FBC Holdings Limited

# Reviewed Financial Results

## FOR THE SIX MONTHS ENDED 30 JUNE 2021

## CHAIRMAN'S STATEMENT

### FINANCIAL HIGHLIGHTS FOR THE HALF YEAR ENDED 30 JUNE 2021

| | Total Income | Profit Before Tax | Profit After Tax | Cost to Income | Basic Earnings Per share | Net Asset Value in ZWL |
|---|---|---|---|---|---|---|
| **Inflation Adjusted** | ZWL 4.75 billion | ZWL1.16 billion | ZWL529 million | 76% | 83.87 | 11.08 |
| **Historic** | ZWL 4.82 billion | ZWL2.13 billion | ZWL1.48 billion | 56% | 235.13 | 10.91 |

*It is with great pleasure that I present to you the Group's audit reviewed interim financial statements for the period ending 30 June 2021. The results are presented at a time when the country is confronted by a third wave of the Covid-19 pandemic. Barring protracted headwinds caused by the resurgence of the Covid-19 pandemic in the form of new variants, the Group showed resilience and tenacity in the period under review.*

**Financial Performance Review – Inflation Adjusted**

Despite the negative impact of Covid-19, Group financial performance showed resilience, registering a profit before tax of ZWL1.16 billion and an after tax profit of ZWL529.14 million. This performance was largely anchored on the Group's core business revenue lines which accounted for 66% of total income. The Group's strategic thrust of intensive investment in digitalisation and hedging strategies contributed largely to overall performance.

The Group achieved a total income of ZWL4.75 billion for the period, representing a 34% decline from the prior year's corresponding period performance. The Group's subdued total income outturn was largely influenced by a 76% reduction in net trading and dealing income, following the stabilisation of the ZWL interbank exchange rate against all the major currencies, bolstered by the foreign exchange auction system. The significant reduction in this revenue line was counter balanced by a strong growth in other core business revenue streams.

Net interest and related income was 43% ahead of the prior year's corresponding period, at ZWL1.33 billion, leveraging on the Group's 12% growth in loans and advances. The Group reduced its minimum lending rate during the period under review in order to assist customers in coping with the Covid-19 induced low economic activity and reduced demand. Fee and commission income improved by 89% to ZWL1.12 billion, partly supported by the Group's digitalisation thrust which enhanced retail and service fee performance. Transactional volumes have generally been subdued within the financial services sector with most institutions implementing digital solutions to augment business growth.

The Group's net insurance premium earned was 40% ahead of the same period last year, at ZWL635.16 million. The insurance portfolio has remained susceptible to the subdued economic activity and general reduction of consumer disposable income.

Net profit from property sales was ZWL50.97 million, recording a significant growth of 350% compared to the same period last year. This was achieved as a result of an improvement in pricing and an increased number of units sold. The Group is set to improve this revenue line following significant progress achieved on the Fontaine Ridge project in Harare - Kuwadzana high density suburb.

Other income largely relating to the Group's net trading and dealing activities declined by 70% to ZWL1.62 billion following the stabilisation of the ZWL interbank exchange rate, which has depreciated by less than 5% against the USD from the end of December 2020.

Group cost to income ratio of 76% was achieved on the back of an 18.6% decline in administrative expenses. This ratio however, is significantly higher than the 39% achieved last year, mainly due to the 34% decline in total income caused by the dip in trading and exchange income. The Group will continue to implement prudent cost containment measures against declining revenue growth and relative inflationary pressures.

A net monetary loss of ZWL678.61 million was incurred, in contrast to a ZWL316.64 million gain achieved in the corresponding period last year, mainly as a result of the increased net holding of monetary assets in line with the Group's inherent business model. The slowing down of inflation helped to contain the net monetary loss.

The Group's statement of financial position grew by 7% to ZWL41.67 billion from the 31 December 2020 position of ZWL39.11 billion. This growth was mainly driven by a 5% growth in deposits from ZWL24.71 billion to ZWL 25.92 billion.

Total equity attributable to the Group's shareholders grew by 13% to ZWL6.90 billion, benefiting from an increase in retained profits and other non-distributable reserves following the disposal of treasury shares.

**Operating Environment**

The 2021 interim period was characterised by a challenging macroeconomic environment brought about by the Covid-19 pandemic, which had a significant impact on business operations. Successive episodes of lockdown measures have culminated in the adoption of remote working arrangements, with reduced business operating hours, militating against the Group's capacity to aggressively grow revenue lines across business segments.

Meanwhile, Zimbabwe's Gross Domestic Product (GDP) is anticipated to rebound, largely anchored on a good 2020/21 rainfall season, higher international mineral commodity prices, and a stable macroeconomic environment. Higher growth rates are projected in agriculture, electricity generation and manufacturing. The Government's efforts to stabilise prices through prudent fiscal policy and rules-based monetary and exchange rate policies, have been effective and must be continued in order to enhance confidence and improve macroeconomic conditions. On the fiscal side, in addition to measures improving revenue collection, stringent fiscal policies are required to reduce unbudgeted spending and redirect resources where they are most needed, including social service delivery and re-establishment of human capital.

Despite the tough operating environment, the Group is making good progress in its various strategies. We continue to grow our key focus areas, leveraging on emergent opportunities from the relatively stable macro-economic environment. We are in the process of simplifying our business processes through digital value chains in order to improve customer experience.

**Foreign Exchange Rates**

The Foreign Exchange Auction System has contributed immensely in bringing about transparency in the trading of foreign currency as well as stability to the exchange rate which has culminated in price stability. The efficient allocation of foreign currency through the Foreign Exchange Auction System has contributed to increased confidence and growth in economic activity. Encouragingly, the Foreign Exchange Auction System continues to support productive sectors of the economy with more than 70% of foreign exchange allotted to this sector.

The Reserve Bank of Zimbabwe's efforts in addressing the gap between the official and parallel exchange rates through tightening money supply and expunging the foreign exchange allotment backlog, are commendable. In addition, increasing the attractiveness of local currency and creating complimentary attributes is imperative. We are confident that these initiatives coupled with other monetary policy measures will continue to support the stability of the exchange rate going forward.

**Inflation**

Annual inflation has maintained a downward trend since July 2020. Encouragingly, the policies being implemented by Government and the Reserve Bank of Zimbabwe have managed to anchor inflation expectations as attested by a significant decline in inflation from 837.5% in July 2020 to 106.6% in June 2021. The environment brought about by foreign currency availability has greatly improved business confidence.

The success of the conservative monetary targeting framework since 2020, has helped to contain money supply growth, which in turn stabilised the exchange rate and eased inflationary pressures in the economy. Reserve money stock stood at ZWL24.17 billion which was well within the target of ZWL28 billion as at the end of June 2021. Concomitantly, moderate price increases were experienced during the period under review as evidenced by moderate marginal increases in month on month inflation. It is anticipated that the prices of goods and services will stabilise in the short to medium term if current measures are applied consistently.

**Banking Sector**

Notwithstanding the varied impact of Covid-19 on the different sectors of the economy, the banking sector continues to demonstrate resilience to various shocks and dynamics. Key areas adversely affected by the Covid-19 pandemic, relate to subdued transacting volumes and increased credit risk. In response, banks reviewed their business models with a thrust on digitilisation, to enhance customer convenience whilst government support and regulatory measures implemented, also provided relief against potential adverse impact.

Despite the tough operating environment, the Group's banking subsidiaries have continued to grow in their key areas of focus supported by the Group's accelerated digital transformation drive.

**Insurance Sector**

Zimbabwe's Insurance Industry remains challenging on the backdrop of economic volatility and the Covid-19 pandemic. The sustained inflationary environment in the past years has negatively affected the uptake of Insurance products due to lower disposable incomes. Following a return to multi – currency, the Insurance and Pensions Commission (IPEC) authorised Insurance Companies to underwrite insurance in foreign currency. This has provided the industry with the capacity to hedge against inflation and exchange rate volatility. In response to current market dynamics, the Group's insurance businesses remain focused on product development and penetrating new market segments, with special focus on micro insurance.

**Property Market**

The property market remained largely depressed with limited sales activity, and reduced demand for space owing to economic distress. Funding has predominantly remained short term in contrast to the sectors requirements for long term funding. Meanwhile, development activity has remained strong in the residential sector, largely supported by the country's housing backlog. FBC Building Society's construction activities are currently in progress at the 858 units Kuwadzana project in Harare with 150 units under phase 1 having already been commissioned.

**Stock Market Performance**

Mixed trading characterised stock market developments for the first half of the year, culminating in the All Share index closing 135% firmer at 6 194.88. The stock market remains the most valuable investment consideration in the capital market, owing to an efficient weighted average cost of investment and hedge characteristics. Various initiatives to deepen and broaden market product offering, such as the introduction of Exchange Traded Funds (ETF's), have largely been supported as they enhance the stock market's diversity.

**Share Price Performance**

The FBC Holdings Limited share price, year to date, gained 103.39% to close the period at ZWL30.00. A total of 110,475,988 million shares were traded at a volume weighted average price of ZWL28.5110.

During the period under review, FBC Holdings Limited undertook a share repurchase of 47 949 688 (7.14% of the Issued Share Capital) under the approved Share Buy Back Scheme for subsequent resale to strategic investors. The Group appreciates that consistent corporate performance is an important factor in creating sustainable value to the shareholders.

**Information Technology, Digital Transformation and Innovation**

FBC Holdings Limited continues with its drive to leverage on information technology investment in response to the persisting global pandemic. To date the Group has achieved significant milestones in its digital transformation journey as evidenced by digital onboarding capabilities for banking and insurance customers.

To scale up on its digitalisation programme, the Group has established a wholly owned strategic business called Xarani. This latest addition to the FBC family is responsible for spearheading the development of innovative electronic products and services in response to the fast evolving needs of our customers. There is also a deliberate effort by the Group to enhance customer experience through effective product management.

The Group continues to prioritise the security of its information and technology environment through adopting market-leading standards to withstand growing cyber threats. Ultimately, the Group remains committed to building a viable digital business which is efficient, secure, sustainable and agile.

**Response to the Covid-19 Pandemic**

The Group has prioritised employees' and stakeholders' health and safety, given the successive onset of the Covid-19 second and third wave infections. In the interest of safety for all stakeholders, the Group has enhanced its 'remote working' capabilities leveraging on technological platforms and digital infrastructure.

The Group fully embraced the National Vaccination Roll-out programme initiated by the government. As at 30 June 2021, FBCH had achieved a vaccination level of over seventy five per cent of all its employees. The business will continue to promote employee health and safety, applying innovation to increase productivity and capacity utilisation in the face of the Covid-19 pandemic.

Employee engagement and experience in the Group continues to be high, notwithstanding lockdown-induced disruptions and restricted access to places of work. Our employees continue to access learning through digital platforms, enabling them to keep abreast of new knowledge and trends in the financial services sector. The Group will continue to be driven by innovation and value- creating interventions by leveraging on its vast skills base.

**Corporate Social Responsibility**

The FBC Holdings Limited continues to champion sustainable Corporate Social Responsibility (CSR) initiatives through investment in key areas of priority, namely Education, Health, Sports, Arts and Tourism. To this end, the Group invested more than ZWL9.8 million in various CSR initiatives in targeted segments.

The Group sponsored the tertiary education of underprivileged learners across the country's entire ten (10) provinces. The sponsorship also provides an opportunity for underprivileged academically gifted students in Zimbabwe to pursue university education.

Meanwhile, the Group completed the reconstruction of four modern classrooms at Charleswood Primary School in Chimanimani with construction works for an additional four classrooms now at an advanced stage. The school's classrooms blocks were destroyed by Cyclone Idai in 2019.

**Accolades**

FBC Holdings Limited received the Second Runner-Up award in the Innovation and Technology category of the Zimbabwe Independent Quoted Companies Survey 2021 in recognition of the Group's successful digital transformation thrust and the notable gains accrued since undertaking the initiative. The Group will continue to build on its digital thrust to consolidate the FBC Holdings Limited Brand in the market.

**Environment, Social and Governance (ESG) Priorities**

The Group continues to deepen its contribution towards a cleaner, more environmentally sustainable and socially just planet. In addition we continue to build a resilient and values-driven financial institution, becoming a true beacon of sustainability. FBC Holdings Limited is aligning its operations to international best practices in the field of sustainability.

Guided by the Global Reporting Initiative (GRI) standards, the Group continues to track, monitor, manage and report its environmental foot print, societal impact and economic contribution. We have also taken direction from the National Development Strategy 1 (2021-2025) and Statutory Instrument 134 of 2019 in enhancing our contributions towards the achievement of the country's Nationally Determined Contributions (NDCs) and the global goal of the Paris Agreement. During the period under review, a dedicated and fully fledged Sustainability and Climate Finance function was established to champion climate change related initiatives.

**Compliance and Regulatory Developments**

The Group operates within a complex and dynamic regulatory environment which constantly demands investment in robust compliance frameworks. The period under review saw the promulgation of legislation and regulations relating to the COVID-19 pandemic which impacted the Group's operations. These include but are not limited to the currency regime, the foreign exchange auction system as well as cyber security.

The country remained grey listed under the Financial Action Task Force (FATF) and European Union (EU) regulations amongst countries considered to have strategic deficiencies in their anti-money laundering and counter-terrorist financing frameworks. This increases the country's risk profile, impacting on the ability of banking institutions to conduct international trade, since cross border transactions are subject to greater scrutiny. We are however encouraged by efforts being made by the Financial Intelligence Unit to address the shortcomings highlighted and achieve the removal of the country from the grey list.

The Group has put in place a sound compliance framework and is committed to complying with all applicable laws, regulations, standards and international best practices. In asserting that "everyone is a compliance manager", FBC Holdings Limited realises the impact of non-compliance and will continue to commit resources towards the mitigation of the same. In particular, the Group has invested in transaction surveillance systems in its endeavour to adopt best practice in averting money laundering and terrorist financing activities.

**Capitalisation**

The Reserve Bank of Zimbabwe reviewed the minimum capital requirements for banking institutions to the equivalent of US$30 million and US$20 million for Tier 1 commercial banks and Tier 2 financial institutions such as building societies respectively, by 31 December 2021. The Insurance and Pensions Commission recently launched the Zimbabwe Integrated Capital and Risk Program (ZiCARP) applicable to our insurance subsidiaries. This framework will promote the adoption of stronger risk management practices including capital management. The Group has put in place detailed capitalisation plans for all its subsidiaries to ensure full compliance by the regulated deadlines.

**Dividend**

On behalf of the Board of FBC Holdings Limited, I am pleased to advise shareholders that an interim dividend of 29.76 ZWL cents per share was proposed for the half year ended 30 June 2021 after taking into account the performance of the Group and the need to continue strengthening the Group's capital position. The dividend proposed translates to approximately 7.4 times cover.

**Directorate**

The Board was strengthened by the appointment of Mr. David Makwara and Dr. Sifiso Ndlovu with effect from 4 March 2021 and 12 April 2021 respectively. The two non-executive directors each bring a wealth of experience which will come to bear in providing strategic direction to the Group.

Mrs Gertrude Chikwava retired from the Board of FBC Holdings Limited on 30 June 2021 following expiry of her term of office. We wish her well in her future endeavours and thank her for her immense contribution during her tenure as a member of the Board.

**Outlook**

Economic outlook for the near term is optimistic, anchored on the growth prospects of key economic sectors, a stable inflationary environment and increased foreign currency availability supported by the International Monetary Fund Special Drawing Rights (SDR) allocation. There are hopes that the on-going inoculation exercise will result in significant progress towards the attainment of national herd immunity thresholds and lead to the gradual relaxation of Covid-19 induced restrictions. Downside risks relate to the possible resurgence of new Covid-19 variants which pose potential threats to both humanity and economic activity.

**Appreciation**

My sincere gratitude goes out to all our stakeholders and in particular to our valued customers for their unwavering commitment and loyalty, which has contributed immensely to the continued success of our Group subsidiaries. To our customers, we reaffirm our promise that You Matter Most and as such, we will endeavour to deliver sustainable financial solutions that enhance stakeholder value.

**Herbert Nkala**
**Group Chairman**
**31 August 2021**

# Reviewed Financial Results

## FOR THE SIX MONTHS ENDED 30 JUNE 2021

## AUDITOR'S REVIEW CONCLUSION

The interim financial results for the six months ended 30 June 2021 have been reviewed by KPMG and an unmodified review conclusion issued thereon.

The review conclusion has been made available to management and those charged with governance of FBC Holdings Limited. The engagement partner responsible for this review is Themba Mudidi. The auditor's review conclusion on the interim financial results is available for inspection at the Company's registered office.

**31 August 2021**

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2021

| | Note | Inflation Adjusted<br>Reviewed<br>30 June 2021<br>ZWL | Inflation Adjusted<br>Reviewed<br>30 June 2020<br>ZWL | Historical cost*<br>Reviewed<br>30 June 2021<br>ZWL | Historical cost*<br>Reviewed<br>30 June 2020<br>ZWL |
|---|---|---|---|---|---|
| Interest income calculated using the effective interest method | 17 | 1 984 017 376 | 1 446 826 953 | 1 872 881 830 | 458 959 437 |
| Interest and related expense | 18 | (653 889 549) | (514 327 399) | (619 935 604) | (157 887 133) |
| **Net interest and related income** | | **1 330 127 827** | **932 499 554** | **1 252 946 226** | **301 072 304** |
| Fee and commission income | 19 | 1 127 528 363 | 598 457 428 | 980 261 061 | 179 634 622 |
| Fee and commission expense | | (10 303 588) | (6 086 633) | (9 675 486) | (1 716 567) |
| **Net fee and commission income** | | **1 117 224 775** | **592 370 795** | **970 585 575** | **177 918 055** |
| Revenue from property sales | 20.1 | 195 722 319 | 33 473 074 | 179 432 314 | 10 812 476 |
| Cost of property sales | 20.2 | (144 755 957) | (22 136 802) | (85 518 478) | (3 110 602) |
| **Net income from property sales** | | **50 966 362** | **11 336 272** | **93 913 836** | **7 701 874** |
| Insurance premium revenue | 21 | 990 247 712 | 624 967 774 | 858 818 181 | 130 965 294 |
| Premium ceded to reinsurers and retrocessionaires | | (355 086 349) | (172 281 823) | (334 334 857) | (42 580 607) |
| **Net earned insurance premium** | | **635 161 363** | **452 685 951** | **524 483 324** | **88 384 687** |
| **Revenue** | | **3 133 480 327** | **1 988 892 572** | **2 841 928 961** | **575 076 920** |
| Net trading and dealing income | | 919 861 231 | 3 862 105 418 | 900 000 293 | 1 876 650 609 |
| Net gains from financial assets at fair value through profit or loss | | 700 696 419 | 794 399 461 | 810 518 665 | 456 971 144 |
| Other operating income | 22 | 383 089 | 658 542 528 | 272 015 822 | 641 784 583 |
| **Other income** | | **1 620 940 739** | **5 315 047 407** | **1 982 534 780** | **2 975 406 336** |
| **Total income** | | **4 754 421 066** | **7 303 939 979** | **4 824 463 741** | **3 550 483 256** |
| Impairment allowance | | (173 025 021) | (118 555 948) | (173 025 021) | (57 372 071) |
| Insurance commission expense | 23 | (122 325 521) | (60 394 495) | (95 568 080) | (24 850 993) |
| Insurance commission recovered from reinsurers | 23 | 53 411 931 | 12 665 346 | 49 592 187 | 5 635 062 |
| Insurance claims and loss adjustment expenses | 24 | (393 834 887) | (115 478 944) | (372 808 724) | (62 288 236) |
| Insurance claims and loss adjustment expenses recovered from reinsurers | 24 | 91 810 358 | 21 831 086 | 88 216 622 | 11 918 776 |
| Administrative expenses | 25 | (2 372 656 095) | (2 917 798 468) | (2 190 138 187) | (1123 142 702) |
| Monetary loss | | (678 614 863) | 316 636 739 | - | - |
| **Profit before income tax** | | **1 159 186 968** | **4 442 845 295** | **2 130 732 538** | **2 300 383 092** |
| Income tax expense | 26 | (630 048 791) | (1 107 993 783) | (645 735 317) | (401 320 006) |
| **Profit for the period** | | **529 138 177** | **3 334 851 512** | **1 484 997 221** | **1 899 063 086** |
| **Other comprehensive income** | | | | | |
| **Items that may be subsequently reclassified to profit or loss** | | | | | |
| Gain on equity instruments at fair value through other comprehensive income | | 89 683 261 | 55 535 128 | 89 683 261 | 26 874 782 |
| Tax | | (896 833) | (555 351) | (896 833) | (268 748) |
| | | **88 786 428** | **54 979 777** | **88 786 428** | **26 606 034** |
| **Items that will not be reclassified to profit or loss** | | | | | |
| Gain on property revaluation | | (132 326 951) | 460 419 659 | 108 901 632 | 509 639 375 |
| Tax | | 23 169 559 | (16 482 605) | (12 041 964) | (18 296 087) |
| | | **(109 157 392)** | **443 937 054** | **96 859 668** | **491 343 288** |
| **Total comprehensive income for the period** | | **508 767 213** | **3 833 768 343** | **1 670 643 317** | **2 417 012 408** |
| **Profit attributable to :** | | | | | |
| Equity holders of the parent | | 529 867 400 | 3 330 452 795 | 1 485 458 370 | 1 896 257 168 |
| Non-controlling interests | | (729 223) | 4 398 717 | (461 149) | 2 805 918 |
| **Total** | | **529 138 177** | **3 334 851 512** | **1 484 997 221** | **1 899 063 086** |
| **Total comprehensive income attributable to :** | | | | | |
| Equity holders of the parent | | 510 567 473 | 3 829 369 626 | 1 670 689 958 | 2414 206 490 |
| Non-controlling interests | | (1 800 260) | 4 398 717 | (46 641) | 2 805 918 |
| **Total** | | **508 767 213** | **3 833 768 343** | **1 670 643 317** | **2 417 012 408** |
| **Earnings per share (ZWL cents)** | | | | | |
| Basic earnings per share | 29.1 | 83.87 | 548.47 | 235.13 | 312.28 |
| Diluted earnings per share | 29.2 | 83.87 | 548.47 | 235.13 | 312.28 |
| Headline earnings per share | 29.3 | 83.89 | 548.47 | 235.11 | 312.28 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

| | Note | Inflation Adjusted<br>Reviewed<br>30 June 2021<br>ZWL | Inflation Adjusted<br>Audited<br>31 Dec 2020<br>ZWL | Historical cost*<br>Reviewed<br>30 June 2021<br>ZWL | Historical cost*<br>Audited<br>31 Dec 2020<br>ZWL |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Balances with banks and cash | 4 | 11 707 267 554 | 12 743 920 936 | 11 707 267 554 | 10 559 374 255 |
| Financial assets at amortised cost | 5.3 | 1 023 216 263 | 1 310 024 135 | 1 023 216 263 | 1 085 461 468 |
| Loans and advances to customers | 5.1 | 18 064 587 817 | 16 103 500 323 | 18 064 444 569 | 13 342 940 672 |
| Trade and other receivables including insurance receivables | 5.2 | 824 366 676 | 627 052 486 | 824 366 676 | 485 619 884 |
| Bonds and debentures | 6 | 59 449 843 | 571 675 102 | 59 449 843 | 473 679 285 |
| Financial assets at fair value through profit or loss | 7 | 1 657 886 050 | 931 409 153 | 1 710 427 809 | 808 232 947 |
| Financial assets at fair value through other comprehensive income | | 128 073 110 | 46 332 026 | 128 073 110 | 38 389 849 |
| Inventory | 8 | 216 084 574 | 359 307 927 | 85 022 058 | 126 312 625 |
| Prepayments and other assets | 9 | 4 029 277 960 | 2 626 554 031 | 3 968 752 087 | 2 042 880 343 |
| Current income tax asset | | - | 11 046 601 | - | 9 153 007 |
| Deferred tax asset | | 129 607 635 | 120 995 418 | 117 182 474 | 101 657 053 |
| Investment property | 12 | 1 630 371 947 | 1 180 943 311 | 1 630 371 947 | 978 507 514 |
| Intangible assets | 10 | 80 320 084 | 116 028 582 | 7 782 425 | 9 074 177 |
| Property and equipment | 11 | 2 054 785 704 | 2 246 299 792 | 1 932 374 874 | 1 861 241 945 |
| Right of use asset | | 69 348 711 | 110 110 153 | 32 894 793 | 36 749 236 |
| **Total assets** | | **41 674 643 928** | **39 105 199 976** | **41 291 626 482** | **31 959 274 260** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Liabilities** | | | | | |
| Deposits from other banks and customers | 13 | 25 921 075 333 | 24 708 474 146 | 25 921 075 333 | 20 472 979 005 |
| Insurance liabilities | 14 | 735 935 766 | 590 989 974 | 705 649 194 | 402 454 943 |
| Trade and other payables | 15 | 6 743 426 158 | 6 517 927 313 | 6 660 837 881 | 5 353 987 092 |
| Current income tax liabilities | | 1 119 264 901 | 164 848 288 | 1 119 264 894 | 136 590 205 |
| Deferred tax liabilities | | 209 110 461 | 939 717 055 | 42 038 488 | 642 741 559 |
| Lease liability | | 32 809 478 | 40 814 377 | 32 809 478 | 33 818 029 |
| **Total liabilities** | | **34 761 622 097** | **32 962 771 153** | **34 481 675 268** | **27 042 570 833** |
| **Equity** | | | | | |
| **Capital and reserves attributable to equity holders of the parent entity** | | | | | |
| Share capital and share premium | 16 | 656 873 275 | 656 873 275 | 14 089 892 | 14 089 892 |
| Other reserves | | 2 521 263 904 | 1 993 090 820 | 2 184 135 260 | 1 490 651 987 |
| Retained profits | | 3 725 412 565 | 3 481 192 381 | 4 602 070 564 | 3 402 259 409 |
| | | **6 903 549 744** | **6 131 156 476** | **6 800 295 716** | **4 907 001 288** |
| Non controlling interest in equity | | 9 472 087 | 11 272 347 | 9 655 498 | 9 702 139 |
| **Total equity** | | **6 913 021 831** | **6 142 428 823** | **6 809 951 214** | **4 916 703 427** |
| **Total equity and liabilities** | | **41 674 643 928** | **39 105 199 976** | **41 291 626 482** | **31 959 274 260** |

## CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2021

| | Note | Inflation Adjusted<br>Reviewed<br>30 June 2021<br>ZWL | Inflation Adjusted<br>Reviewed<br>30 June 2020<br>ZWL | Historical cost*<br>Reviewed<br>30 June 2021<br>ZWL | Historical cost*<br>Reviewed<br>30 June 2020<br>ZWL |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | |
| Profit before tax | | 1 159 186 968 | 4 442 845 295 | 2 130 732 538 | 2 300 383 092 |
| **Adjustments for:** | | | | | |
| Depreciation | | 106 729 607 | 143 489 447 | 88 052 456 | 25 011 768 |
| Amortisation | | 35 845 497 | 114 656 567 | 1 428 809 | 20 510 460 |
| Credit impairment losses | | 173 025 021 | 118 555 948 | 173 025 021 | 57 372 071 |
| Profit from disposal of property and equipment | 22 | 115 070 | - | (89 721) | - |
| Net unrealised exchange gains and losses | | 1 944 652 128 | 4 175 871 351 | (247 836 730) | (912 904 860) |
| Fair value adjustment on investment property | 22 | 105 430 417 | (437 404 487) | (177 738 789) | (520 730 750) |
| Fair value adjustment on financial assets at fair value through profit or loss | | (700 696 419) | (794 399 461) | (810 518 665) | (456 971 144) |
| Net interest income* | | (1 330 127 827) | (932 499 554) | (1 252 946 226) | (301 072 304) |
| Right of use assets | | 40 761 442 | 92 532 770 | 3 854 443 | 225 390 |
| **Net cash generated before changes in operating assets and liabilities** | | **1 534 921 904** | **6 923 647 876** | **(92 036 864)** | **211 823 723** |
| Decrease in financial assets at amortised cost | | 286 807 872 | 606 824 078 | 62 245 205 | (15 310 246) |
| (Increase)/decrease in loans and advances | | (1 675 706 973) | 6 626 259 117 | (4 436 123 376) | (941 864 504) |
| (Increase)/decrease in trade and other receivables | | (195 562 765) | 365 850 577 | (336 995 367) | 9 536 435 |
| Decrease in bonds and debentures | | 512 225 259 | 238 591 147 | 414 229 442 | (81 377 022) |
| (Increase)/decrease in financial assets at fair value through profit or loss | | (25 780 478) | 10 821 709 | (91 676 197) | (38 969 585) |
| Decrease in financial assets at fair value through other comprehensive income | | - | 73 640 633 | - | 11 548 369 |
| (Increase)/decrease in inventory | | (89 104 144) | 90 368 314 | (135 272 572) | (18 463 846) |
| Increase in prepayments and other assets | | (1 392 348 083) | (438 347 553) | (1 920 165 881) | (716 325 551) |
| (Increase) in investment property | | (322 531 556) | (189 942 745) | (297 562 505) | (32 456 576) |
| Increase/(decrease) in deposits from other banks and customers | | 2 542 471 596 | (4 696 410 906) | 4 904 934 240 | 1 323 532 382 |
| Increase/(decrease) in insurance liabilities | | 144 945 792 | (246 772 826) | 303 194 251 | 55 587 928 |
| Increase/(decrease) in trade and other payables | | 191 398 902 | (391 514 935) | 1 272 750 846 | 1 250 630 193 |
| Decrease in lease liabilities | | (8 004 899) | (8 289 599) | (1 008 551) | 34 960 |
| | | **1 503 732 427** | **8 964 724 887** | **(353 487 329)** | **1 017 926 660** |
| Interest received | | 1 984 017 376 | 1 446 826 953 | 1 872 881 830 | 458 959 437 |
| Income tax expense paid | | (381 531 663) | (1 774 798 782) | (283 074 911) | (59 100 466) |
| Interest paid | | (653 889 549) | (514 327 399) | (619 935 604) | (157 887 133) |
| **Net cash generated from operating activities** | | **2 452 328 591** | **8 122 425 659** | **616 383 986** | **1 259 898 498** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property and equipment | | (52 777 529) | (68 412 512) | (51 179 386) | (29 541 263) |
| Purchase of intangible assets | | (137 057) | (23 350 015) | (137 057) | (4 255 681) |
| Proceeds from sale of property and equipment | | 1 060 378 | 14 254 192 | 1 595 669 | 2 632 780 |
| **Net cash used in investing activities** | | **(51 854 208)** | **(77 508 335)** | **(49 720 774)** | **(31 164 164)** |
| **Net cash flows before financing activities** | | **2 400 474 383** | **8 044 917 324** | **566 663 212** | **1 228 734 334** |
| **Cash flows from financing activities** | | | | | |
| Repayment of borrowings | | (1 925 287 176) | (25 932 917) | (52 254 679) | (8 180 767) |
| Dividend paid to company's shareholders | | (285 647 215) | (106 066 899) | (285 647 215) | (20 027 547) |
| Sale of treasury shares | | 1 049 615 796 | - | 1 010 394 471 | - |
| Purchase of treasury shares | | (502 142 786) | (21 374 384) | (502 142 786) | (10 343 578) |
| **Net cash used in financing activities** | | **(1 663 461 381)** | **(153 374 200)** | **170 349 791** | **(38 551 892)** |
| **Net increase in cash and cash equivalents** | | **737 013 002** | **7 891 543 124** | **737 013 003** | **1 190 182 442** |
| Exchange gains and losses on cash and cash equivalents | | (1 773 666 384) | (2 769 716 028) | 410 880 296 | 4 379 041 018 |
| Cash and cash equivalents at beginning of the period | | 12 743 920 936 | 10 329 214 730 | 10 559 374 255 | 1 907 906 680 |
| **Cash and cash equivalents at the end of period** | 4.1 | **11 707 267 554** | **15 451 041 826** | **11 707 267 554** | **7 477 130 140** |

*In prior periods this was not presented separately.

*The historic amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed a review conclusion on this historic financial information.

FBC Holdings Limited

# Reviewed Financial Results

## FOR THE SIX MONTHS ENDED 30 JUNE 2021

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2021

| Inflation Adjusted | Share capital ZWL | Share premium ZWL | Retained profits ZWL | Treasury shares ZWL | Non distributable reserve ZWL | Revaluation reserve ZWL | Financial assets at fair value reserve ZWL | Changes in ownership ZWL | Total ZWL | Non controlling Interest ZWL | Total equity ZWL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Half year ended 30 June 2021** | | | | | | | | | | | |
| **Balance at 1 January 2021** | **313 243** | **656 560 032** | **3 481 192 380** | **(526 205 182)** | **1 744 216 417** | **612 722 615** | **84 469 989** | **77 886 982** | **6 131 156 476** | **11 272 347** | **6 142 428 823** |
| Profit for the period | - | - | 529 867 400 | - | - | - | - | - | 529 867 400 | (729 223) | 529 138 177 |
| **Other comprehensive income** | | | | | | | | | | | |
| Gain on revaluation of property and equipment, net of tax | - | - | - | - | - | (108 086 355) | - | - | (108 086 355) | (1 071 037) | (109 157 392) |
| Net transfer to regulatory reserve | - | - | - | - | - | - | - | - | - | - | - |
| Gain on financial assets at fair value through other comprehensive income | - | - | - | - | - | - | 88 786 428 | - | 88 786 428 | - | 88 786 428 |
| **Total other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **(108 086 355)** | **88 786 428** | **-** | **(19 299 927)** | **(1 071 037)** | **(20 370 964)** |
| **Total comprehensive income** | **-** | **-** | **529 867 400** | **-** | **-** | **(108 086 355)** | **88 786 428** | **-** | **510 567 473** | **(1 800 260)** | **508 767 213** |
| **Transaction with owners** | | | | | | | | | | | |
| Net sale of treasury shares | - | - | - | 96 376 322 | 953 239 474 | - | - | - | 1 049 615 796 | - | 1 049 615 796 |
| Dividend paid | - | - | (285 647 215) | - | - | - | - | - | (285 647 215) | - | (285 647 215) |
| Treasury share purchase | - | - | - | (502 142 786) | - | - | - | - | (502 142 786) | - | (502 142 786) |
| **Shareholders' equity at 30 June 2021** | **313 243** | **656 560 032** | **3 725 412 565** | **(931 971 646)** | **2 697 455 891** | **504 636 260** | **173 256 417** | **77 886 982** | **6 903 549 744** | **9 472 087** | **6 913 021 831** |
| **Half year ended 30 June 2020** | | | | | | | | | | | |
| **Balance at 1 January 2020** | **313 243** | **656 560 032** | **2 009 698 618** | **(476 051 364)** | **1 707 445 879** | **1 435 834 517** | **43 577 613** | **77 886 982** | **5 455 265 520** | **8 992 643** | **5 464 258 163** |
| Profit for the period | - | - | 3 330 452 795 | - | - | - | - | - | 3 330 452 795 | 4 398 717 | 3 334 851 512 |
| Other comprehensive income | | | | | | | | | | | |
| Gain on revaluation of property and equipment, net of tax | - | - | - | - | - | 443 937 054 | - | - | 443 937 054 | - | 443 937 054 |
| Gain on financial assets at fair value through other comprehensive income | - | - | - | - | - | - | 54 979 777 | - | 54 979 777 | - | 54 979 777 |
| **Total other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **443 937 054** | **54 979 777** | **-** | **498 916 831** | **-** | **498 916 831** |
| **Total comprehensive income** | **-** | **-** | **3 330 452 795** | **-** | **-** | **443 937 054** | **54 979 777** | **-** | **3 829 369 626** | **4 398 717** | **3 833 768 343** |
| **Transaction with owners** | | | | | | | | | | | |
| Dividend paid | - | - | (106 066 899) | - | - | - | - | - | (106 066 899) | - | (106 066 899) |
| Treasury share purchase | - | - | - | (21 374 384) | - | - | - | - | (21 374 384) | - | (21 374 384) |
| **Shareholders' equity at 30 June 2020** | **313 243** | **656 560 032** | **5 234 084 513** | **(497 425 748)** | **1 707 445 879** | **1 879 771 571** | **98 557 390** | **77 886 982** | **9 157 193 863** | **13 391 360** | **9 170 585 223** |

| Historical cost* | Share capital ZWL | Share premium ZWL | Retained profits ZWL | Treasury shares ZWL | Non distributable reserve ZWL | Revaluation reserve ZWL | Financial assets at fair value reserve ZWL | Changes in ownership ZWL | Total ZWL | Non controlling Interest ZWL | Total equity ZWL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Half year ended 30 June 2021** | | | | | | | | | | | |
| **Balance at 1 January 2021** | **6 719** | **14 083 173** | **3 402 259 409** | **(59 994 649)** | **50 141 638** | **1 462 097 784** | **36 736 543** | **1 670 671** | **4 907 001 288** | **9 702 139** | **4 916 703 427** |
| Profit for the period | - | - | 1 485 458 370 | - | - | - | - | - | 1 485 458 370 | (461 149) | 1 484 997 221 |
| **Other comprehensive income** | | | | | | | | | | | |
| Gain on revaluation of property and equipment, net of tax | - | - | - | - | - | 96 445 160 | - | - | 96 445 160 | 414 508 | 96 859 668 |
| Gain on financial assets at fair value through other comprehensive income | - | - | - | - | - | - | 88 786 428 | - | 88 786 428 | - | 88 786 428 |
| **Total other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **96 445 160** | **88 786 428** | **-** | **185 231 588** | **414 508** | **185 646 096** |
| **Total comprehensive income** | **-** | **-** | **1 485 458 370** | **-** | **-** | **96 445 160** | **88 786 428** | **-** | **1 670 689 958** | **(46 641)** | **1 670 643 317** |
| **Transaction with owners** | | | | | | | | | | | |
| Sale of treasury shares | - | - | - | 92 774 999 | 917 619 472 | - | - | - | 1 010 394 471 | - | 1 010 394 471 |
| Dividend paid | - | - | (285 647 215) | - | - | - | - | - | (285 647 215) | - | (285 647 215) |
| Treasury share purchase | - | - | - | (502 142 786) | - | - | - | - | (502 142 786) | - | (502 142 786) |
| **Shareholders' equity at 30 June 2021** | **6 719** | **14 083 173** | **4 602 070 564** | **(469 362 436)** | **967 761 110** | **1 558 542 944** | **125 522 971** | **1 670 671** | **6 800 295 716** | **9 655 498** | **6 809 951 214** |
| **Half year ended 30 June 2020** | | | | | | | | | | | |
| **Balance at 1 January 2020** | **6 719** | **14 083 173** | **403 507 476** | **(18 227 276)** | **36 624 611** | **507 803 164** | **2 853 886** | **1 670 671** | **948 322 425** | **2 147 047** | **950 469 471** |
| Profit for the period | - | - | 1 896 257 168 | - | - | - | - | - | 1 896 257 168 | 2 805 918 | 1 899 063 086 |
| Other comprehensive income | - | - | - | - | - | - | - | - | - | - | |
| Gain on revaluation of property and equipment, net of tax | - | - | - | - | - | 491 343 288 | - | - | 491 343 288 | - | 491 343 288 |
| Gain on financial assets at fair value through other comprehensive income | - | - | - | - | - | - | 26 606 034 | - | 26 606 034 | - | 26 606 034 |
| **Total other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **491 343 288** | **26 606 034** | **-** | **517 949 322** | **-** | **517 949 322** |
| **Total comprehensive income** | **-** | **-** | **1 896 257 168** | **-** | **-** | **491 343 288** | **26 606 034** | **-** | **2 414 206 490** | **2 805 918** | **2 417 012 408** |
| **Transaction with owners** | | | | | | | | | | | |
| Dividend paid | - | - | (20 027 547) | - | - | - | - | - | (20 027 547) | - | (20 027 547) |
| Treasury share purchase | - | - | - | (10 343 578) | - | - | - | - | (10 343 578) | - | (10 343 578) |
| **Shareholders' equity at 30 June 2020** | **6 719** | **14 083 173** | **2 279 737 097** | **(28 570 854)** | **36 624 611** | **999 146 452** | **29 459 920** | **1 670 671** | **3 332 157 789** | **4 952 965** | **3 337 110 754** |

*The historic amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed a review conclusion on this historic financial information.

### NOTES TO THE CONSOLIDATED FINANCIAL RESULTS
For the six months ended 30 June 2021

**1 GENERAL INFORMATION**

FBC Holdings Limited ("the Company") and its subsidiaries (together "the Group") provide a wide range of commercial banking, mortgage finance, micro lending, short - term reinsurance, short - term insurance and stockbrocking services.

The Company is a limited liability company, which is listed on the Zimbabwe Stock Exchange. The Company and its subsidiaries are incorporated and domiciled in Zimbabwe.

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on 27 August 2021.

**2 BASIS OF PREPARATION**

The Group's condensed consolidated interim financial statements for the half year ended 30 June 2021 have been prepared in accordance with the International Accounting Standard ("IAS") 34 Interim Financial Reporting, the Zimbabwe Companies Act (Chapter 24:03), Zimbabwe Insurance Act (Chapter 24:07) and the Zimbabwe Banking Act (Chapter 24:20). They do not include all the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements. They should therefore be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2020.

**3 ACCOUNTING POLICIES**

The accounting policies applied in the preparation of these interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020. There are no new standards effective 1 January 2021 that have a material effect on the Group.

These condensed interim consolidated financial statements have been prepared under the historical cost convention and are presented in Zimbabwean dollars ("ZWL") and are rounded to the nearest dollar.

**3.2 Presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Zimbabwean dollar ("ZWL"), which is the Group's presentation currency as at half year ended 30 June 2021 and as prescribed by statutory instrument 33 of 2019 and statutory instrument 142 of 2019. All the Group's subsidiaries operate in Zimbabwe and have the Zimbabwean dollar ("ZWL") as their functional and presentation currency as at half year ended 30 June 2021.

**Adoption of the IAS 29 (Financial Reporting in Hyperinflation Economies)**

In October 2019, the PAAB issued a pronouncement prescribing that the application of financial reporting in hyperinflation economies had become effective in Zimbabwe, for reporting periods on or after 1 July 2019. These interim consolidated financial statements have been prepared in accordance with IAS 29 together with International Financial Reporting Standards Committee (IFRIC) 7. (Applying Restated Approach under IAS 29), as if the economy had been hyperinflationary from 1 October 2018.

The Group adopted the Zimbabwe Consumer Price Index ("CPI") as the general price index to restate the transactions and balances.

Non-monetary assets and liabilities carried in the Group's financial results have been restated applying the change in the general price index from dates when the transactions were initially recorded in the Group's financial records (transaction date). A net monetary adjustment was recognized in the statement of profit or loss for the half year ended 30 June 2021 and the comparative period. Comparative amounts in the Group financial results have been restated to reflect the change in the general price index from 1 October 2018 to the end of the reporting period. All items in the statement of cash flows are expressed based on the restated financial information for the period.

As noted above, the Group adopted the Zimbabwe Consumer Price Index ("CPI") as the general price index and used the monthly indices to inflation adjust the historical figures.

The factors used in the periods under review are as follows:

| Period | Indices | Conversion Factors at 30 June 2020 |
|---|---|---|
| CPI as at 30 June 2020 | 1 445,2 | 2,0664 |
| CPI as at 31 December 2020 | 2 474,5 | 1,2069 |
| CPI as at 30 June 2021 | 2 986,4 | 1 |

**3.3 Going concern**

The Group's forecasts and projections, taking account of changes in trading environment and performance, show that the Group should be able to operate within the level of its current financing. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

**3.4** The historic amounts shown in the notes are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed a review conclusion on this historic financial information.

| **4 BALANCES WITH BANKS AND CASH** | Inflation Adjusted Reviewed 30 June 2021 ZWL | Inflation Adjusted Audited 31 Dec 2020 ZWL | Historical cost Reviewed 30 June 2021 ZWL | Historical cost Audited 31 Dec 2020 ZWL |
|---|---|---|---|---|
| **Balances with Reserve Bank of Zimbabwe ("RBZ")** | | | | |
| Statutory reserves | 355 320 003 | - | 355 320 003 | - |
| Current account balances | 790 487 487 | 774 243 197 | 790 487 487 | 641 523 415 |
| | **1 145 807 490** | **774 243 197** | **1 145 807 490** | **641 523 415** |
| **Balances with other banks and cash** | | | | |
| Notes and coins | 2 532 818 257 | 4 105 656 031 | 2 532 818 257 | 3 401 869 708 |
| Other bank balances | 8 028 641 807 | 7 864 021 708 | 8 028 641 807 | 6 515 981 132 |
| **Balances with banks and cash (excluding bank overdrafts)** | **11 707 267 554** | **12 743 920 936** | **11 707 267 554** | **10 559 374 255** |
| Current | 11 383 528 443 | 12 743 920 936 | 11 383 528 443 | 10 559 374 255 |
| Non-current | 323 739 111 | - | 323 739 111 | - |
| **Total** | **11 707 267 554** | **12 743 920 936** | **11 707 267 554** | **10 559 374 255** |

| | Inflation Adjusted Reviewed 30 June 2021 ZWL | Inflation Adjusted Audited 31 Dec 2020 ZWL | Inflation Adjusted Reviewed 30 June 2020 ZWL | Historical cost Reviewed 30 June 2021 ZWL | Historical cost Audited 31 Dec 2020 ZWL | Historical cost Reviewed 30 June 2020 ZWL |
|---|---|---|---|---|---|---|
| **4.1 For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances :** | | | | | | |
| Balances with other banks, cash and current account balances at RBZ (excluding bank overdrafts) | 11 707 267 554 | 12 743 920 936 | 15 451 041 826 | 11 707 267 554 | 10 559 374 255 | 7 477 130 140 |
| **Total cash and cash equivalents - statement of cash flows** | **11 707 267 554** | **12 743 920 936** | **15 451 041 826** | **11 707 267 554** | **10 559 374 255** | **7 477 130 140** |

### NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (CONTINUED)
For the six months ended 30 June 2021

| | | Inflation Adjusted | | Historical cost | |
|---|---|---|---|---|---|
| | | Reviewed 30 June 2021 ZWL | Audited 31 Dec 2020 ZWL | Reviewed 30 June 2021 ZWL | Audited 31 Dec 2020 ZWL |
| 5 | **FINANCIAL ASSETS** | | | | |
| 5.1 | **Loans and advances to customers** | | | | |
| | Loans and advances maturities | | | | |
| | Maturing within 1 year | 10 556 733 884 | 11 434 493 351 | 10 690 732 335 | 9 474 407 077 |
| | Maturing after 1 year | 7 813 310 273 | 4 844 447 056 | 7 679 168 574 | 4 013 899 964 |
| | **Gross carrying amount** | **18 370 044 157** | **16 278 940 407** | **18 369 900 909** | **13 488 307 041** |
| | Impairment allowance | (305 456 340) | (175 440 084) | (305 456 340) | (145 366 369) |
| | | **18 064 587 817** | **16 103 500 323** | **18 064 444 569** | **13 342 940 672** |
| 5.2 | **Trade and other receivables including insurance receivables** | | | | |
| | Trade receivables | 41 198 115 | 66 005 399 | 41 198 115 | 54 690 838 |
| | Insurance receivables | | | | |
| | - Due by insurance clients and insurance brokers | 682 727 153 | 391 660 106 | 682 727 153 | 324 522 230 |
| | - Due by reinsurers and retrocessionaires | 149 269 469 | 201 716 510 | 149 269 469 | 133 194 458 |
| | **Gross carrying amount** | **873 194 737** | **659 382 015** | **873 194 737** | **512 407 526** |
| | Impairment allowance | (48 828 061) | (32 329 529) | (48 828 061) | (26 787 642) |
| | **Total** | **824 366 676** | **627 052 486** | **824 366 676** | **485 619 884** |
| | Current | 824 366 676 | 605 153 178 | 824 366 676 | 467 474 528 |
| | Non-current | - | 21 899 308 | - | 18 145 356 |
| | **Total** | **824 366 676** | **627 052 486** | **824 366 676** | **485 619 884** |
| 5.3 | **Financial assets at amortised cost** | | | | |
| | Maturing within 1 year | 1 008 529 108 | 1 291 348 261 | 1 008 529 108 | 1069 986 988 |
| | Maturing after 1 year | 19 170 841 | 24 617 030 | 19 170 841 | 20 397 213 |
| | **Gross carrying amount** | **1 027 699 949** | **1 315 965 291** | **1 027 699 949** | **1090 384 201** |
| | Impairment allowance | (4 483 686) | (5 941 156) | (4 483 686) | (4 922 733) |
| | | **1 023 216 263** | **1 310 024 135** | **1 023 216 263** | **1085 461 468** |
| 5.4 | **Movement in impairment allowance** | | | | |
| | Balance at beginning of period | 221 866 551 | 260 628 270 | 181 670 627 | 48 140 582 |
| | Effects of IAS 29 | (40 195 923) | (202 528 258) | - | - |
| | Impairment loss allowance | 173 025 021 | 165 898 655 | 173 025 021 | 137 460 519 |
| | Reversal of impairment | - | (1 388 077) | - | (1 150 135) |
| | Amounts written off during the year as uncollectible | (156 922) | (744 039) | (156 922) | (616 497) |
| | **Balance at end of period** | **354 538 727** | **221 866 551** | **354 538 726** | **183 834 469** |
| 6 | **BONDS AND DEBENTURES** | | | | |
| | Maturing within 1 year | 52 953 425 | 574 328 622 | 52 953 425 | 475 877 942 |
| | Maturing after 1 year | 6 765 152 | - | 6 765 152 | - |
| | **Gross carrying amount** | **59 718 577** | **574 328 622** | **59 718 577** | **475 877 942** |
| | Impairment allowance | (268 734) | (2 653 520) | (268 734) | (2 198 657) |
| | | **59 449 843** | **571 675 102** | **59 449 843** | **473 679 285** |
| | Current | 52 715 134 | 571 675 102 | 52 715 134 | 473 679 285 |
| | Non-current | 6 734 709 | - | 6 734 709 | - |
| | **Total** | **59 449 843** | **571 675 102** | **59 449 843** | **473 679 285** |
| 7 | **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** | | | | |
| | Listed securities at market value | 1 366 285 469 | 626 032 408 | 1 418 827 228 | 555 203 495 |
| | Unlisted securities (Afreximbank class B shares) | 233 687 639 | 244 068 337 | 233 687 639 | 202 230 454 |
| | Suspended securities (Old Mutual shares) | 57 912 942 | 61 308 408 | 57 912 942 | 50 798 998 |
| | | **1 657 886 050** | **931 409 153** | **1 710 427 809** | **808 232 947** |
| | Current | 1 657 886 050 | 931 409 153 | 1 710 427 809 | 808 232 947 |
| | Non-current | - | - | - | - |
| | **Total** | **1 657 886 050** | **931 409 153** | **1 710 427 809** | **808 232 947** |
| 8 | **INVENTORY** | | | | |
| | Raw materials | 33 363 178 | 24 819 804 | 20 489 934 | 15 486 307 |
| | Work in progress | 182 721 396 | 334 488 123 | 64 532 124 | 110 826 318 |
| | Finished goods | - | - | - | - |
| | | **216 084 574** | **359 307 927** | **85 022 058** | **126 312 625** |
| | Current | 185 832 734 | 359 307 927 | 72 913 465 | 126 312 625 |
| | Non-current | 30 251 840 | - | 12 108 593 | - |
| | **Total** | **216 084 574** | **359 307 927** | **85 022 058** | **126 312 625** |
| 9 | **PREPAYMENTS AND OTHER ASSETS** | | | | |
| | Foreign currency auction system receivables | 1 401 145 581 | - | 1 401 145 581 | - |
| | Prepayments | 480 789 150 | 732 406 632 | 438 209 615 | 515 326 835 |
| | Deferred acquisition costs | 86 518 904 | 66 548 735 | 78 769 093 | 38 894 642 |
| | Refundable deposits for Mastercard and Visa transactions | 384 096 278 | 340 588 657 | 384 096 278 | 282 205 384 |
| | Stationery stock and other consumables | - | 6 043 948 | - | 1 503 300 |
| | Time- share asset | 18 498 628 | 20 554 031 | 15 327 617 | 17 030 685 |
| | Legacy debt assets | 854 234 000 | 1 244 708 365 | 854 234 000 | 1 031 342 044 |
| | Zimswitch receivables | 1 652 258 | 100 120 292 | 1 652 258 | 82 957 798 |
| | Bill payments receivables | 1 496 911 | 23 940 009 | 1 496 911 | 19 836 243 |
| | Public service pension fund receivable | 677 961 640 | - | 677 961 640 | - |
| | Other | 122 834 610 | 91 643 362 | 115 859 094 | 53 783 412 |
| | | **4 029 277 960** | **2 626 554 031** | **3 968 752 087** | **2 042 880 343** |
| | Current | 3 373 429 150 | 2 278 558 452 | 3 468 863 857 | 1 755 801 719 |
| | Non-current | 655 848 810 | 347 995 579 | 499 888 230 | 287 078 624 |
| | **Total** | **4 029 277 960** | **2 626 554 031** | **3 968 752 087** | **2 042 880 343** |
| 10 | **INTANGIBLE ASSETS** | | | | |
| | As at end of period | | | | |
| | Opening net book amount | 116 028 582 | 1 085 205 848 | 9 074 177 | 200 426 701 |
| | Prior period adjustment | - | (904 696 591) | - | (191 594 345) |
| | Additions | 137 057 | 3 812 724 | 137 057 | 2 777 332 |
| | Adjustment to cost | (58) | 587 | - | (107) |
| | Amortisation charge | (35 845 497) | (68 293 986) | (1 428 809) | (2 535 404) |
| | **Closing net book amount** | **80 320 084** | **116 028 582** | **7 782 425** | **9 074 177** |
| | **As at end of period** | | | | |
| | Cost | 456 906 326 | 456 769 327 | 17 861 706 | 17 724 649 |
| | Accumulated amortisation | (376 586 242) | (340 740 745) | (10 050 054) | (8 621 245) |
| | Accumulated impairment | - | - | (29 227) | (29 227) |
| | **Net book amount** | **80 320 084** | **116 028 582** | **7 782 425** | **9 074 177** |

### 11 PROPERTY AND EQUIPMENT

**Inflation Adjusted**

| Half year ended 30 June 2021 | Freehold premises ZWL | Machinery ZWL | Computer equipment ZWL | Furniture and Office equipment ZWL | Motor vehicles ZWL | Total ZWL |
|---|---|---|---|---|---|---|
| Opening net book amount at January 2021 | 1447 154 181 | 78 479 509 | 217 132 003 | 239 583 438 | 263 950 661 | 2 246 299 792 |
| Additions | 5 113 093 | - | 23 114 813 | 22 403 861 | 2 145 762 | 52 777 529 |
| Revaluation | (136 385 973) | - | - | - | - | (136 385 973) |
| Adjustment to cost | - | - | - | - | (588) | (588) |
| Disposals | - | - | - | - | (1 175 449) | (1 175 449) |
| Depreciation | (9 974 170) | (2 967 771) | (36 049 507) | (27 910 372) | (29 827 787) | (106 729 607) |
| **Closing net book amount at June 2021** | **1 305 907 131** | **75 511 738** | **204 197 309** | **234 076 927** | **235 092 599** | **2 054 785 704** |
| **Year ended 31 December 2020** | | | | | | |
| Opening net book amount at January 2020 | 1 363 933 108 | - | 746 956 381 | 120 791 133 | 249 201 604 | 2 480 882 226 |
| Additions | 6 579 507 | 59 355 423 | 56 264 353 | 11 298 189 | 114 817 531 | 248 315 003 |
| Revaluation | 109 226 322 | 5 241 489 | (502 202 401) | 156 280 932 | (1 275 005) | (232 728 663) |
| Adjustment to cost | - | 17 136 966 | (1 497) | - | (17 136 966) | (1 497) |
| Transfer to investment property | (14 254 201) | - | - | - | - | (14 254 201) |
| Disposals | - | - | (464 785) | (1 399) | (41 250 165) | (41 716 349) |
| Depreciation | (18 330 555) | (3 254 369) | (83 420 048) | (48 785 417) | (40 406 338) | (194 196 727) |
| **Closing net book amount at December 2020** | **1 447 154 181** | **78 479 509** | **217 132 003** | **239 583 438** | **263 950 661** | **2 246 299 792** |

**Historical cost**

| Half year ended 30 June 2021 | Freehold premises ZWL | Machinery ZWL | Computer equipment ZWL | Furniture and Office equipment ZWL | Motor vehicles ZWL | Total ZWL |
|---|---|---|---|---|---|---|
| Opening net book amount at January 2021 | 1 198 905 234 | 65 026 652 | 180 979 508 | 197 613 243 | 218 717 308 | 1 861 241 945 |
| Additions | 4 800 000 | - | 22 090 929 | 22 222 877 | 2 065 580 | 51 179 386 |
| Revaluation | 109 511 953 | - | - | - | - | 109 511 953 |
| Adjustment to cost | - | - | - | - | (6) | (6) |
| Disposals | - | - | - | - | (1 505 948) | (1 505 948) |
| Depreciation | (11 008 582) | (5 251 745) | (28 315 909) | (12 977 181) | (30 499 039) | (88 052 456) |
| **Closing net book amount at June 2021** | **1 302 208 605** | **59 774 907** | **174 754 528** | **206 858 939** | **188 777 895** | **1 932 374 874** |
| **Year ended 31 December 2020** | | | | | | |
| Opening net book amount at January 2020 | 251 931 744 | - | 137 970 127 | 22 311 301 | 46 029 966 | 458 243 138 |
| Additions | 4 398 288 | 32 861 570 | 34 230 463 | 4 857 653 | 86 487 500 | 162 835 474 |
| Revaluation | 952 143 844 | 11 978 788 | 38 290 331 | 173 297 799 | 111 890 227 | 1 287 600 989 |
| Adjustment to cost | - | 20 186 294 | 113 | - | (14 753 112) | 5 433 295 |
| Adjustment to accumulated depreciation | 2 929 781 | 1 699 850 | 1 264 425 | 489 081 | 3 864 313 | 10 247 450 |
| Transfer to investment property | (2 632 890) | - | - | - | - | (2 632 890) |
| Disposals | - | - | (9 970) | (30) | (884 814) | (894 814) |
| Depreciation | (9 865 533) | (1 699 850) | (30 765 981) | (3 342 561) | (13 916 772) | (59 590 697) |
| **Closing net book amount at December 2020** | **1 198 905 234** | **65 026 652** | **180 979 508** | **197 613 243** | **218 717 308** | **1 861 241 945** |

Freehold premises was revalued at half year ended 30 June 2021

| | | Inflation Adjusted | | Historical cost | |
|---|---|---|---|---|---|
| | | Reviewed 30 June 2021 ZWL | Audited 31 Dec 2020 ZWL | Reviewed 30 June 2021 ZWL | Audited 31 Dec 2020 ZWL |
| 12 | **INVESTMENT PROPERTY** | | | | |
| | Opening balance | 1 180 943 310 | 835 270 782 | 978 507 514 | 154 282 658 |
| | Additions | 322 600 894 | 141 176 291 | 281 827 099 | 15 342 264 |
| | Fair value adjustment | (105 499 754) | 209 587 635 | 193 474 195 | 818 937 884 |
| | Disposals | - | (19 345 593) | - | (12 688 182) |
| | Transfers from inventory | 232 327 497 | - | 176 563 139 | - |
| | Transfers from property and equipment | - | 14 254 196 | - | 2 632 890 |
| | **Closing balance** | **1 630 371 947** | **1 180 943 311** | **1 630 371 947** | **978 507 514** |
| | Non-current | 1 630 371 947 | 1 180 943 311 | 1 630 371 947 | 978 507 514 |
| | **Total** | **1 630 371 947** | **1 180 943 311** | **1 630 371 947** | **978 507 514** |

Fair valued adjustment of ZWL (76 560 331) and ZWL 193 474 195 in inflation and historical cost terms was made as at 30 June 2021.

The fair value of investment property was determined by external, independent property valuers, having the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

| | | Inflation Adjusted | | Historical cost | |
|---|---|---|---|---|---|
| 13 | **DEPOSITS FROM OTHER BANKS AND CUSTOMERS** | Reviewed 30 June 2021 ZWL | Audited 31 Dec 2020 ZWL | Reviewed 30 June 2021 ZWL | Audited 31 Dec 2020 ZWL |
| 13.1 | **DEPOSITS FROM CUSTOMERS** | | | | |
| | Demand deposits | 12 724 160 749 | 10 943 074 040 | 12 724 160 749 | 9 067 226 238 |
| | Promissory notes | 1 211 815 037 | 1 496 466 536 | 1 211 815 037 | 1 239 944 150 |
| | Other time deposits | 1 158 598 631 | 790 800 239 | 1 158 598 631 | 655 242 270 |
| | | **15 094 574 417** | **13 230 340 815** | **15 094 574 417** | **10 962 412 658** |
| 13.2 | **DEPOSITS FROM OTHER BANKS** | | | | |
| | Money market deposits | 1 498 030 845 | 551 482 850 | 1 498 030 845 | 456 948 363 |
| | Bank borrowings and lines of credit | 9 328 470 071 | 10 926 650 481 | 9 328 470 071 | 9 053 617 984 |
| | | **10 826 500 916** | **11 478 133 331** | **10 826 500 916** | **9 510 566 347** |
| | **TOTAL DEPOSITS** | **25 921 075 333** | **24 708 474 146** | **25 921 075 333** | **20 472 979 005** |
| | Current | 16 202 930 226 | 24 659 632 788 | 16 202 930 226 | 20 432 509 970 |
| | Non-current | 9 718 145 107 | 48 841 358 | 9 718 145 107 | 40 469 035 |
| | **Total** | **25 921 075 333** | **24 708 474 146** | **25 921 075 333** | **20 472 979 005** |

## NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (CONTINUED)

For the six months ended 30 June 2021

### 13.3 Deposits concentration

| Inflation Adjusted | Reviewed 30 June 2021 ZWL | % | Audited 31 Dec 2020 ZWL | % |
|---|---|---|---|---|
| Agriculture | 1 083 804 309 | 4% | 1 152 500 136 | 5% |
| Construction | 880 842 864 | 3% | 632 772 203 | 3% |
| Wholesale and retail trade | 3 828 547 509 | 15% | 1 330 613 793 | 5% |
| Public sector | 1 706 902 000 | 7% | 2 448 970 750 | 10% |
| Manufacturing | 2 223 403 261 | 9% | 1 778 379 397 | 7% |
| Telecommunication | 1 393 760 782 | 5% | 1 192 479 208 | 5% |
| Transport | 849 003 945 | 3% | 813 367 321 | 3% |
| Individuals | 1 467 939 924 | 6% | 1 194 369 563 | 5% |
| Financial services | 7 848 483 345 | 30% | 11 921 564 605 | 50% |
| Mining | 1 750 744 505 | 7% | 1 439 246 581 | 6% |
| Other | 2 887 642 889 | 11% | 804 210 589 | 3% |
| | **25 921 075 333** | **100%** | **24 708 474 146** | **100%** |
| **Historical cost** | | | | |
| Agriculture | 1 083 804 309 | 4% | 954 940 032 | 5% |
| Construction | 880 842 864 | 3% | 524 303 199 | 3% |
| Wholesale and retail trade | 3 828 547 509 | 15% | 1 102 521 673 | 5% |
| Public sector | 1 706 902 000 | 7% | 2 029 171 306 | 10% |
| Manufacturing | 2 223 403 261 | 9% | 1 473 531 868 | 7% |
| Telecommunication | 1 393 760 782 | 5% | 988 065 942 | 5% |
| Transport | 849 003 945 | 3% | 673 940 932 | 3% |
| Individuals | 1 467 939 924 | 6% | 989 632 255 | 5% |
| Financial services | 7 848 483 345 | 30% | 9 877 985 198 | 50% |
| Mining | 1 750 744 505 | 7% | 1 192 532 767 | 6% |
| Other | 2 887 642 889 | 11% | 666 353 833 | 3% |
| | **25 921 075 333** | **100%** | **20 472 979 005** | **100%** |

There are material concentration of deposits to the following sectors; Financial services 35%, wholesale and retail trade 14%, mining 6% and other 10%.

| | | Inflation Adjusted | | Historical cost | |
|---|---|---|---|---|---|
| | | Reviewed 30 June 2021 ZWL | Audited 31 Dec 2020 ZWL | Reviewed 30 June 2021 ZWL | Audited 31 Dec 2020 ZWL |
| **14** | **INSURANCE LIABILITIES** | | | | |
| | Gross outstanding claims | 359 107 673 | 164 678 112 | 359 107 673 | 113 175 075 |
| | Liability for unearned premium | 376 828 093 | 426 311 862 | 346 541 521 | 289 279 868 |
| | | **735 935 766** | **590 989 974** | **705 649 194** | **402 454 943** |
| | Current | 735 935 766 | 590 989 974 | 705 649 194 | 402 454 943 |
| | Non-current | - | - | - | - |
| | **Total** | **735 935 766** | **590 989 974** | **705 649 194** | **402 454 943** |
| **15** | **TRADE AND OTHER PAYABLES** | | | | |
| | Trade and other payables | 2 329 346 984 | 1 053 838 613 | 2 329 346 984 | 873 190 941 |
| | Deferred income | 216 686 562 | 375 030 144 | 207 952 721 | 264 097 525 |
| | Mastercard and Visa prepayments | 553 723 519 | 616 537 691 | 553 723 519 | 510 851 586 |
| | TT Resdex inwards | 9 036 006 | 55 124 473 | 9 036 006 | 45 675 106 |
| | RBZ cash cover | 2 672 688 853 | 3 216 891 929 | 2 672 688 853 | 2 665 456 415 |
| | Zimswitch settlement | 65 691 921 | 53 187 054 | 65 691 921 | 44 069 797 |
| | Instant banking balances | 118 923 229 | 67 680 873 | 118 923 229 | 56 079 104 |
| | Legacy debt interest payable | 248 562 386 | 655 369 903 | 248 562 386 | 543 027 230 |
| | Intermediary tax | 194 981 164 | 292 764 520 | 194 981 164 | 242 579 199 |
| | Other liabilities | 333 785 534 | 131 502 113 | 259 931 098 | 108 960 189 |
| | | **6 743 426 158** | **6 517 927 313** | **6 660 837 881** | **5 353 987 092** |
| | Current | 5 547 356 370 | 2 566 924 728 | 5 415 095 345 | 2 126 905 763 |
| | Non-current | 1 196 069 788 | 3 951 002 585 | 1 245 742 536 | 3 227 081 329 |
| | **Total** | **6 743 426 158** | **6 517 927 313** | **6 660 837 881** | **5 353 987 092** |
| | The movement in trade and other payable is due to deposits awaiting payment for auction system transactions. | | | | |
| **16** | **SHARE CAPITAL AND SHARE PREMIUM** | | | | |
| | **Authorised** | | | | |
| | Number of ordinary shares, with a nominal value of ZWL0.00001 | 800 000 000 | 800 000 000 | 800 000 000 | 800 000 000 |
| | **Issued and fully paid** | | | | |
| | Number of ordinary shares, with a nominal value of ZWL0.00001 | 671 949 927 | 671 949 927 | 671 949 927 | 671 949 927 |

**Share capital movement**

| | Number of Shares | Share Capital ZWL | Share Premium ZWL | Total ZWL |
|---|---|---|---|---|
| **Inflation adjusted** | | | | |
| As at 1 January 2021 | 671 949 927 | 313 243 | 656 560 032 | 656 873 275 |
| Share issue | - | - | - | - |
| **As at 30 June 2020** | **671 949 927** | **313 243** | **656 560 032** | **656 873 275** |
| **Historical cost** | | | | |
| As at 1 January 2021 | 671 949 927 | 6 719 | 14 083 173 | 14 089 892 |
| Share issue | - | - | - | - |
| **As at 30 June 2020** | **671 949 927** | **6 719** | **14 083 173** | **14 089 892** |

The unissued share capital is under the control of the directors subject to the restrictions imposed by the Zimbabwe Companies Act (Chapter 24:03), Zimbabwe Stock Exchange Listing Requirements and the Articles and Memorandum of Association of the Company.

| | | Inflation Adjusted | | Historical cost | |
|---|---|---|---|---|---|
| | | Reviewed 30 June 2021 ZWL | Reviewed 30 June 2020 ZWL | Reviewed 30 June 2021 ZWL | Reviewed 30 June 2020 ZWL |
| **17** | **INTEREST AND RELATED INCOME** | | | | |
| | Cash and cash equivalents | 59 625 246 | 11 339 183 | 58 037 021 | 3 489 030 |
| | Loans and advances to other banks | 113 164 949 | 133 458 156 | 106 273 508 | 41 288 269 |
| | Loans and advances to customers | 1 458 559 806 | 1 204 926 189 | 1 377 344 535 | 383 882 037 |
| | Bankers acceptances and tradable bills | 352 667 375 | 97 103 425 | 331 226 766 | 30 300 101 |
| | | **1 984 017 376** | **1 446 826 953** | **1 872 881 830** | **458 959 437** |
| **18** | **INTEREST AND RELATED EXPENSE** | | | | |
| | Deposit from other banks | 100 198 595 | 36 632 007 | 94 399 872 | 19 378 121 |
| | Demand deposits | 50 977 793 | 59 635 314 | 47 481 448 | 18 287 759 |
| | Afreximbank | 460 183 648 | 356 337 197 | 432 163 706 | 109 491 002 |
| | Time deposits | 42 529 513 | 61 722 881 | 45 890 578 | 10 730 251 |
| | | **653 889 549** | **514 327 399** | **619 935 604** | **157 887 133** |
| **19** | **FEE AND COMMISSION INCOME** | | | | |
| | Retail service fees | 950 089 771 | 52 591 185 | 892 670 089 | 168 044 028 |
| | Credit related fees | 95 445 000 | 518 468 832 | 23 501 116 | 7 260 092 |
| | Investment banking fees | 17 493 439 | 13 985 594 | 1 386 381 | 848 986 |
| | Brokerage | 64 500 153 | 13 411 817 | 62 703 475 | 3 481 516 |
| | | **1 127 528 363** | **598 457 428** | **980 261 061** | **179 634 622** |

| | | Inflation Adjusted | | Historical cost | |
|---|---|---|---|---|---|
| | | Reviewed 30 June 2021 ZWL | Reviewed 30 June 2020 ZWL | Reviewed 30 June 2021 ZWL | Reviewed 30 June 2020 ZWL |
| **20.1** | **REVENUE FROM PROPERTY SALES** | | | | |
| | Property Sales | 195 722 319 | 33 473 074 | 179 432 314 | 10 812 476 |
| | **Property Sales** | **195 722 319** | **33 473 074** | **179 432 314** | **10 812 476** |
| **20.2** | **COST OF PROPERTY SALES** | | | | |
| | Property development | 144 755 957 | 22 136 802 | 85 518 478 | 3 110 602 |
| | **Property development** | **144 755 957** | **22 136 802** | **85 518 478** | **3 110 602** |
| **21** | **INSURANCE PREMIUM REVENUE** | | | | |
| | Gross Premium Written | 1 015 810 445 | 667 475 698 | 951 746 650 | 186 227 049 |
| | Change in Unearned Premium Reserve (“UPR”) | (25 562 733) | (42 507 924) | (92 928 469) | (55 261 755) |
| | | **990 247 712** | **624 967 774** | **858 818 181** | **130 965 294** |
| **22** | **OTHER OPERATING INCOME** | | | | |
| | Rental income | 12 971 758 | 4 024 722 | 12 099 590 | 1 327 278 |
| | Profit on disposal of property and equipment | (115 070) | - | 89 721 | - |
| | Sundry income | 92 198 538 | 208 895 410 | 81 374 673 | 116 040 291 |
| | Bad debts recovered | 758 280 | 8 217 910 | 713 049 | 3 686 264 |
| | Fair value adjustment investment property | (105 430 417) | 437 404 486 | 177 738 789 | 520 730 750 |
| | | **383 089** | **658 542 528** | **272 015 822** | **641 784 583** |
| **23** | **NET INSURANCE COMMISSIONS EXPENSE** | | | | |
| | Commissions Paid | 145 319 761 | 70 078 625 | 135 442 537 | 34 361 460 |
| | Change in technical provisions | (22 994 240) | (9 684 130) | (39 874 457) | (9 510 467) |
| | | **122 325 521** | **60 394 495** | **95 568 080** | **24 850 993** |
| | Commissions Received | (53 411 931) | (12 665 346) | (49 592 187) | (5 635 062) |
| | | **68 913 590** | **47 729 149** | **45 975 893** | **19 215 931** |
| **24** | **INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES** | | | | |
| | Gross claims and loss adjustment expenses | 250 697 346 | 73 508 635 | 235 432 450 | 39 335 646 |
| | Gross change in Technical Provisions | 143 137 541 | 41 970 309 | 137 376 274 | 22 952 590 |
| | | **393 834 887** | **115 478 944** | **372 808 724** | **62 288 236** |
| | Reinsurance claims and loss adjustment expenses | (90 915 684) | (21 618 346) | (85 444 942) | (11 544 300) |
| | Change in reinsurers' share of Technical Provisions | (894 674) | (212 740) | (2 771 680) | (374 476) |
| | | **(91 810 358)** | **(21 831 086)** | **(88 216 622)** | **(11 918 776)** |
| | | **302 024 529** | **93 647 858** | **284 592 102** | **50 369 460** |
| **25** | **ADMINISTRATIVE EXPENDITURE** | | | | |
| | Administration expenses | 982 356 783 | 1 052 509 829 | 868 665 569 | 243 804 974 |
| | Staff costs | 1 162 947 886 | 1 520 766 872 | 1 156 796 528 | 803 420 438 |
| | Directors' remuneration | 31 924 219 | 14 793 464 | 30 992 459 | 8 157 968 |
| | Audit fees: | | | | |
| | - current year fees | 8 500 847 | 13 111 032 | 7 972 081 | 4 260 947 |
| | - prior year fees | 24 410 227 | 21 259 807 | 24 835 871 | 8 271 594 |
| | - other services | 18 127 960 | 37 460 343 | 9 704 553 | 9 704 553 |
| | Depreciation | 106 729 607 | 143 051 190 | 88 052 456 | 25 011 768 |
| | Amortisation | 35 845 497 | 114 845 931 | 1 428 809 | 20 510 460 |
| | Operating lease payment | 1 813 069 | - | 1 689 861 | - |
| | | **2 372 656 095** | **2 917 798 468** | **2 190 138 187** | **1 123 142 702** |
| **26** | **INCOME TAX EXPENSE** | | | | |
| | Current income tax on income for the half year | 1 253 711 996 | 1 153 310 060 | 1 253 711 996 | 87 333 819 |
| | Deferred tax | (623 663 205) | (45 316 277) | (607 976 679) | 313 986 187 |
| | | **630 048 791** | **1 107 993 783** | **645 735 317** | **401 320 006** |
| **27** | **CAPITAL COMMITMENTS** | | | | |
| | Capital expenditure authorized but not yet contracted for | 2 951 896 043 | 33 471 203 | 2 951 896 043 | 16 197 519 |
| **28** | **CONTINGENT LIABILITIES** | | | | |
| | Guarantees and letters of credit | 321 892 461 | 1 454 054 852 | 321 892 461 | 703 652 056 |
| **29** | **EARNINGS PER SHARE** | | | | |
| **29.1** | **Basic earnings per share** | | | | |
| | Profit attributable to equity holders of the parent | 529 867 400 | 3 330 452 795 | 1 485 458 370 | 1 896 257 168 |
| | **Total** | **529 867 400** | **3 330 452 795** | **1 485 458 370** | **1 896 257 168** |
| | **Basic earnings per share** | | | | |
| | Basic earnings per share (ZWL cents) | 83.87 | 548.47 | 235.13 | 312.28 |
| | | **83.87** | **548.47** | **235.13** | **312.28** |

| | Shares issued | Treasury shares | Shares outstanding | Weighted |
|---|---|---|---|---|
| **Weighted average number of ordinary shares** | | | | |
| **Half Year ended 30 June 2021** | | | | |
| Issued ordinary shares as at 1 January 2021 | 671 949 927 | (44 562 161) | 627 387 766 | 627 387 766 |
| Treasury shares purchased | - | (47 949 688) | (47 949 688) | (5 269 196) |
| Treasury shares sold | - | 43 900 000 | 43 900 000 | 9 648 352 |
| **Weighted average number of ordinary shares as at 30 June** | **671 949 927** | **(48 611 849)** | **623 338 078** | **631 766 922** |
| **Weighted average number of ordinary shares** | | | | |
| **Half Year ended 30 June 2020** | | | | |
| Issued ordinary shares as at 1 January 2020 | 671 949 927 | (64 708 627) | 607 241 300 | 607 241 300 |
| Treasury shares purchased | - | (634 700) | (634 700) | (17 437) |
| **Weighted average number of ordinary shares as at 30 June** | **671 949 927** | **(65 343 327)** | **606 606 600** | **607 223 863** |

**29.2 Diluted earnings per share**

Diluted earnings per share is calculated after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company does not have dilutive ordinary shares.

| | Reviewed 30 June 2021 ZWL | Reviewed 30 June 2020 ZWL | Reviewed 30 June 2021 ZWL | Reviewed 30 June 2020 ZWL |
|---|---|---|---|---|
| Profit attributable to equity holders of the parent | 529 867 400 | 3 330 452 795 | 1 485 458 370 | 1 896 257 168 |
| **Total** | **529 867 400** | **3 330 452 795** | **1 485 458 370** | **1 896 257 168** |
| Weighted average number of ordinary shares at 30 June | 631 766 922 | 607 223 863 | 631 766 922 | 607 223 863 |
| **Diluted earnings per share (ZWL cents)** | | | | |
| Diluted earnings per share (ZWL cents) | 83.87 | 548.47 | 235.13 | 312.28 |
| | **83.87** | **548.47** | **235.13** | **312.28** |

## NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (CONTINUED)
For the six months ended 30 June 2021

### 29.3 Headline earnings per share

| | Reviewed 30 June 2021 ZWL | Reviewed 30 June 2020 ZWL | Reviewed 30 June 2021 ZWL | Reviewed 30 June 2020 ZWL |
|---|---|---|---|---|
| **Profit attributable to equity holders** | **529 867 400** | **3 330 452 795** | **1 485 458 370** | **1896 257 168** |
| Adjusted for excluded remeasurements | | | | |
| Profit on the disposal of property and equipment | 115 070 | - | (89 721) | - |
| Other | - | - | - | - |
| **Headline earnings** | **529 982 470** | **3 330 452 795** | **1 485 368 649** | **1896 257 168** |
| **Weighted average number of ordinary shares at 30 June** | **631 766 922** | **607 223 863** | **631 766 922** | **607 223 863** |
| **Headline earnings per share (ZWL cents)** | **83.89** | **548.47** | **235.11** | **312.28** |

### 29.4 Diluted headline earnings per share
Diluted headline earnings per share is calculated after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company does not have dilutive ordinary shares.

| | Reviewed 30 June 2021 ZWL | Reviewed 30 June 2020 ZWL | Reviewed 30 June 2021 ZWL | Reviewed 30 June 2020 ZWL |
|---|---|---|---|---|
| Headline earnings | 529 982 470 | 3 330 452 795 | 1 485 368 649 | 1896 257 168 |
| **Weighted average number of ordinary shares at 30 June** | **631 766 922** | **607 223 863** | **631 766 922** | **607 223 863** |
| **Diluted earnings per share (ZWL cents)** | **83.89** | **548.47** | **235.11** | **312.28** |

### 30 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

**FAIR VALUE HIERARCHY**

IFRS 13 'Fair value measurement' requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the fair value hierarchy are defined below.

**Quoted market prices - Level 1**
Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets in active markets where the quoted price is readily available.

**Valuation technique using observable inputs - Level 2**
Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market either directly (that is, as prices) or indirectly (that is, derived from prices).

**Valuation technique using significant observable inputs - Level 3**
Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

The following table shows the Group's assets and liabilities that are held at fair value disaggregated by valuation technique:

Valuation technique using;

| | Quoted prices in active markets for identical assets (Level 1) ZWL | Significant other observable inputs (Level 2) ZWL | Significant unobservable inputs (Level 3) ZWL |
|---|---|---|---|
| **Recurring fair value measurements** | | | |
| **Inflation Adjusted** | | | |
| **As at 30 June 2021** | | | |
| Investment property | - | - | 1 630 371 947 |
| Financial assets at amortised cost | - | - | 1 023 216 263 |
| Financial assets at fair value through profit or loss | 1 657 886 050 | - | - |
| Financial assets at fair value through other comprehensive income | 128 073 110 | - | - |
| Land and buildings | - | - | 1 305 907 131 |
| **As at 31 December 2020** | | | |
| Investment property | - | - | 1 180 943 311 |
| Financial assets at amortised cost | - | - | 1 310 024 135 |
| Financial assets at fair value through profit or loss | 931 409 153 | - | - |
| Financial assets at fair value through other comprehensive income | 46 332 026 | - | - |
| Land and buildings | - | - | 1 447 154 181 |
| **Historical cost** | | | |
| **As at 30 June 2021** | | | |
| Investment property | - | - | 1 630 371 947 |
| Financial assets at amortised cost | - | - | 1 023 216 263 |
| Financial assets at fair value through profit or loss | 1 710 427 809 | - | - |
| Financial assets at fair value through other comprehensive income | 128 073 110 | - | - |
| Land and buildings | - | - | 1 302 208 605 |
| **As at 31 December 2020** | | | |
| Investment property | - | - | 978 507 514 |
| Financial assets at amortised cost | - | - | 1 085 461 468 |
| Financial assets at fair value through profit or loss | 808 232 947 | - | - |
| Financial assets at fair value through other comprehensive income | 38 389 849 | - | - |
| Land and buildings | - | - | 1 198 905 234 |

There were no transfers between levels 1 and 2 during the period

### 31 CLASSIFICATION OF FINANCIAL INSTRUMENTS
The table below sets out the Group's classification of each class of financial assets and liabilities.

| | Financial assets at amortised cost ZWL | Financial assets at fair value through profit or loss ZWL | Financial assets at fair value through other comprehensive income ZWL | Loans and receivables ZWL | Financial liabilities at amortised cost ZWL |
|---|---|---|---|---|---|
| **Inflation Adjusted** | | | | | |
| **As at 30 June 2021** | | | | | |
| **Trading assets** | | | | | |
| Balances with other banks and cash | - | - | - | 11 707 267 554 | - |
| Financial assets at amortised cost | 1 023 216 263 | - | - | - | - |
| Loans and advances to customers | - | - | - | 18 064 587 817 | - |
| Trade and other receivables including insurance receivables | - | - | - | 824 366 676 | - |
| Bonds and debentures | 59 449 843 | - | | - | |
| Financial assets at fair value through profit or loss | - | 1 657 886 050 | - | - | - |
| Financial assets at fair value through other comprehensive income | - | - | 128 073 110 | - | - |
| | **1 082 666 106** | **1 657 886 050** | **128 073 110** | **30 596 222 047** | **-** |
| **Trading liabilities** | | | | | |
| Deposits and borrowings from other banks and customers | - | - | - | - | 25 921 075 333 |
| Insurance liabilities | - | - | - | - | 735 935 766 |
| Trade and other payables | - | - | - | - | 6 743 426 158 |
| | **-** | **-** | **-** | **-** | **33 400 437 257** |
| **As at 31 December 2020** | | | | | |
| **Trading assets** | | | | | |
| Balances with other banks and cash | - | - | - | 12 743 920 936 | - |
| Financial assets at amortised cost | 1 310 024 135 | - | - | - | - |
| Loans and advances to customers | - | - | - | 16 103 500 323 | - |
| Trade and other receivables including insurance receivables | - | - | - | 627 052 486 | - |
| Bonds and debentures | 571 675 102 | - | | - | - |
| Financial assets at fair value through profit or loss | - | 931 409 153 | - | - | - |
| Financial assets at fair value through other comprehensive income | - | - | 46 332 026 | - | - |
| | **1 881 699 237** | **931 409 153** | **46 332 026** | **29 474 473 745** | **-** |
| **Trading liabilities** | | | | | |
| Deposits and borrowings from other banks and customers | - | - | - | - | 24 708 474 146 |
| Insurance liabilities | - | - | - | - | 590 989 974 |
| Trade and other payables | - | - | - | - | 6 517 927 313 |
| | **-** | **-** | **-** | **-** | **31 817 391 433** |
| **Historical cost** | | | | | |
| **As at 30 June 2021** | | | | | |
| **Trading assets** | | | | | |
| Balances with other banks and cash | - | - | - | 11 707 267 554 | - |
| Financial assets at amortised cost | 1 023 216 263 | | | | |
| Loans and advances to customers | - | - | - | 18 064 444 569 | - |
| Trade and other receivables including insurance receivables | - | - | - | 824 366 676 | - |
| Bonds and debentures | 59 449 843 | - | - | - | |
| Financial assets at fair value through profit or loss | - | 1 710 427 809 | - | - | - |
| Financial assets at fair value through other comprehensive income | - | - | 128 073 110 | - | - |
| | **1 082 666 106** | **1 710 427 809** | **128 073 110** | **30 596 078 799** | **-** |
| **Trading liabilities** | | | | | |
| Deposits and borrowings from other banks and customers | - | - | - | - | 25 921 075 333 |
| Insurance liabilities | - | - | - | - | 705 649 194 |
| Trade and other payables | - | - | - | - | 6 660 837 881 |
| | **-** | **-** | **-** | **-** | **33 287 562 408** |
| **As at 31 December 2020** | | | | | |
| **Trading assets** | | | | | |
| Balances with other banks and cash | - | - | - | 10 559 374 255 | - |
| Financial assets at amortised cost | 1 085 461 468 | - | - | - | - |
| Loans and advances to customers | - | - | - | 13 342 940 672 | - |
| Trade and other receivables including insurance receivables | - | - | - | 485 619 884 | - |
| Bonds and debentures | 473 679 285 | - | | - | - |
| Financial assets at fair value through profit or loss | - | 808 232 947 | | - | - |
| Financial assets at fair value through other comprehensive income | - | - | 38 389 849 | - | - |
| | **1 559 140 753** | **808 232 947** | **38 389 849** | **24 387 934 811** | **-** |
| **Trading liabilities** | | | | | |
| Deposits and borrowings from other banks and customers | - | - | - | - | 20 472 979 005 |
| Insurance liabilities | - | - | - | - | 402 454 943 |
| Trade and other payables | - | - | - | - | 5 353 987 092 |
| | **-** | **-** | **-** | **-** | **26 229 421 040** |

### 32 RELATED PARTIES
The Group carried out banking, insurance and investment related transactions with various companies related to its shareholders, all of which were undertaken in compliance with the relevant banking and insurance regulations. The full list of related party transactions are provided in the Group's annual report for the year ended 31 December 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (CONTINUED)
For the six months ended 30 June 2021

### 33 SEGMENT REPORTING

Segment information is presented in respect of business segments.

Segment revenue, expenses, results and assets are items that are directly attributable to the business segment or which can be allocated on a reasonable basis to a business segment.

The Group comprises six business segments i.e. commercial banking, microlending, mortgage financing, short term reinsurance, short -term insurance and stockbroking.

Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group Executive Committee.

| Inflation Adjusted | Commercial banking ZWL | Microlending ZWL | Mortgage financing ZWL | Short term reinsurance ZWL | Short term insurance ZWL | Stockbroking ZWL | Intersegment eliminations ZWL | Consolidated ZWL |
|---|---|---|---|---|---|---|---|---|
| **30 June 2021** | | | | | | | | |
| **Total segment revenue** | | | | | | | | |
| Interest income | 1 751 748 853 | 109 205 640 | 173 291 110 | 621 169 | 30 432 | 80 957 | (50 960 785) | 1 984 017 376 |
| Interest expense | (493 009 550) | (20 101 020) | (148 944 438) | (15 921 461) | - | - | 24 086 920 | (653 889 549) |
| **Net interest income** | **1 258 739 303** | **89 104 620** | **24 346 672** | **(15 300 292)** | **30 432** | **80 957** | **(26 873 865)** | **1 330 127 827** |
| Turnover | - | - | 195 722 319 | - | - | - | - | 195 722 319 |
| Cost of sales | - | - | (144 755 957) | - | - | - | - | (144 755 957) |
| Gross profit | - | - | 50 966 362 | - | - | - | - | 50 966 362 |
| Net earned insurance premium | - | - | - | 536 602 250 | 175 089 938 | - | (76 530 825) | 635 161 363 |
| Net fee and commission income | 953 385 645 | 7 676 534 | 100 668 338 | (2 623 575) | - | 60 543 478 | (2 425 645) | 1 117 224 775 |
| Net trading income and other income | 2 575 915 321 | 97 110 859 | 206 442 962 | 854 762 640 | 269 842 971 | 64 575 458 | (2 447 709 472) | 1 620 940 739 |
| **Total income** | **4 788 040 269** | **193 892 013** | **382 424 334** | **1 373 441 023** | **444 963 341** | **125 199 893** | **(2 553 539 807)** | **4 754 421 066** |
| Intersegment revenue | (165 942 926) | (160 034) | (3 316 719) | (14 055 817) | (68 619 110) | (58 124) | 252 152 730 | - |
| Intersegment interest expense and commission | 33 338 893 | 28 011 601 | 7 221 274 | 20 810 646 | 59 070 457 | 4 919 904 | (153 372 775) | - |
| **Revenue from external customers** | **4 655 436 236** | **221 743 580** | **386 328 889** | **1 380 195 852** | **435 414 687** | **130 061 673** | **(2 454 759 852)** | **4 754 421 066** |
| **Segment profit before income tax** | **443 256 343** | **(31 092 544)** | **(41 160 022)** | **306 163 934** | **(10 477 461)** | **25 913 149** | **466 583 569** | **1 159 186 968** |
| Impairment losses on financial assets | 139 845 840 | 345 982 | 10 672 690 | 22 000 000 | 160 509 | - | - | 173 025 021 |
| Depreciation | 81 506 031 | 3 796 118 | 11 215 662 | 4 742 996 | 4 920 566 | 349 256 | - | 106 729 607 |
| Amortisation | 30 119 722 | 3 560 875 | - | 1 365 760 | 799 142 | - | - | 35 845 497 |
| **Segment assets** | **34 414 146 855** | **220 692 829** | **3 445 760 681** | **1 906 293 721** | **799 457 224** | **89 751 561** | **798 541 057** | **41 674 643 928** |
| **Total assets includes:** | | | | | | | | |
| Additions to non-current assets | 41 880 225 | 5 113 093 | 1 739 076 | - | 3 213 001 | 832 134 | - | 52 777 529 |
| Investment in associates | - | - | - | - | - | - | - | - |
| **Segment liabilities** | **31 103 380 408** | **177 355 197** | **2 397 906 580** | **1 203 085 710** | **587 104 089** | **55 997 212** | **(763 207 100)** | **34 761 622 097** |
| **30 June 2020** | | | | | | | | |
| **Total segment revenue** | | | | | | | | |
| Interest income | 1 293 280 603 | 57 938 524 | 82 645 694 | 2 367 506 | - | 159 511 | 10 435 115 | 1 446 826 953 |
| Interest expense | (399 912 917) | (9 877 712) | (53 219 362) | - | - | - | (51 317 408) | (514 327 399) |
| **Net interest income** | **893 367 686** | **48 060 812** | **29 426 332** | **2 367 506** | **-** | **159 511** | **(40 882 293)** | **932 499 554** |
| Turnover | - | - | 33 473 074 | - | - | - | - | 33 473 074 |
| Cost of sales | - | - | (22 136 802) | - | - | - | - | (22 136 802) |
| Gross profit | - | - | 11 336 272 | - | - | - | - | 11 336 272 |
| Net earned insurance premium | - | - | - | 347 223 000 | 101 275 502 | - | 4 187 449 | 452 685 951 |
| Net fee and commission income | 525 157 976 | 4 301 035 | 52 340 949 | - | - | 10 570 835 | - | 592 370 795 |
| Net trading income and other income | 3 641 204 270 | 2 627 427 | 493 499 900 | 818 089 836 | 170 739 722 | 22 073 552 | 166 812 700 | 5 315 047 407 |
| **Total income** | **5 059 729 932** | **54 989 274** | **586 603 453** | **1 167 680 342** | **272 015 224** | **32 803 898** | **130 117 857** | **7 303 939 979** |
| Intersegment revenue | 5 824 906 | - | (1 144 140) | 867 977 | 66 289 901 | 4 009 | (71 842 653) | - |
| Intersegment interest expense and commission | 30 215 | 2 037 574 | (7 599 650) | 13 461 | 566 725 | 8 524 | 4 943 151 | - |
| **Revenue from external customers** | **5 065 585 053** | **57 026 848** | **577 859 663** | **1 168 561 780** | **338 871 850** | **32 816 431** | **63 218 355** | **7 303 939 979** |
| **Segment profit before income tax** | **3 335 688 768** | **(63 744 597)** | **265 952 693** | **726 623 219** | **126 560 354** | **9 851 664** | **41 913 194** | **4 442 845 295** |
| Impairment losses on financial assets | 96 902 757 | 1 113 433 | 4 008 237 | 16 531 521 | - | - | - | 118 555 948 |
| Depreciation | 121 079 394 | 3 566 089 | 9 360 058 | 3 311 919 | 5 926 526 | 227 381 | 18 081 | 143 489 447 |
| Amortisation | 111 247 464 | 1 475 847 | 131 083 | 894 515 | 1 097 023 | - | - | 114 845 932 |
| **Segment assets** | **36 698 015 959** | **180 126 547** | **2 935 440 106** | **1 477 359 357** | **641 195 398** | **32 713 308** | **1 369 135 546** | **43 333 986 221** |
| Total assets includes : | | | | | | | | |
| Additions to non-current assets | 25 973 404 | 35 293 | 38 353 263 | 515 963 | 2 449 703 | - | 1 084 885 | 68 412 511 |
| Investment in associates | - | - | - | - | - | - | - | - |
| **Segment liabilities** | **30 480 030 037** | **111 108 440** | **1 437 179 302** | **601 195 998** | **343 639 832** | **16 536 150** | **1 173 711 240** | **34 163 401 001** |
| Type of revenue generating activity | Commercial and retail banking | Microlending | Mortgage financing | Underwriting short-term classes of insurance | Underwriting general classes of short term insurance | Equity market dealing | | |

| Historical cost | Commercial banking ZWL | Microlending ZWL | Mortgage financing ZWL | Short term reinsurance ZWL | Short term insurance ZWL | Stockbroking ZWL | Intersegment eliminations ZWL | Consolidated ZWL |
|---|---|---|---|---|---|---|---|---|
| **30 June 2021** | | | | | | | | |
| **Total segment revenue** | | | | | | | | |
| Interest income | 1 645 066 772 | 102 998 889 | 163 616 040 | 580 889 | 19 961 | 76 368 | (39 477 089) | 1 872 881 830 |
| Interest expense | (460 582 486) | (19 258 358) | (139 884 665) | (14 723 246) | - | - | 14 513 151 | (619 935 604) |
| **Net interest income** | **1 184 484 286** | **83 740 531** | **23 731 375** | **(14 142 357)** | **19 961** | **76 368** | **(24 963 939)** | **1 252 946 226** |
| Turnover | - | - | 179 432 314 | - | - | - | - | 179 432 314 |
| Cost of sales | - | - | (85 518 478) | - | - | - | - | (85 518 478) |
| Gross profit | - | - | 93 913 836 | - | - | - | - | 93 913 836 |
| Net earned insurance premium | - | - | - | 431 223 958 | 164 601 738 | - | (71 342 372) | 524 483 324 |
| Net fee and commission income | 814 647 280 | 7 249 091 | 94 460 432 | (2 503 513) | - | 58 934 441 | (2 202 156) | 970 585 575 |
| Net trading income and other income | 2 530 119 462 | 91 310 574 | 365 272 840 | 833 238 495 | 259 061 119 | 62 562 792 | (2 159 030 502) | 1 982 534 780 |
| **Total income** | **4 529 251 028** | **182 300 196** | **577 378 483** | **1 247 816 584** | **423 682 818** | **121 573 601** | **(2 257 538 969)** | **4 824 463 741** |
| Intersegment revenue | (158 612 172) | (160 034) | (3 079 558) | (10 619 479) | (63 814 598) | (54 388) | 236 340 229 | - |
| Intersegment interest expense and commission | 30 651 359 | 21 263 070 | 6 797 192 | 19 268 879 | 44 605 207 | 4 588 276 | (127 173 983) | - |
| **Revenue from external customers** | **4 401 290 216** | **203 403 231** | **581 096 117** | **1 256 465 984** | **404 473 427** | **126 107 488** | **(2 148 372 722)** | **4 824 463 741** |
| **Segment profit before income tax** | **1 032 180 603** | **3 555 709** | **106 757 081** | **335 972 773** | **(3 421 276)** | **27 368 559** | **628 319 089** | **2 130 732 538** |
| Impairment losses on financial assets | 139 845 840 | 345 981 | 10 672 691 | 22 000 000 | 160 509 | - | - | 173 025 021 |
| Depreciation | 58 339 106 | 3 253 380 | 17 373 493 | 1 769 686 | 6 926 603 | 225 319 | - | 88 052 455 |
| Amortisation | 1 253 774 | 79 771 | - | 56 000 | 39 264 | | - | 1 428 809 |
| **Segment assets** | **34 227 988 666** | **210 319 101** | **3 245 433 517** | **1 892 939 040** | **793 663 575** | **89 287 528** | **831 995 053** | **41 291 626 482** |
| Total assets includes : | | | | | | | | |
| Additions to non-current assets | 41 037 660 | 4 800 000 | 1 660 798 | - | 2 908 928 | 772 000 | - | 51 179 386 |
| Investment in associates | - | - | - | - | - | - | - | - |
| **Segment liabilities** | **30 929 443 648** | **176 580 628** | **2 397 906 580** | **1 175 179 365** | **583 629 387** | **55 997 212** | **(837 061 552)** | **34 481 675 268** |
| **30 June 2020** | | | | | | | | |
| **Total segment revenue** | | | | | | | | |
| Interest income | 413 501 827 | 17 142 306 | 24 428 171 | 676 833 | - | 48 781 | 3 161 519 | 458 959 437 |
| Interest expense | (122 701 773) | (2 978 771) | (16 137 747) | - | - | - | (16 068 842) | (157 887 133) |
| **Net interest income** | **290 800 054** | **14 163 535** | **8 290 424** | **676 833** | **-** | **48 781** | **(12 907 323)** | **301 072 304** |
| Turnover | - | - | 10 812 476 | - | - | - | - | 10 812 476 |
| Cost of sales | - | - | (3 110 602) | - | - | - | - | (3 110 602) |
| Gross profit | - | - | 7 701 874 | - | - | - | - | 7 701 874 |
| Net earned insurance premium | - | - | - | 60 466 512 | 27 685 365 | - | 232 810 | 88 384 687 |
| Net fee and commission income | 156 935 720 | 1 487 133 | 16 013 686 | - | - | 3 481 516 | - | 177 918 055 |
| Net trading income and other income | 1 957 306 844 | 685 716 | 351 280 067 | 441 713 425 | 79 951 422 | 8 060 752 | 136 408 110 | 2 975 406 336 |
| **Total income** | **2 405 042 618** | **16 336 384** | **383 286 051** | **502 856 770** | **107 636 787** | **11 591 049** | **123 733 597** | **3 550 483 256** |
| Intersegment revenue | 2 818 812 | - | (553 677) | 420 035 | 32 079 275 | 1 940 | (34 766 385) | - |
| Intersegment interest expense and commission | 14 622 | 986 031 | (3 677 653) | 6 514 | 274 252 | 4 125 | 2 392 109 | - |
| **Revenue from external customers** | **2 407 876 052** | **17 322 415** | **379 054 721** | **503 283 319** | **139 990 314** | **11 597 114** | **91 359 321** | **3 550 483 256** |
| **Segment profit before income tax** | **1 552 955 094** | **(3 683 549)** | **283 992 837** | **392 432 752** | **55 623 747** | **6 435 260** | **12 626 951** | **2 300 383 092** |
| Impairment losses on financial assets | 46 893 572 | 538 817 | 1 939 682 | 8 000 000 | - | - | - | 57 372 071 |
| Depreciation | 19 748 716 | 660 395 | 3 479 148 | 371 779 | 713 740 | 37 991 | - | 25 011 769 |
| Amortisation | 19 973 838 | 30 516 | 8 435 | 70 000 | 8 890 | | - | 20 091 679 |
| **Segment assets** | **17 149 094 997** | **65 732 170** | **1 268 608 062** | **693 109 580** | **248 191 052** | **14 395 791** | **641 922 003** | **20 081 053 655** |
| Total assets includes : | | | | | | | | |
| Additions to non-current assets | 11 441 629 | 26 450 | 16 757 462 | 110 600 | 680 121 | - | - | 29 016 262 |
| Investment in associates | - | - | - | - | - | - | - | - |
| **Segment liabilities** | **15 033 811 367** | **50 480 394** | **695 485 573** | **254 286 846** | **140 385 836** | **7 656 476** | **569 476 572** | **16 751 583 064** |
| Type of revenue generating activity | Commercial and retail banking | Microlending | Mortgage financing | Underwriting short-term classes of insurance | Underwriting general classes of short term insurance | Equity market dealing | | |

## NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (CONTINUED)
For the six months ended 30 June 2021

### 34 FINANCIAL RISK MANAGEMENT

The Group has a defined risk appetite that is set by the Board and it outlines the amount of risk that business is prepared to take in pursuit of its objectives and it plays a pivotal role in the development of risk management plans and policies. The Group regularly reviews its policies and systems to reflect changes in markets, products, regulations and best market practice.

The policies specifically cover foreign exchange risk, liquidity risk, interest rate risk , credit risk and the general use of financial instruments. Group Risk and Compliance, Group Internal audit review from time to time the integrity of the risk control systems in place and ensure that risk policies and strategies are effectively implemented within the Group.

The Group's risk management strategies and plans are aimed at achieving an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's activities and operations results in exposure to the following risks:
(a) Credit risk
(b) Market risk
(b.i) Interest rate risk,
(b.ii) Currency risk, and
(b.iii) Price risk
(c) Liquidity risk
(d) Settlement risk
(e) Operational risk
(f) Capital risk

**Other risks:**
g) Reputational risk
h) Legal and Compliance risk
i) Strategic risk

The Group controls these risks by diversifying its exposures and activities among products, clients, and by limiting its positions in various instruments and investments.

### 34.1 Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet their obligations as and when they fall due. Credit risk arises from lending, trading, insurance products and investment activities and products.

Credit risk and exposure to loss are inherent parts of the Group's business.

The Group manages, limits and controls concentration of credit risk in respect of individual counterparties and groups. The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one counterparty or group or counterparties and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors of the subsidiary companies.

The Board Credit Committees of the Bank, Microplan and the Building Society periodically review and approve policies and procedures to define, measure and monitor the credit and settlement risks arising from the Group's activities. Limits are established to control these risks. Any facility exceeding established limits of the subsidiary Management Credit Committee must be approved by the subsidiary Board Credit Committee.

The Group Credit Management Department evaluates the credit exposures and assures ongoing credit quality by reviewing individual credit and concentration and monitoring of corrective action.

The Group Credit Management Department periodically prepares detailed reports on the quality of the customers for review by the Board Loans Review Committees of the subsidiary companies and assesses the adequacy of the impairment allowance. Any loan or portion thereof which is classified as a 'loss' is written off. To maintain an adequate allowance for credit losses, the Group generally provides for a loan or a portion thereof, when a loss is probable.

**Credit policies, procedures and limits**
The Group has sound and well-defined policies, procedures and limits which are reviewed annually and approved by the Board of Directors of the subsidiary companies and strictly implemented by management. Credit risk limits include delegated approval and write-off limits to advances managers, management, board credit committees and the Board. In addition there are counterparty limits, individual account limits, group limits and concentration limits.

**Credit risk mitigation and hedging**
As part of the Group's credit risk mitigation and hedging strategy, various types of collateral is taken by the banking subsidiaries. These include mortgage bonds over residential, commercial and industrial properties, cession of book debts and the underlying moveable assets financed. In addition, a guarantee is often required particularly in support of a credit facility granted to a counterparty. Generally, guarantor counterparties include parent companies and shareholders. Creditworthiness for the guarantor is established in line with the credit policy.

**Credit risk stress testing**
The Group recognises the possible events or future changes that could have a negative impact on the credit portfolios which could affect the Group's ability to generate more business. To mitigate this risk, the Group has put in place a stress testing framework that guides the Group in conducting credit stress tests.

**Impairments**
An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

**Credit terms:**

**Default**
This is failure by a borrower to comply with the terms and conditions of a loan facility as set out in the facility offer letter or loan contract. Default occurs when a debtor is either unwilling or unable to repay a loan.

**Past due loans**
These are loans whereby the debtor is in default by exceeding the loan tenure or expiry date as expressly set out in the loan contract i.e. the debtor fails to repay the loan by a specific given date.

**Impaired loans**
The Group's policy regarding impaired/ doubtful loans is all loans where the degree of default becomes extensive such that the Group no longer has reasonable assurance of collection of the full outstanding amount of principal and interest.

All such loans are classified in the 8, 9 and 10 under the Basel II ten tier grading system.

**Provisioning policy and write offs**
The Group has adopted IFRS 9 to determine expected credit losses (ECL)

The table below shows the mapping of the RBZ Supervisory Rating Scale to the IFRS 9 staging matrix

| Rating | Descriptive classification | Risk level | Level of allowance | IFRS 9 grading/tier system | Type of allowance |
|---|---|---|---|---|---|
| 1 | Prime grade | Insignificant | 1% | Stage 1 | 12 Months ECL |
| 2 | Strong | Modest | 1% | | |
| 3 | Satisfactory | Average | 2% | | |
| 4 | Moderate | Acceptable | 3% | Stage 2 | Lifetime ECL |
| 5 | Fair | Acceptable with care | 4% | | |
| 6 | Speculative | Management attention | 5% | | |
| 7 | Highly Speculative | Special mention | 10% | | |
| 8 | Substandard | Vulnerable | 20% | Stage 3 | Lifetime ECL |
| 9 | Doubtful | High default | 50% | | |
| 10 | Loss | Bankrupt | 100% | | |

**Expected Credit Losses (ECL)**
In the context of IFRS 9 is the probability-weighted estimate of credit losses (i.e., the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract (scheduled or contractual cashflows) and the cash flows that the entity expects to receive (actual expected cashflows)

Expected Credit Losses are the product of Probability of Default(PD)*Exposure at Default (EAD)* Loss Given Default(LGD)

**Probability of Default (PD)**
It is the chance that borrowers will fail to meet their contractual obligations in the future. The PD is derived using historical internal credit rating data.

**Exposure at Default (EAD)**
It is the total value that a bank is exposed to at the time of a loan's default. In most cases and for most loan products, EAD is taken as the gross outstanding balance at time of default. It also includes off -balance sheet exposures such as guarantees and lending commitments which are then modelled based on historical experience to determine the appropriate exposure estimates.

**Loss Given Default (LGD)**
It is an estimate of the loss from a transaction given that a default has occurred. The LGD estimate is calculated as the quotient of the set of estimated cash flows resulting from the workout and/or collections process (the loss of principal, the carrying costs of non-performing loans e.g. interest income foregone and workout expenses. The estimates take into account the time value of money by discounting the recoveries to the date of default.

#### 34.1.1 Exposure to credit risk

| | Inflation Adjusted | | Historical cost | |
|---|---|---|---|---|
| | Reviewed 30 June 2021 ZWL | Audited 31 Dec 2020 ZWL | Reviewed 30 June 2021 ZWL | Audited 31 Dec 2020 ZWL |
| **Loans and advances** | | | | |
| Stage 3/Grade 8*: | 131 315 878 | 13 529 522 | 131 315 878 | 11 210 309 |
| Stage 3/Grade 9: | 2 366 689 | 2 844 078 | 2 366 689 | 2 356 550 |
| Stage 3/Grade 10: | 3 435 959 | 2 617 034 | 3 435 959 | 2 168 425 |
| **Gross amount** | **137 118 526** | **18 990 634** | **137 118 526** | **15 735 284** |
| Credit impairment loss allowance | (87 193 951) | (9 566 695) | (87 193 951) | (7 926 784) |
| **Carrying amount** | **49 924 575** | **9 423 939** | **49 924 575** | **7 808 500** |
| Stage 2/Grades 4 - 7: | 1 344 270 500 | 1 570 178 511 | 1 344 270 500 | 1 301 020 512 |
| Stage 1/Grades 1 - 3: | 16 888 655 131 | 14 689 771 263 | 16 888 511 883 | 12 171 551 245 |
| **Gross amount** | **18 232 925 631** | **16 259 949 774** | **18 232 782 383** | **13 472 571 757** |
| Credit impairment loss allowance | (218 262 389) | (165 873 390) | (218 262 389) | (137 439 585) |
| **Carrying amount** | **18 014 663 242** | **16 094 076 384** | **18 014 519 994** | **13 335 132 172** |
| **Total carrying amount** | **18 064 587 817** | **16 103 500 323** | **18 064 444 569** | **13 342 940 672** |

*A loan of ZWL111 million was down graded to stage 3/Grade 8 during the period.

#### 34.1.2 Sectoral analysis of utilisations - loans and advances

| | Reviewed 30 June 2021 ZWL | % | Audited 31 Dec 2020 ZWL | % |
|---|---|---|---|---|
| **Inflation Adjusted** | | | | |
| Mining | 2 226 659 321 | 12% | 2 776 351 472 | 17% |
| Manufacturing | 1 701 142 540 | 9% | 853 661 416 | 5% |
| Mortgage | 767 456 105 | 4% | 438 637 348 | 3% |
| Wholesale | 418 855 410 | 2% | 293 454 792 | 2% |
| Distribution | 1 497 956 007 | 8% | 835 087 719 | 5% |
| Individuals | 1 722 041 211 | 9% | 696 839 931 | 4% |
| Agriculture | 1 703 837 154 | 9% | 1 379 512 386 | 8% |
| Construction | 260 155 607 | 1% | 188 542 486 | 1% |
| Local Authorities | 67 105 929 | 0% | 22 795 413 | 0% |
| Other services | 8 004 834 873 | 44% | 8 794 057 444 | 55% |
| Gross loans and advances | **18 370 044 157** | **100%** | **16 278 940 407** | **100%** |
| Less credit impairment loss allowance | (305 456 340) | | (175 440 084) | |
| **Carrying amount** | **18 064 587 817** | | **16 103 500 323** | |
| **Historical cost** | | | | |
| Mining | 2 226 659 321 | 12% | 2 300 432 842 | 17% |
| Manufacturing | 1 701 142 540 | 9% | 707 327 864 | 5% |
| Mortgage | 767 456 105 | 4% | 363 446 693 | 3% |
| Wholesale | 418 855 410 | 2% | 243 151 146 | 2% |
| Distribution | 1 497 956 007 | 8% | 691 938 047 | 5% |
| Individuals | 1 722 041 211 | 9% | 577 388 518 | 4% |
| Agriculture | 1 703 837 154 | 9% | 1 143 038 131 | 8% |
| Construction | 260 155 607 | 1% | 156 222 773 | 1% |
| Local Authorities | 67 105 929 | 0% | 18 887 852 | 0% |
| Other services | 8 004 691 625 | 44% | 7 286 473 175 | 54% |
| Gross loans and advances | **18 369 900 909** | **100%** | **13 488 307 041** | **100%** |
| Less credit impairment loss allowance | (305 456 340) | | (145 366 369) | |
| **Carrying amount** | **18 064 444 569** | | **13 342 940 672** | |

There are material concentration of loans and advances to the following sectors; other services 44%, mining 12%, distribution 8% and manufacturing 9%.

#### 34.1.3 Loans and advances

Inflation Adjusted

| | Reviewed 30 June 2021 | | | | Audited 31 December 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL | ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL |
| **Credit grade** | | | | | | | | |
| Investment grade | 16 888 655 131 | - | - | 16 888 655 131 | 14 689 771 263 | - | - | 14 689 771 263 |
| Standard monitoring | - | 1 050 754 857 | - | 1 050 754 857 | - | 1 476 454 440 | - | 1 476 454 440 |
| Special monitoring | - | 293 515 643 | - | 293 515 643 | - | 93 724 071 | - | 93 724 071 |
| Default | - | - | 137 118 526 | 137 118 526 | - | - | 18 990 634 | 18 990 634 |
| **Gross financial assets at amortised cost** | **16 888 655 131** | **1 344 270 500** | **137 118 526** | **18 370 044 157** | **14 689 771 263** | **1 570 178 511** | **18 990 634** | **16 278 940 408** |
| Credit impairment loss allowance | (159 359 953) | (58 902 436) | (87 193 951) | (305 456 340) | (138 757 909) | (27 115 481) | (9 566 695) | (175 440 085) |
| **Net financial asset at amortised cost** | **16 729 295 178** | **1 285 368 064** | **49 924 575** | **18 064 587 817** | **14 551 013 354** | **1 543 063 030** | **9 423 939** | **16 103 500 323** |

Historical cost

| | Reviewed 30 June 2021 | | | | Audited 31 December 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL | ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL |
| Credit grade | | | | | | | | |
| Investment grade | 16 888 511 883 | - | - | 16 888 511 883 | 12 171 551 245 | - | - | 12 171 551 245 |
| Standard monitoring | - | 1 050 754 857 | - | 1 050 754 857 | - | 1 223 362 502 | - | 1 223 362 502 |
| Special monitoring | - | 293 515 643 | - | 293 515 643 | - | 77 658 010 | - | 77 658 010 |
| Default | - | - | 137 118 526 | 137 118 526 | - | - | 15 735 284 | 15 735 284 |
| **Gross financial assets at amortised cost** | **16 888 511 883** | **1 344 270 500** | **137 118 526** | **18 369 900 909** | **12 171 551 245** | **1 301 020 512** | **15 735 284** | **13 488 307 041** |
| Credit impairment loss allowance | (159 359 953) | (58 902 436) | (87 193 951) | (305 456 340) | (114 972 205) | (22 467 380) | (7 926 784) | (145 366 369) |
| **Net financial asset at amortised cost** | **16 729 151 930** | **1 285 368 064** | **49 924 575** | **18 064 444 569** | **12 056 579 040** | **1 278 553 132** | **7 808 500** | **13 342 940 672** |

#### 34.1.4 Reconciliation of credit impairment allowance for loans and advances

| | Inflation Adjusted | | Historical cost | |
|---|---|---|---|---|
| | Reviewed 30 June 2021 ZWL | Audited 31 Dec 2020 ZWL | Reviewed 30 June 2021 ZWL | Audited 31 Dec 2020 ZWL |
| Balance at 1 January | 175 440 085 | 232 601 244 | 145 366 369 | 42 963 718 |
| Effects of IAS 29 | (30 073 717) | (180 749 097) | - | - |
| Change on initial application of IFRS 9 | - | - | - | - |
| Increase in impairment loss allowance | 160 246 895 | 124 331 978 | 160 246 894 | 103 019 149 |
| Impairment reversal | - | - | - | - |
| Write off | (156 923) | (744 040) | (156 923) | (616 498) |
| Interest in suspense | - | - | - | - |
| | **305 456 340** | **175 440 085** | **305 456 340** | **145 366 369** |

#### 34.1.5 Trade and other receivables

| | Inflation Adjusted | | Historical cost | |
|---|---|---|---|---|
| | Reviewed 30 June 2021 ZWL | Audited 31 Dec 2020 ZWL | Reviewed 30 June 2021 ZWL | Audited 31 Dec 2020 ZWL |
| Past due and impaired | 48 642 937 | 31 896 000 | 48 642 937 | 26 428 428 |
| Allowance for impairment | (48 642 937) | (31 896 000) | (48 642 937) | (26 428 428) |
| **Carrying amount** | **-** | **-** | **-** | **-** |
| Past due but not impaired | - | 34 204 163 | - | 28 340 929 |
| Niether past due nor impaired | 824 551 800 | 593 214 903 | 824 551 800 | 457 582 697 |
| **Gross amount** | **824 551 800** | **627 419 066** | **824 551 800** | **485 923 626** |
| Allowance for impairment | (185 124) | (366 580) | (185 124) | (303 742) |
| **Carrying amount** | **824 366 676** | **627 052 486** | **824 366 676** | **485 619 884** |
| **Total carrying amount** | **824 366 676** | **627 052 486** | **824 366 676** | **485 619 884** |

## NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (CONTINUED)
For the six months ended 30 June 2021

### 34.1.6 Financial assets at amortised cost

Inflation Adjusted

| | Reviewed 30 June 2021 | | | | Audited 31 December 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL | ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL |
| **Credit grade** | | | | | | | | |
| Investment grade | 1 027 699 949 | - | - | 1 027 699 949 | 1 315 965 291 | - | - | 1 315 965 291 |
| Standard monitoring | - | - | - | - | - | - | - | - |
| Special monitoring | - | - | - | - | - | - | - | - |
| Default | - | - | - | - | - | - | - | - |
| **Gross financial assets at amortised cost** | **1 027 699 949** | **-** | **-** | **1 027 699 949** | **1 315 965 291** | **-** | **-** | **1 315 965 291** |
| Credit impairment loss allowance | (4 483 686) | - | - | (4 483 686) | (5 941 156) | - | - | (5 941 156) |
| **Net financial asset at amortised cost** | **1 023 216 263** | **-** | **-** | **1 023 216 263** | **1 310 024 135** | **-** | **-** | **1 310 024 135** |

Historical cost

| | Reviewed 30 June 2021 | | | | Audited 31 December 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL | ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL |
| **Credit grade** | | | | | | | | |
| Investment grade | 1 027 699 949 | - | - | 1 027 699 949 | 1 090 384 199 | - | - | 1 090 384 199 |
| Standard monitoring | - | - | - | - | - | - | - | - |
| Special monitoring | - | - | - | - | - | - | - | - |
| Default | - | - | - | - | - | - | - | - |
| **Gross financial assets at amortised cost** | **1 027 699 949** | **-** | **-** | **1 027 699 949** | **1 090 384 199** | **-** | **-** | **1 090 384 199** |
| Credit impairment loss allowance | (4 483 686) | - | - | (4 483 686) | (4 922 731) | - | - | (4 922 731) |
| **Net financial asset at amortised cost** | **1 023 216 263** | **-** | **-** | **1 023 216 263** | **1 085 461 468** | **-** | **-** | **1 085 461 468** |

### 34.1.7 Bonds and debentures

Inflation Adjusted

| | Reviewed 30 June 2021 | | | | Audited 31 December 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL | ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL |
| **Credit grade** | | | | | | | | |
| Investment grade | 59 718 577 | - | - | 59 718 577 | 574 328 622 | - | - | 574 328 622 |
| Standard monitoring | - | - | - | - | - | - | - | - |
| Special monitoring | - | - | - | - | - | - | - | - |
| Default | - | - | - | - | - | - | - | - |
| **Gross financial assets at amortised cost** | **59 718 577** | **-** | **-** | **59 718 577** | **574 328 622** | **-** | **-** | **574 328 622** |
| Credit impairment loss allowance | (268 734) | - | - | (268 734) | (2 653 520) | - | - | (2 653 520) |
| **Net financial asset at amortised cost** | **59 449 843** | **-** | **-** | **59 449 843** | **571 675 102** | **-** | **-** | **571 675 102** |

Historical cost

| | Reviewed 30 June 2021 | | | | Audited 31 December 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL | ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL |
| **Credit grade** | | | | | | | | |
| Investment grade | 59 718 577 | - | - | 59 718 577 | 475 877 942 | - | - | 475 877 942 |
| Standard monitoring | - | - | - | - | - | - | - | - |
| Special monitoring | - | - | - | - | - | - | - | - |
| Default | - | - | - | - | - | - | - | - |
| **Gross financial assets at amortised cost** | **59 718 577** | **-** | **-** | **59 718 577** | **475 877 942** | **-** | **-** | **475 877 942** |
| Credit impairment loss allowance | (268 734) | - | - | (268 734) | (2 198 657) | - | - | (2 198 657) |
| **Net financial asset at amortised cost** | **59 449 843** | **-** | **-** | **59 449 843** | **473 679 285** | **-** | **-** | **473 679 285** |

### 34.1.8 Credit exposure on undrawn loan commitments and guarantees

Inflation Adjusted

| | Reviewed 30 June 2021 | | | | Audited 31 December 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL | ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL |
| **Credit grade** | | | | | | | | |
| Investment grade | 324 688 858 | - | - | 324 688 858 | 510 203 518 | - | - | 510 203 518 |
| Standard monitoring | - | - | - | - | - | - | - | - |
| Special monitoring | - | - | - | - | - | - | - | - |
| Default | - | - | - | - | - | - | - | - |
| **Gross financial assets at amortised cost** | **324 688 858** | **-** | **-** | **324 688 858** | **510 203 518** | **-** | **-** | **510 203 518** |
| Credit impairment loss allowance | (4 879 386) | - | - | (4 879 386) | (5 502 257) | - | - | (5 502 257) |
| **Net financial asset at amortised cost** | **319 809 472** | **-** | **-** | **319 809 472** | **504 701 261** | **-** | **-** | **504 701 261** |

Historical cost

| | Reviewed 30 June 2021 | | | | Audited 31 December 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL | ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL |
| **Credit grade** | | | | | | | | |
| Investment grade | 324 688 858 | - | - | 324 688 858 | 422 745 081 | - | - | 422 745 081 |
| Standard monitoring | - | - | - | - | - | - | - | - |
| Special monitoring | - | - | - | - | - | - | - | - |
| Default | - | - | - | - | - | - | - | - |
| **Gross financial assets at amortised cost** | **324 688 858** | **-** | **-** | **324 688 858** | **422 745 081** | **-** | **-** | **422 745 081** |
| Credit impairment loss allowance | (4 879 386) | - | - | (4 879 386) | (4 559 067) | - | - | (4 559 067) |
| **Net financial asset at amortised cost** | **319 809 472** | **-** | **-** | **319 809 472** | **418 186 014** | **-** | **-** | **418 186 014** |

### 34.2 Liquidity risk
Liquidity risk is the risk of not being able to generate sufficient cash to meet financial commitments to extend credit, meet deposit maturities, settle claims and other unexpected demands for cash. Liquidity risk arises when assets and liabilities have differing maturities.

**Management of liquidity risk**
The Group does not treat liquidity risk in isolation as it is often triggered by consequences of other financial risks such as credit risk and market risk. The Group's liquidity risk management framework is therefore designed to ensure that its subsidiaries have adequate liquidity to withstand any stressed conditions. To achieve this objective, the Board of Directors of the subsidiary companies through the Board Asset Liability Committees of the Bank, Microplan and the Building Society and Board Risk and Compliance Committees is ultimately responsible for liquidity risk management. The responsibility for managing the daily funding requirements is delegated to the Heads of Treasury Divisions for banking entities and Finance Directors for non-banking entities with independent day to day monitoring being provided by Group Risk Management.

**Liquidity and funding management**
The Group's management of liquidity and funding is decentralised and each entity is required to fully adopt the liquidity policy approved by the Board with independent monitoring being provided by the Group Risk Management Department. The Group uses concentration risk limits to ensure that funding diversification is maintained across the products, counterparties and sectors. Major sources of funding are in the form of deposits across a spectrum of retail and wholesale clients for banking subsidiaries.

**Cash flow and maturity profile analysis**
The Group uses the cash flow and maturity mismatch analysis on both contractual and behavioural basis to assess their ability to meet immediate liquidity requirements and plan for their medium to long term liquidity profile.

**Liquidity contingency plans**
In line with the Group's liquidity policy, liquidity contingency plans are in place for the subsidiaries in order to ensure a positive outcome in the event of a liquidity crisis. The plans clearly outline early warning indicators which are supported by clear and decisive crisis response strategies. The crisis response strategies are created around the relevant crisis management structures and address both specific and market crises.

**Liquidity stress testing**
It is the Group's policy that each entity conducts stress tests on a regular basis to ensure that they have adequate liquidity to withstand stressed conditions. In this regard, anticipated on-and-off balance sheet cash flows are subjected to a variety of specific and systemic stress scenarios during the period in an effort to evaluate the impact of unlikely events on liquidity positions.

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

The market risk for the trading portfolio is managed and monitored based on a collection of risk management methodologies to assess market risk including Value-at-Risk ("VaR") methodology that reflects the interdependency between risk variables, stress testing, loss triggers and traditional risk management measures. Non–trading positions are managed and monitored using other sensitivity analysis. The market risk for the non-trading portfolio is managed as detailed in notes 34.3.1 to 34.3.3.

### 34.3.1 Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The interest rate risk profile is assessed regularly based on the fundamental trends in interest rates, economic developments and technical analysis. The Group's policy is to monitor positions on a daily basis to ensure positions are maintained within the established limits.

Interest rate risk exposure stems from assets and liabilities maturing or being repriced at different times. For example:

i) Liabilities may mature before assets, necessitating the rollover of such liabilities until sufficient quantity of assets mature to repay the liabilities. The risk lies in that interest rates may rise and that expensive funds may have to be used to fund assets that are yielding lower returns.

ii) Assets may mature before liabilities do, in which case they have to be reinvested until they are needed to repay the liabilities. If interest rates fall the re-investment may be made at rates below those being paid on the liabilities waiting to be retired.

This risk is managed by ALCO through the analysis of interest rate sensitive assets and liabilities, using such models as Value at Risk ("VAR"), Scenario Analysis and control and management of the gap analysis.

### 34.3.2 Currency risk
The Group operates locally and the majority of its customers transact in ZWL, the functional currency of the Group and its subsidiaries. The Group is exposed to various currency exposures primarily with respect to the United States dollar, South African rand, Botswana pula, British pound and the Euro, mainly due to the cash holding and switch transactions in the banking subsidiary.

Foreign exchange risks arise from future commercial transactions and recognised assets and liabilities. This is the risk from movement in the relative rates of exchange between currencies. The risk is controlled through control of open position as per ALCO directives, Reserve Bank of Zimbabwe requirements and analysis of the market. The Group manages this risk through monitoring long and short positions and assessing the likely impact of forecast movements in exchange rates on the Group's profitability.

### 34.3.3 Price risk
The Group is exposed to equity price risk because of investments held by the Group and classified on the consolidated statement of financial position as at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

### 34.4 Settlement risk
The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Group Risk.

### 34.5 Operational risk
Operational risk is the risk of loss arising from the potential that inadequate information system, technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses. Operational risk exists in all products and business activities.

**Group's approach to managing operational risk**
The Group's approach is that business activities are undertaken in accordance with fundamental control principles of operational risk identification, clear documentation of control procedures, segregation of duties, authorization, close monitoring of risk limits, monitoring of assets use, reconciliation of transactions and compliance.

**Operational risk framework and governance**
The Board has ultimate responsibility for ensuring effective management of operational risk. This function is implemented through the Board Risk and Compliance Committee at Group level which meets on a quarterly basis to review all other major risks including operational risks. This Committee serves as the oversight body in the application of the Group's operational risk management framework, including business continuity management. Each entity has a Management and Board Risk and Compliance Committee to ensure a robust operational risk management framework. Other Group management committees which report to Group Executive Committee include the Group New Product Committee, Group IT Steering Committee and Group Business Continuity Committee.

**The management and measurement of operational risk**
The Group identifies and assesses operational risk inherent in all material products, activities, processes and systems. It ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subjected to adequate assessment by the appropriate risk committees which include the Risk and Compliance Committee and Group New Product Committee.

The Group conducts Operational Risk Assessments in line with the Group's risk strategy. These assessments cover causes and events that have, or might result in losses, as well as monitor overall effectiveness of controls and whether prescribed controls are being followed or need correction. Key Risk Indicators (KRIs) which are statistical data relating to a business or operations unit are monitored on an ongoing basis. The Group also maintains a record of loss events that occur in the Group in line with Basel II requirements. These are used to measure the Group's exposure to the respective losses. Risk limits are used to measure and monitor the Group's operational risk exposures. These include branch cash holding limits, teller transaction limits, transfer limits and write off limits which are approved by management and the Board. In addition, the Group also uses risk mitigation mechanisms such as insurance programmes to transfer risks. The Group maintains adequate insurance to cover key operational and other risks.

**Business continuity management**
To ensure that essential functions of the Group are able to continue in the event of adverse circumstances, the Group Business Continuity Plan is reviewed annually and approved by the Board. The Group Business Continuity Committee is responsible for ensuring that all units and branches conduct tests half yearly in line with the Group policy. The Group continues to conduct its business continuity tests in the second and fourth quarters of each year and all the processes are well documented.

## NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (CONTINUED)
For the six months ended 30 June 2021

### 34.6 Capital risk

#### 34.6.1 Regulatory Capital and Financial Risk Management

Capital risk refers to the risk of the Group's subsidiaries own capital resources being adversely affected by unfavourable external developments.

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the Group's subsidiaries;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its businesses.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Reserve Bank of Zimbabwe (the "RBZ"), for supervisory purposes for the banking subsidiaries. The required information is filed with the RBZ on a quarterly basis.

It is the intention of the Group to maintain a ratio of total regulatory capital to its risk-weighted assets (the "Capital Adequacy Ratio") above the minimum level set by the Reserve Bank of Zimbabwe which takes into account the risk profile of the Group.

The regulatory capital requirements are strictly observed when managing economic capital. The banking subsidiaries' regulatory capital is analysed into three tiers;

- Tier 1 capital, which includes ordinary share capital and premium, retained profits, non distributable reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, revaluation reserve, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.
- Tier 3 capital or market and operational risk capital includes market risk capital and operational risk capital. Operational risk includes legal risk. Market risk capital is allocated to the risk of losses in the on and off balance sheet position arising from movements in market prices.

Various limits are applied to elements of the capital base. The amount of capital qualifying for tier 2 capital cannot exceed tier 1 capital and the qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investment in the capital of other banks and certain other regulatory items.

The Group's operations are categorised as either banking or trading book, and risk weighted assets are determined according to specified requirements that seek to reflect the varying levels or risk attached to assets and off balance sheet exposures.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Overall, the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group and its individually regulated operations have always complied with all externally imposed capital requirements throughout the period.

The Securities Commission of Zimbabwe ("SECZ") sets and monitors capital requirements for the stockbroking subsidiary and the Insurance and Pensions Commission ("IPEC") sets and monitors capital requirements for the insurance subsidiaries.

The following subsidiaries have their capital regulated by the regulatory authorities:

| Company<br>As at 30 June 2021 | Regulatory Authority | Minimum capital required US$ | Minimum capital required ZWL | Net Regulatory Capital ZWL | Total Equity ZWL |
|---|---|---|---|---|---|
| FBC Bank Limited | RBZ | 30 000 000 | 2 562 702 000 | 2 508 083 209 | 3 298 545 018 |
| FBC Building Society | RBZ | 20 000 000 | 1 708 468 000 | 474 944 532 | 847 526 937 |
| FBC Reinsurance Limited | IPEC | | 150 000 000 | 717 759 676 | 717 759 676 |
| FBC Securities (Private) Limited | SECZ | | 150 000 | 33 290 316 | 33 290 316 |
| FBC Insurance Company (Private) Limited | IPEC | | 37 500 000 | 210 034 195 | 210 034 195 |
| Microplan Financial Services (Private) Limited | RBZ | | 25 000 | 33 738 473 | 33 738 473 |

### 34.7 Compliance risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with laws, rules, regulations, prescribed practices, internal policies and procedures or ethical standards. The Compliance function assesses the conformity of codes of conduct, instructions, procedures and organizations in relation to the rules of integrity in financial services activities. These rules are those which arise from the institution's own integrity policy as well as those which are directly provided by its legal status and other legal and regulatory provisions applicable to the financial services sector.

Management is also accountable to the Board for designing, implementing and monitoring the process of compliance risk management and integrating it with the day to day activities of the Group.

### 35 STATEMENT OF COMPLIANCE

The Group complied with the following statutes inter alia:-
The Banking Act (Chapter 24:20) and Banking Regulations, Statutory Instrument 205 of 2000; Bank Use Promotion & Suppression of Money Laundering (Chapter 24:24); Exchange Control Act (Chapter 22:05); the National Payments Systems Act (Chapter 24:23); Statutory Instrument 33 of 2019; Statutory Instrument 33 of 1999; Statutory Instrument 62 of 1996; Statutory Instrument 142 of 2019 and the Companies and Other Business Entities Act (Chapter - 24:31).

In addition, the Group also complied with the Reserve Bank of Zimbabwe's directives on liquidity management, capital adequacy as well as prudential lending guidelines.

### 36 INTERNATIONAL CREDIT RATINGS

The Group suspended the credit ratings on all banking and insurance subsidiaries which have in the past been reviewed annually by an international credit rating agency, Global Credit Rating, except for the micro lending unit which has had its rating reviewed by Microfinanza rating agency due to the Covid-19 pandemic.

The last ratings were done in 2019 and were as follows:

| Subsidiary | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| FBC Bank Limited | BBB+ | BBB+ | BBB+ | BBB+ | A- |
| FBC Reinsurance Limited | A- | A- | A- | A- | A- |
| FBC Building Society | BBB- | BBB- | BBB- | BBB- | BBB- |
| FBC Insurance Company Limited | A- | A- | A- | A- | A- |
| Microplan Financial Services | BBB | BBB | BBB- | BBB- | N/A |

### 37 SUBSEQUENT EVENTS

#### 37.1 Interim dividend declared

Notice is hereby given that an interim dividend of 29.76 ZWL cents per share was declared by the Board on 671 949 927 ordinary shares in issue on 27 August 2021 in respect of the half year ended 30 June 2021. The dividend is payable to shareholders registered in the books of the company at the close of business on Friday 24 September 2021. The shares of the company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 20 September 2021 and ex-dividend as from 21 September 2021. Dividend payment will be made to Shareholders on or about 1 October 2021.

### 38 CORPORATE GOVERNANCE

The Board is committed to the principles of openness, integrity and accountability. It recognises the developing nature of corporate governance and assesses its compliance with local and international generally accepted corporate governance practices on an ongoing basis through its various subcommittees.

The Board is responsible to the shareholders for setting the direction of the Group through the establishment of strategies, objectives and key policies. The Board monitors the implementation of these policies through a structured approach to reporting and accountability.

The Board meets regularly, with a minimum of four scheduled meetings annually. To assist the Board in the discharge of its responsibilities a number of committees have been established, of which the following are the most significant: (i) Board Audit Committee, (ii) Board Human Resources and Remuneration Committee, (iii) Board Finance and Strategy (iv) Board Risk Committee.

**Board Attendance**

| Board member | Main board | | Board Audit | | Board Human Resources | | Board Finance and Strategy | | Board Risk and Compliance | | Board Marketing and Public Relations | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q1 | Q2 | Q1 | Q2 | Q1 | Q2 | Q1 | Q2 | Q1 | Q2 |
| Herbert Nkala | √ | √ | N/A | N/A | √ | √ | N/A | N/A | N/A | N/A | N/A | N/A |
| Chipo Mtasa | √ | √ | √ | √ | √ | √ | N/A | N/A | N/A | N/A | √ | √ |
| John Mushayavanhu | √ | √ | N/A | N/A | N/A | N/A | √ | √ | N/A | N/A | √ | √ |
| Kleto Chiketsani | √ | √ | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Gertrude Chikwava | √ | √ | N/A | N/A | N/A | N/A | √ | √ | √ | √ | √ | √ |
| Aeneas Chuma | √ | √ | √ | √ | N/A | N/A | N/A | N/A | √ | √ | √ | √ |
| Gary Collins | √ | √ | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Franklin Kennedy | √ | r | N/A | N/A | N/A | N/A | √ | √ | √ | √ | N/A | N/A |
| Trynos Kufazvinei | √ | √ | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| David Makwara | √ | √ | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Canada Malunga | √ | √ | N/A | N/A | N/A | N/A | √ | √ | N/A | N/A | N/A | N/A |
| Charles Msipa | √ | √ | √ | √ | √ | √ | N/A | N/A | N/A | N/A | N/A | N/A |
| Rutenhuro Moyo | √ | √ | N/A | N/A | N/A | N/A | √ | √ | √ | √ | N/A | N/A |
| Webster Rusere | √ | √ | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Sifiso Ndlovu | N/A | √ | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Garry Collins | √ | √ | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

**Legend**
Not a member - N/A        Attended - √
Apologies - r        Quarter - Q

**By order of the Board**

**Tichaona K. Mabeza**
**GROUP COMPANY SECRETARY**
**31 August 2021**