND ADVANCES								
At 1 January 2020	131,527,685	3,574,359	8,098,034	561,731	11,409,244	8,147,850	151,034,963	12,283,940
Transfer to Lifetime ECL (Not Credit-Impaired)	-	9,978,286	-	1,063,646	-	465,745	(6,550,127)	11,507,677
Transfer to Lifetime ECL (Credit-Impaired)	(6,085,393)	(163,657)	-	-	(464,732)	(91,864)	(6,550,125)	(255,521)
Changes due to Modifications that did not result in Derecognition	(3,844,517)	(209,650)	(1,771,146)	(110,987)	-	-	(5,615,663)	(320,637)
Changes in Models or Risk Parameters	(12,372,454)	(11,105,284)	2,564,789	(1,279,149)	9,902,160	5,884,617	94,495	(6,499,816)
New Financial Assets or originated purchase	146,997,553	6,086,505	7,217,751	456,087	7,063,941	3,424,609	161,279,245	9,967,201
Derecognition	(29,903,265)	(755,122)	(1,081,533)	(78,318)	(2,746,589)	(2,337,484)	(33,731,387)	(3,170,924)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	(1,049,193)	(1,049,193)	(1,049,193)	(1,049,193)
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 30 June 2020	226,319,609	7,405,437	15,027,895	613,010	24,114,831	14,444,280	265,462,335	22,462,727

Dec-19	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	112,380,805	4,740,310	1,697,576	215,226	9,145,983	5,899,822	123,224,364	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	(21,64,680)	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	131,527,685	3,574,359	8,098,034	561,731	11,409,244	8,147,850	151,034,963	12,283,940

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

INFLATION ADJUSTED

Jun-20	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
LOANS AND ADVANCES								
At 1 January 2020	204,868,893	2,496,5652	-	-	2,508,742	2,508,742	207,377,635	5,005,394
IAS 29 Adjustment	(126,675,633)	(1,543,743)	-	-	(1,551,219)	(1,551,219)	(128,226,852)	(3,094,962)
Transfer to Lifetime ECL (Not Credit-Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	8,168,540	102,107	-	-	-	-	8,168,540	102,107
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	54,601,443	700,809	-	-	-	-	54,601,443	700,809
Derecognition	(62,130,810)	(776,635)	-	-	-	-	(62,130,810)	(776,635)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 30 June 2020	78,832,433	979,190	-	-	957,523	957,523	79,789,956	1,936,713



LevelUp

STUDENT ACCOUNT



UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

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for the half year ended June 30, 2020 (continued)

Dec-19	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	155,273,690	1,833,789	-	-	2,508,742	2,508,742	157,782,432	4,342,531
Transfer to Lifetime ECL (Not Credit-Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	5,610,700	70,133	-	-	-	-	5,610,700	70,133
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	133,380,147	1,667,253	-	-	-	-	133,380,147	1,667,253
Derecognition	(89,395,644)	(1,074,523)	-	-	-	-	(89,395,644)	(1,074,523)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2019	204,868,893	2,496,5652	-	-	2,508,742	2,508,742	207,377,635	5,005,394

HISTORICAL

Jun-20	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	8,168,540	102,107	-	-	-	-	8,168,540	102,107
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	54,601,443	700,809	-	-	-	-	54,601,443	700,809
Derecognition	(62,130,810)	(776,635)	-	-	-	-	(62,130,810)	(776,635)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 30 June 2020	78,832,433	979,190	-	-	957,523	957,523	79,789,956	1,936,713

Dec-19	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.

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

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

Jun-20	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	-	-	-	-	13,274,862	-	13,274,862	-
IAS 29 Adjustment	-	-	-	-	(8,208,184)	-	(8,208,184)	-
Transfer to Lifetime ECL (Not Credit-Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	-	-	-	-	-	-	-	-
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	-	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-	-
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 30 June 2020	-	-	-	-	1,438,665	-	1,438,665	-

Dec-19	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	-	-	-	-	16,135,958	7,115,918	16,135,958	7,115,918
IAS 29 Adjustment	-	-	-	-	-	(6,379,518)	-	(6,379,518)
Transfer to Lifetime ECL (Not Credit-Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	(2,861,096)	(736,400)	(2,861,096)	(736,400)
Changes due to Modifications that did not result in Derecognition	-	-	-	-	-	-	-	-
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	-	-	-	-	13,274,862	-	13,274,862	-



Esteem Banking is tailored to cater for the needs of high networth individuals and corporates seeking exclusivity and sophistication.

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Jun-20	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	-
IAS 29 Adjustment	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Not Credit-Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	-	-	-	-	(3,628,013)	-	(3,628,013)	-
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	-	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-	-
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 30 June 2020	-	-	-	-	1,438,665	-	1,438,665	-

Dec-19	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
IAS 29 Adjustment	-	-	-	-	-	(2,434,900)	-	(2,434,900)
Transfer to Lifetime ECL (Not Credit-Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	(1,092,008)	(281,067)	(1,373,075)
Changes due to Modifications that did not result in Derecognition	-	-	-	-	(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

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 presented is gross of impairment allowances.

22.5.3.1 Credit quality by internal grades

INFLATION ADJUSTED

Jun-20 Type of financial asset	High	Standard	Substandard	Past due but	Impaired	Total
	Grade	Grade	Grade	not impaired		
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Loans and advances	234,756,393	23,171,387	1,409,797	1,357,218	4,767,540	265,462,335
Interbank placements	55,956,222	-	-	-	886,930	56,843,152
Treasury bills	38,702,245	-	-	-	-	38,702,245
Government bonds	-	-	-	-	-	-
Debentures	46,226	-	-	-	-	46,226
Other receivables	-	1,438,665	-	-	-	1,438,665
Total Credit exposure	329,461,086	24,610,052	1,409,797	1,357,218	5,654,470	362,492,623

Dec-19 Type of financial asset	High	Standard	Substandard	Past due but	Impaired	Total
	Grade	Grade	Grade	not impaired		
	ZWL	ZWL	ZWL	ZWL		
Loans and advances	345,235,538	36,814,147	464,752	335,165	12,866,930	395,716,532
Interbank placements	71,321,840	-	-	-	2,323,785	73,645,625
Treasury bills	164,158,600	-	-	-	-	164,158,600
Government bonds	10,591,228	-	-	-	-	10,591,228
Debentures	118,152	-	-	-	-	118,152
Other receivables	-	13,274,861	-	-	-	13,274,861
Total Credit exposure	591,425,358	50,089,008	464,752	335,165	15,190,715	657,504,998

HISTORICAL

Jun-20 Type of financial asset	High	Standard	Substandard	Past due but	Impaired	Total
	Grade	Grade	Grade	not impaired		
	ZWL	ZWL	ZWL	ZWL		
Loans and advances	234,756,393	23,171,387	1,409,797	1,357,218	4,767,540	265,462,335
Interbank placements	55,956,222	-	-	-	886,930	56,843,152
Treasury bills	38,702,245	-	-	-	-	38,702,245
Government bonds	-	-	-	-	-	-
Debentures	46,226	-	-	-	-	46,226
Other receivables	-	1,438,665	-	-	-	1,438,665
Total Credit exposure	329,461,086	24,610,052	1,409,797	1,357,218	5,654,470	362,492,623

Dec-19 Type of financial asset	High	Standard	Substandard	Past due but	Impaired	Total
	Grade	Grade	Grade	not impaired		
	ZWL	ZWL	ZWL	ZWL		
Loans and advances	131,767,648	14,051,026	177,384	127,924	4,910,981	151,034,963
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	225,732,057	19,117,704	177,384	127,924	5,797,911	250,952,980

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

Jun-20	12- Month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit impaired	Purchased/ originated Credit impaired	Total
	ZWL	ZWL	ZWL	ZWL	ZWL
Financial assets at amortised cost (loans and advances)					
Grades 1: Standard	225,623,377	-	8,323,646	-	233,947,023
Grades 2: Special mention	691,123	15,027,895	8,013,446	-	23,732,464
Grade 3: Substandard	39	-	1,443,895	-	1,443,934
Grade 4: Doubtful	536	-	1,389,547	-	1,390,083
Grade 5: Loss	4,530	-	4,944,298	-	4,948,828
Carrying amount	226,319,605	15,027,895	24,114,832	-	265,462,332

Financial assets at amortised cost (Treasury investments)					
Jun-20	12- Month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit impaired	Purchased/ originated Credit impaired	Total
	ZWL	ZWL	ZWL	ZWL	ZWL
Grades 1: Standard	78,903,026	-	-	-	78,903,026
Grades 2: Special mention	-	-	-	-	-
Grade 3:	-	-	-	-	-
Substandard	-	-	-	-	-
Grade 4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	886,930	-	886,930
Carrying amount	78,903,026	-	886,930	-	79,789,956

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10-24 Years



UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

Notes to the Financial Statements for the half year ended June 30, 2020 (continued)

Financial assets at amortised cost (Agency outstanding net deposits)					
Grades 1: Standard	-	-	-	-	-
Grades 2: Special mention	-	-	-	-	-
Grade 3: Sub-standard	-	-	-	-	-
Grade 4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	1,438,665	-	1,438,665
Carrying amount	-	-	1,438,665	-	1,438,665

Dec -19	12- Month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit impaired	Purchased/ originated Credit impaired	Total
	ZWL	ZWL	ZWL	ZWL	ZWL

Financial assets at amortised cost (loans and advances)					
Grades 1: Standard	345,235,531	-	-	-	345,235,531
Grades 2: Special mention	-	16,566,369	20,247,783	-	36,814,152
Grade 3: Substandard	-	-	464,752	-	464,752
Grade 4: Doubtful	-	-	335,165	-	335,165
Grade 5: Loss	-	-	12,866,932	-	12,866,932
Carrying amount	345,235,531	16,566,369	33,914,632	-	395,716,532

Financial assets at amortised cost (Treasury investments)					
Grades 1: Standard	205,053,849	-	-	-	205,053,849
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Substandard	-	-	-	-	-
Grade 4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	2,323,786	-	2,323,786
Carrying amount	205,053,849	-	2,323,786	-	207,377,635

Financial assets at amortised cost (Agency outstanding net deposits)					
Grades 1: Standard	-	-	-	-	-
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade 4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	13,274,862	-	13,274,862
Carrying amount	-	-	13,274,862	-	13,274,862

HISTORICAL

Jun -20	12- Month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit impaired	Purchased/ originated Credit impaired	Total
	ZWL	ZWL	ZWL	ZWL	ZWL

Financial assets at amortised cost (loans and advances)					
Grades 1: Standard	225,623,377	-	8,323,646	-	233,947,023
Grades 2: Special mention	691,123	15,027,895	8,013,446	-	23,732,464
Grade 3: Substandard	39	-	1,443,895	-	1,443,934
Grade 4: Doubtful	536	-	1,389,547	-	1,390,083
Grade 5: Loss	4,530	-	4,944,298	-	4,948,828
Carrying amount	226,319,605	15,027,895	24,114,832	-	265,462,332

Financial assets at amortised cost (Treasury investments)					
Grades 1: Standard	78,903,026	-	-	-	78,903,026
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Substandard	-	-	-	-	-
Grade 4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	886,930	-	886,930
Carrying amount	78,903,026	-	886,930	-	79,789,956

Financial assets at amortised cost (Agency outstanding net deposits)					
Grades 1: Standard	-	-	-	-	-
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Substandard	-	-	-	-	-
Grade 4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	1,438,665	-	1,438,665
Carrying amount	-	-	1,438,665	-	1,438,665

Dec -2019	12- Month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit impaired	Purchased/ originated Credit impaired	Total
	ZWL	ZWL	ZWL	ZWL	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
Grade 4: 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	-	-	-	-	-
Substandard	-	-	-	-	-
Grade 4: 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	-	-	-	-	-
Substandard	-	-	-	-	-
Grade 4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	5,066,678	-	5,066,678
Carrying amount	-	-	5,066,678	-	5,066,678

Treasury investments exclude Capitalisation treasury bills.

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UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

Notes to the Financial Statements

for the half year ended June 30, 2020 (continued)

22.5.4 Collateral held

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

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

Jun-20

Financial assets at amortised cost (Agency outstanding net deposits)					
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	265,462,332	22,462,727	25,554,442	-	Mortgage bond over immovable property
Treasury investments	95,591,623	1,936,713	96,200,000	-	Treasury bills, Government bonds, Savings bonds
Other receivables	1,438,665	-	8,320,000	-	Mortgage bond over immovable property

Dec-19

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
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:

	Jun-20 ZWL	Dec-19 ZWL
Mortgage bonds over immovable property	25,554,442	17,514,625
Treasury bills	90,700,000	17,800,000
Government bonds	5,500,000	10,100,000
Savings bonds	-	2,409,887
	121,754,442	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 7% as at 30 June 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 June 30, 2020;

INFLATION ADJUSTED

Jun-20 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	297,367,969	-	-	-	-	297,367,969
Advances	11,536,876	1,865,436	25,590,998	221,250,617	5,218,405	265,462,332
Investments	37,858,889	20,735,979	6,558,578	29,410,661	1,027,516	95,591,623
	346,763,734	22,601,415	32,149,576	250,661,278	6,245,921	658,421,924

LIABILITIES	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
Deposits	444,241,304	40,767,340	3,863,171	1,321,432	-	490,193,247
	444,241,304	40,767,340	3,863,171	1,321,432	-	490,193,247
Liquidity gap	(97,477,570)	(18,165,925)	28,286,405	249,339,846	6,245,921	168,228,677
Cumulative gap	(97,477,570)	(115,643,495)	(87,357,090)	161,982,756	168,228,677	168,228,677

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	485,606,620	-	-	-	-	485,606,620
Advances	20,711,786	5,655,615	34,650,014	321,026,722	13,672,392	395,716,529
Investments	88,327,817	109,529,427	-	6,828,152	43,828,838	248,513,604
	594,645,593	115,185,042	34,650,014	327,854,874	57,501,230	1,129,836,753

LIABILITIES	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
Deposits	558,896,224	133,723,984	125,305,762	66,174,905	-	877,100,875
	558,896,224	133,723,984	125,305,762	66,174,905	-	877,100,875
Liquidity gap	42,749,369	(18,538,942)	(90,655,748)	261,679,969	57,501,230	252,735,878
Cumulative gap	42,749,369	24,210,427	(66,445,321)	195,234,648	252,732,878	252,735,878

HISTORICAL

Jun-20 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	297,367,969	-	-	-	-	297,367,969
Advances	11,536,876	1,865,436	25,590,998	221,250,617	5,218,405	265,462,332
Investments	37,858,889	20,735,979	6,558,578	29,410,661	1,027,516	95,591,623
	346,763,734	22,601,415	32,149,576	250,661,278	6,245,921	658,421,924

LIABILITIES	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
Deposits	444,241,304	40,767,340	3,863,171	1,321,432	-	490,193,247
	444,241,304	40,767,340	3,863,171	1,321,432	-	490,193,247
Liquidity gap	(97,477,570)	(18,165,925)	28,286,405	249,339,846	6,245,921	168,228,677
Cumulative gap	(97,477,570)	(115,643,495)	(87,357,090)	161,982,756	168,228,677	168,228,677

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	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
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	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

	Fair value as at 30-06-20 ZWL	INFLATION ADJUSTED 10% increase in price ZWL	5% Decrease in price ZWL
Jun-20			
Financial assets at fair value through other comprehensive income	71,365,450	78,501,995	67,797,177
Increase/(decrease)		7,136,545	(3,568,273)
Dec-19			
Financial assets at fair value through other comprehensive income	15,446,934	16,991,627	14,674,582
Increase/(decrease)		1,544,693	(772,352)



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UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

Notes to the Financial Statements

for the half year ended June 30, 2020 (continued)

Jun-20	HISTORICAL		
	Fair value as at 30 Jun 20 ZWL	10% increase in price ZWL	5% Decrease in price ZWL
Financial assets at fair value through other comprehensive income	71,365,450	78,501,995	67,797,177
Increase/(decrease)		7,136,545	(3,568,273)
Dec-19	Fair value as at 31 Dec 19 ZWL	10% increase in price ZWL	5% Decrease in price ZWL
Financial assets at fair value through other comprehensive income	5,895,703	6,485,273	5,600,916
Increase/(decrease)		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 June 30, 2020:

Jun-20	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	Non-interest bearing ZWL	Total ZWL	
ASSETS								
Cash and cash equivalents	-	-	-	-	-	297,367,969	297,367,969	
Advances and other assets	11,536,876	1,865,436	25,590,998	222,689,282	5,218,405	71,301,343	338,202,340	
Investments	37,858,889	20,735,979	6,558,578	29,410,661	1,027,516	178,121,737	273,713,360	
Property, plant and equipment	-	-	-	-	-	258,785,648	258,785,648	
Right of use assets	-	-	-	-	-	13,335,505	13,335,505	
Intangible assets	-	-	-	-	-	130,221,575	130,221,575	
	49,395,765	22,601,415	32,149,576	252,099,943	6,245,921	949,133,777	1,311,626,397	
EQUITY AND LIABILITIES								
Deposits and other liabilities	444,241,304	40,767,340	3,863,171	1,321,432	-	135,720,949	625,914,196	
Equity	-	-	-	-	-	685,712,201	685,712,201	
	444,241,304	40,767,340	3,863,171	1,321,432	-	821,433,150	1,311,626,397	
Interest rate re-pricing gap	(394,845,539)	(18,165,925)	28,286,405	250,778,511	6,245,921	127,700,627	-	
Cumulative gap	(394,845,539)	(413,011,464)	(384,725,059)	(133,946,548)	(127,700,627)	-	-	
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	-	-	-	-	-	485,606,620	485,606,620	
Advances and other assets	20,711,786	5,655,615	34,650,014	321,026,722	13,672,391	64,970,557	460,687,085	
Investments	88,327,787	109,529,427	159,823,585	6,828,152	43,828,837	134,957,481	383,471,084	
Property, plant and equipment	-	-	-	-	-	210,779,847	210,779,847	
Right of use assets	-	-	-	-	-	7,290,838	7,290,838	
Intangible assets	-	-	-	-	-	133,748,595	133,748,595	
	109,038,973	115,185,042	34,650,014	327,854,874	57,501,228	1,037,344,938	1,681,575,069	
EQUITY AND LIABILITIES								
Deposits and other liabilities	551,896,225	133,723,984	125,305,763	66,174,903	-	143,925,879	1,021,026,754	
Equity	-	-	-	-	-	660,548,315	660,548,315	
	551,896,225	133,723,984	125,305,763	66,174,903	-	804,474,194	1,681,575,069	
Interest rate re-pricing gap	(442,857,252)	(18,538,942)	(90,655,749)	261,679,971	57,501,228	232,870,744	-	
Cumulative gap	(442,857,252)	(461,396,194)	(552,051,943)	(290,371,972)	(232,870,744)	-	-	

Jun-20	HISTORICAL							Total ZWL
	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		
ASSETS								
Cash and cash equivalents	-	-	-	-	-	297,367,969	297,367,969	
Advances and other assets	11,536,876	1,865,436	25,590,998	222,689,282	5,218,405	47,950,725	314,851,722	
Investments	37,858,889	20,735,979	6,558,578	29,410,661	1,027,516	178,121,737	273,713,360	
Property, plant and equipment	-	-	-	-	-	258,785,648	258,785,648	
Right of use assets	-	-	-	-	-	5,199,371	5,199,371	
Intangible assets	-	-	-	-	-	48,392,331	48,392,331	
	49,395,765	22,601,415	32,149,576	252,099,943	6,245,921	835,817,817	1,198,310,401	
EQUITY AND LIABILITIES								
Deposits and other liabilities	444,241,304	40,767,340	3,863,171	1,321,432	-	119,513,916	609,707,163	
Equity	-	-	-	-	-	588,603,238	588,603,238	
	444,241,304	40,767,340	3,863,171	1,321,432	-	708,117,154	1,198,310,401	
Interest rate re-pricing gap	(394,845,539)	(18,165,925)	28,286,405	250,778,511	6,245,921	127,700,627	-	
Cumulative gap	(394,845,539)	(413,011,464)	(384,725,059)	(133,946,548)	(127,700,627)	-	-	

Dec-19	HISTORICAL							Total ZWL
	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		
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	
Intangible assets	-	-	-	-	-	2,782,728	2,782,728	
	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	
Equity	-	-	-	-	-	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)	-	-	

Jun-20	INFLATION ADJUSTED							
	TOTAL ZWL	ZWL	US\$	ZAR	BWP	GBP	EURO	JPY
Total assets	1,311,626,397	1,230,276,752	73,572,862	6,145,185	2,457	57,358	1,547,663	24,120
Total equity and liabilities	1,311,626,397	1,212,888,495	36,723,204	5,509,097	3,817	29,797	(417,733)	-
Dec - 19	TOTAL ZWL	ZWL	US\$	ZAR	BWP	GBP	EURO	JPY
Total assets	1,681,575,069	1,598,185,755	78,153,771	3,774,208	(31,954)	131,888	1,343,083	18,318
Total equity and liabilities	1,681,575,069	1,658,884,416	20,686,029	2,996,457	2,358	22,500	(1,016,691)	-

Jun-20	HISTORICAL							
	TOTAL ZWL	ZWL	US\$	ZAR	BWP	GBP	EURO	JPY
Total assets	1,198,310,401	1,116,960,756	73,572,862	6,145,185	2,457	57,358	1,547,663	24,120
Total equity and liabilities	1,198,310,401	1,156,462,219	36,723,204	5,509,097	3,817	29,797	(417,733)	-
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 applicable during the financial period were as follows:

	Jun-20	Dec-19
US\$	57.3582	16.7734
ZAR	0.3010	0.8421
Pula	0.2055	0.6359
GBP	70.5500	21.9975
Euro	64.4500	18.7954
JPY	18786	6.4810

Bank with POSB, bank on solid ground

UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

Notes to the Financial Statements

for the half year ended June 30, 2020 (continued)

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.

23.1 Capital Adequacy

The capital adequacy of the Bank as at 30 June 2020 was as follows:

	INFLATION ADJUSTED		HISTORICAL	
	Jun-20 ZWL	Dec-19 ZWL	Jun-20 ZWL	Dec-19 ZWL
Share capital	337,452,864	337,452,864	23,349,746	23,349,746
Mark-to-market reserves	36,405,257	-	50,556,837	4,600,349
Revenue reserves	256,170,888	323,095,451	216,749,390	109,012,337
Advances to insiders	-	-	-	-
Capital allocated to market and operational risk	-	-	-	-
Tier 1 Capital	630,029,009	660,548,315	290,655,973	136,962,432
Revaluation Reserves	55,683,192	-	281,363,040	98,567,881
Functional currency translation reserve	-	-	16,584,225	16,584,225
Tier 1 & 2 Capital	685,712,201	660,548,315	588,603,238	252,114,538
Tier 3 Capital allocated for market and operational risk	-	-	-	-
Risk weighted assets	972,945,893	939,118,817	771,949,493	358,437,832
Tier 1%	64.75%	70.34%	37.65%	38.21%
Tier 2%	5.72%	0.00%	38.60%	32.13%
Tier 3%	0.00%	0.00%	0.00%	0.00%
Capital adequacy ratio	70.47%	70.34%	76.25%	70.34%
RBZ Minimum required capital adequacy ratio	12%	12%	12%	12%

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 its business requirements and also in compliance with the recommendations of the Reserve Bank of Zimbabwe and International standards. The Bank's capital management objectives are to:

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

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



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