# FBC Holdings Limited

# 2020
## ANNUAL REPORT

FBC Holdings Limited

# Contents

# About This Report

This integrated annual report was prepared for FBC Holdings and its subsidiaries.

This annual report can be viewed at

www.fbc.co.zw

# Group Structure

## FBC Holdings Limited
strength • diversity • service

### Consumer and Investment Banking Services

**FBC Bank Limited** (Registered Commercial Bank) — 100%
- Commercial Banking
- Advisory Services
- Factoring Services
- Custodial Services

**FBC Building Society** (Registered Building Society) — 100%
- Mortgage Finance
- Property Development

**MicroPlan Financial Services (Pvt) Limited** (A registered microfinance institution) — 100%
- Micro Finance Services

**FBC Securities (Private) Limited** (Registered Stockbroker) - Member of the Zimbabwe Stock Exchange — 100%
- Equities Trading
- Sponsoring Broker

### Insurance Services

**FBC Reinsurance Limited** — 100%
- Short Term Reinsurance
- Life & Health Re-Assurance

**FBC Insurance Company Limited** — 95%
- Non-Life Insurance
- Medical Insurance
- Life Insurance

# FBCH Footprint

# Our Pillars of Strength

| Core Values | Governance | Our Team | Social Impact & Financial Inclusion |
|---|---|---|---|
| Integrity | 7 Boards of Directors in the Group | ±529 Permanent Employees | +200 Construction Jobs |
| Teamwork | Independent Chairpersons | +79% Aged <45 years | +600 Agencies |
| Commitment | 27 Non-Executive Directors | 42% Female Employees | 9 Rural out of 19 Microfinance Branches |
| Communication | 19 Executive Directors | ± 30 on Attachment & Internships | HCP Subcribers ±100 000 |
| Life-long learning and Entrepreneurship | | 234 Contract Workers | ± 509 312 Mobile Banking Subscribers |

# Our Promise to Our Stakeholders

# General Information

**Registered Office**
6th Floor FBC Centre
45 Nelson Mandela Avenue
P.O. Box 1227, Harare
Zimbabwe

| | |
|---|---|
| Telephone | : +263-0242-700312/797770 |
| | : +263-0242-708071/2 |
| Telex | : 24512 FIRSTB ZW |
| Swift | : FBCPZWHA |
| Fax | : +263-0242-700761 |
| E-mail | : info@fbc.co.zw |
| Website | : http://www.fbc.co.zw |

**Transfer Secretaries**
**First Transfer Secretaries (Private) Limited**
1 Armagh Avenue, Eastlea
P.O. Box 11 Harare

| | |
|---|---|
| Telephone | : +263-0242-782869 |
| Mobile | : +263 772146157/8 |

**Independent Auditors**
**KPMG Zimbabwe**
Mutual Gardens
100 The Chase (West)
Emerald Hill
P O Box 6 Harare
Zimbabwe

| | |
|---|---|
| Tel | : +263 (4) 303700, 302600 |
| Fax | : +263 (4) 303699 |

**Attorneys**
**Dube Manikai & Hwacha Legal Practitioners**
Eastgate Building
6th Floor, Goldbridge, Southwing
Corner Sam Nujoma Street and Robert Mugabe Road
P.O. Box CR 36, Cranborne, Harare
Telephone : +263-0242-780351/2

**Costa & Madzonga Legal Practitioners**
10 York Avenue, Newlands
P.O. Box CY1221, Causeway, Harare
Telephone : +263-08644133638/9

## FBC Bank Limited

**Belgravia Private Banking Branch**
No. 2 Lanark Road, Belgravia
P.O. Box A852, Avondale, Harare

| | |
|---|---|
| Telephone | : +263-0242-251975 |
| | : +263-0242-251976 |
| Fax | : +263-0242-253556 |

**Chinhoyi Branch**
Stand Number 14 Robson Manyika
P.O. Box 1220, Chinhoyi

| | |
|---|---|
| Telephone | : +263-067-24086 |
| Fax | : +263-067-26162 |

**Bulawayo Avenue Branch**
Asbestos House
Jason Moyo Avenue
P.O. Box 2910, Bulawayo

| | |
|---|---|
| Telephone | : +263-029-76079 |
| | : +263-029-76371 |
| Fax | : +263-029-67536 |

**Masvingo Branch**
FBC House
179 Robertson Street, Masvingo

| | |
|---|---|
| Telephone | : +263-039-264118-9 |
| | : +263-039-264415-6 |
| | : +263-039-262671 |
| Fax | : +263-039-262912 |

**Gweru Branch**
71 Sixth Street
P.O. Box 1833, Gweru

| | |
|---|---|
| Telephone | : +263-054-26491 |
| | : +263-054-26493 |
| | : +263-054-26497 |
| Fax | : +263-054-26498 |

**Kwekwe Branch**
44a/b Robert Mugabe Way
P.O. Box 1963, Kwekwe

| | |
|---|---|
| Telephone | : +263-055-24116 |
| | : +263-055-24160 |
| Fax | : +263-055-24208 |

**Mutare Branch**
101 A Herbert Chitepo Avenue
P.O. Box 2797, Mutare

| | |
|---|---|
| Telephone | : +263-020-62586 |
| | : +263-020-62114 |
| Fax | : +263-020-60543 |

**FBC Centre Branch**
Nelson Mandela Avenue
P.O. Box BE 818, Belvedere, Harare

| | |
|---|---|
| Telephone | : +263-0242-750946 |
| | : +263-0242-753608 |
| Fax | : +263-0242-775395 |

# General Information (continued)

## FBC Bank Limited (Continued)

**Southerton Branch**
11 Highfield Junction Shop
P.O. Box St495, Southerton, Harare
Telephone : +263-0242-759712
: +263-0242-759392
Fax : +263-0242-759567

**Zvishavane Branch**
98 Robert Mugabe Way
P.O. Box 91, Zvishavane
Telephone : +263-039-2176
: +263-039-2177
Fax : +263-039-3327

**Samora Machel Avenue Forex Centre**
Old Reserve Bank Building
76 Samora Machel Avenue
P.O. Box GD 450, Greendale, Harare
Telephone : +263-0242-700372
: +263-0242-700044
Fax : +263-0242-793799

**Victoria Falls Branch**
Shop 7 & 8 Sawanga Complex
P.O. Box 225, Victoria Falls
Telephone : +263-083-45995/6
Fax : +263-083-5995/6

**Msasa Branch**
104 Mutare Road
P.O. Box AY1 Amby, Msasa, Harare
Telephone : +263-0242-446806
Fax : +263-0242-446815

**Bulawayo Private Branch**
Asbestos Harare
Jason Moyo Avenue
P.O. Box 2910, Bulawayo
Telephone : +263-029-76079
: +263-029-76371
: +263-029-67536

**Borrowdale Branch**
Unit 122-125, Sam Levy's Village
Borrowdale, Harare
Telephone : +263-0242-850911
: +263-0242-850912
: +263-0242-850913

## FBC Reinsurance Limited

**Head Office**
4th Floor, FBC Centre
45 N Mandela Avenue
P.O. Box 4282, Harare
Telephone :+263-0242-772703/7
Fax :+263-0242-772701

**Bulawayo Office**
1st Floor Asbestos House
Jason Moyo Avenue
P.O. Box 2199, Bulawayo
Telephone :+263-029-888344
Fax :+263-029-888560

## FBC Insurance Company Limited

**Head Office**
Eagle House
105 Jason Moyo Avenue, Harare
Telephone :263-0242-708212
Fax :263-0242-797135

**Mutare Branch**
Manica Chambers
2nd Avenue Road, Mutare
Telephone :263-020-65723
Fax :263-020-63079/65722

**Bulawayo Branch**
1st Floor, Asbestos House
Corner 11th and Jason Moyo Street, Bulawayo
Telephone :263-029-71791/4
Fax :263-029-76224

# General Information (continued)

## FBC Building Society

**Leopold Takawira Branch**
FBC House
113 Leopold Takawira
P.O. Box 4041, Harare
Telephone : +263-0242-756811-6
Fax : +263-0242-772747

**Gweru Branch**
Impala Seeds Building
69B 6th Street
P.O. Box 1345, Gweru
Telephone : +263-054-226189
: +263-054-223586
Fax : +263-054-226189

**Bulawayo Branch**
FBC House
Corner R. Mugabe Way and 11th Avenue
Bulawayo
Telephone : +263-029-79504/68679
: +263-029-64547/69925/48
Fax : +263-029-74069

**Mutare Branch**
FBC House
101 A Herbert Chitepo Avenue
P.O. Box 1224, Mutare
Telephone : +263-020-65894
: +263-020-65897/8
Fax : +263-020-66723

**Masvingo Branch**
FBC House
179 Robertson Street, Masvingo
Telephone : +263-039-62671/821/912
Fax : +263-039-65876

## FBC Securities (Private) Limited

2nd Floor, Old Reserve Bank Building
76 Samora Machel Avenue, Harare
Telephone : 263-0242-797761-6 / 700373

## Microplan Financial Services (Private) Limited

**Head Office**
4th Floor, FBC House
113 Leopold Takawira, Harare
Telephone : +263-0242-772745/772729
Fax : N/A

**Bulawayo Branch**
1st Floor, Asbestos House
Corner 11th and Jason Moyo Street, Bulawayo
Telephone : +263-029-61650

**Chiredzi Branch**
349 Chilonga Drive, Chiredzi
Telephone : +263 31 2752/2820
Mobile : +263 731 772 750 / +263 772 527 147

**Mutare Branch**
101 A Herbert Chitepo Avenue
Mutare
Telephone : +263-020-65895
: +263-020-62949

## Microplan Financial Services (Private) Limited (Continued)

**Mutoko Branch**
Shop Number 1 Stand 46/47 BJ
Mall Oliver Newton Road
Chinzanga Township, Mutoko
Mobile : +263-065-2722859

**Masvingo Branch**
1st Floor, FBC Centre
179 Robertson Street, Masvingo
Mobile : +263-736462940
Telephone : +263-039-262912

**Gwanda Branch**
Stand 623 Nkala Complex
Soudan Street, Gwanda
Telephone : +263-084-24296

**Gweru Branch**
Office Number 15, Moonlight Building,
5th Street, Gweru
Mobile : +263 732 772 745
Landline : +263-054-224524

**Bindura Branch**
846 Chenjerai Hunzvi Street, Bindura
Telephone : +263-066-6581

**Chinhoyi Office**
14 Robson Manyika, Chinhoyi
Landlines : +263-067-21034
Mobile : +263 73 177 2730 / ++263 775 802 514

**Lupane Office**
Stand Number 12, Lupane
Cell : +263 731 772 731

**Chipinge Office**
294A Ferreira Street, Chipinge
Cell : +263 731 772 732

**Kadoma Office**
Office No 5, Mtetwa Family Trust Complex
6/7 Cilling Street
Kadoma

**Rusape Office**
Stand 9 Robert Mugabe Avenue, Rusape
Telephone : +263 731 772 734

**Mt Darwin Office**
Stand 206, Mount Darwin Township, Mt Darwin
Telephone : +263 731 772 733
: +263 773 396 657

**Hauna Office**
Stand 107, Hauna Growth Point, Mutasa
Telephone : +263 731 772 735

**Guruve Office**
Stand 1409, Guruve Business Centre, Guruve
Telephone : +263 731 772 736

**Hwange**
Shop Number 101D, 22-23 Coronation Drive, Hwange
Direct : +263 731 772 747
CELL : +263 778 942 055

**Zvishavane Office**
Office 14 Makairos Building, 97 R. G Mugabe Way,
Zvishavane
Phone : +263 774 381 574

**Beitbridge Branch**
NSSA Complex, Beitbridge, Zimbabwe
Direct line : +263 286 22197 / +263 778 203 776
+263 713 492 811 / +263 731 772 748

# Report Profile

FBC Holdings Limited is once again pleased to present its annual integrated financial statements including sustainability reporting on the Group's non-financial performance for the period ended 31 December 2020. The reporting cycle is annual with the last report having been published in April 2020.

The sustainability report is FBC Holdings Limited's third report prepared with reference to the Global Reporting Initiative Standards. The report captures the Group's material issues for the business and its stakeholders in the following impact categories: social, environmental and economic performance. The Group will continue to improve and strengthen its sustainability strategy and reporting framework in accordance with the Group's broader strategic objectives that seek to promote a sustainable business model and unlock long term value for its stakeholders and future generations.

The Group welcomes the opinions of all its stakeholders both within and outside the Group and believes in proactive stakeholder engagement in order to appreciate fundamental stakeholder needs and desires. This approach enhances its ability to proffer tailored market leading service delivery solutions to its diverse stakeholders. Engagements with our stakeholders are done through various platforms including client networking events, customer surveys, formal meetings and text chats via Facebook, WhatsApp and Twitter.

If you would like to provide the Group with further feedback regarding the contents of this report please feel free to contact the company secretary Tichaona Mabeza via email on: tichaona.mabeza@fbc.co.zw.

# Financial Highlights

For the year ended 31 December 2020

| | INFLATION ADJUSTED | | HISTORICAL COST UNAUDITED | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **Consolidated statement of profit or loss** | | | | |
| Profit before income tax | 1 595 247 202 | 757 138 892 | 3 614 265 026 | 529 350 452 |
| Profit/(Loss) for the year | 1 516 286 461 | (1 629 793 838) | 3 213 377 674 | 295 867 687 |
| **Consolidated statement of financial position** | | | | |
| Total equity | 5 089 501 501 | 3 954 302 303 | 4 916 703 427 | 806 306 946 |
| Total assets | 32 401 836 446 | 27 138 057 383 | 31 959 274 260 | 5 919 231 688 |
| **Share statistics** | | | | |
| Shares in issue - actual (m) | 672 | 672 | 672 | 672 |
| Shares in issue - weighted (m) | 621 | 617 | 621 | 617 |
| Basic earnings/(loss) per share - (ZWL cents) | 243.85 | (263.21) | 517.10 | 47.88 |
| Diluted earnings/(loss) per share - (ZWL cents) | 243.85 | (263.21) | 517.10 | 47.88 |
| Headline earnings/(loss) per share - (ZWL cents) | 251.81 | (265.16) | 519.11 | 47.88 |
| Dividend per share - ordinary (ZWL cents) | 47.54 | 42.50 | 34.28 | 3.41 |
| Closing share market price - (ZWL cents) | 1 501.4 | 65.3 | 1 501.4 | 65.3 |
| **Ratios** | | | | |
| Return on shareholders equity | 30% | -41% | 65% | 37% |
| Cost to income ratio | 64% | 64% | 50% | 50% |

## Group Chairman's Statement

| | Group total income | Group profit before income tax | Group profit after income tax | Cost income ratio | Basic earnings per share |
|---|---|---|---|---|---|
| Inflation Adjusted | up 14% to **ZWL8.1 billion** | up 111% to **ZWL1.6 billion** | **ZWL1.5 billion** from a loss of ZWL1.6 billion last year | static at **64%** | **243.85 ZWL cents** from a negative of 263.21 |
| Historical | up 580% to **ZWL7.2 billion** | up 583% to **ZWL3.6 billion** | increased by 986% to **ZWL3.2 billion** | static at **50%** | up 980% to **517.10 ZWL cents** |

| | Net asset value per share | Asset base | Return on equity | Dividend declared |
|---|---|---|---|---|
| Inflation Adjusted | up 25% to **810 ZWL cents** | up 19% to **ZWL32.4 billion** | improved to **30%** from a negative of 41% | **ZWL500 million** including ZWL200 million interim dividend |
| Historical | up 491% to **782 ZWL cents** | up 440% to **ZWL31.9 billion** | improved to **65%** from 37% | **ZWL500 million** including ZWL200 million interim dividend |

# Group Chairman's Statement

### Financial Performance Review – Inflation Adjusted

While 2020 was an unprecedented, challenging year, the Group managed to post a commendable set of financial results. The Group achieved a profit before tax (PBT) of ZWL1.6 billion and a profit after tax (PAT) of ZWL1.5 billion. This performance in historical terms, translated to a profit before tax of ZWL3.6 billion and an after tax profit of ZWL3.2 billion. Total income was ZWL8.1 billion, which is 14% ahead of the previous year's comparative amount of ZWL7.2 billion.

Whilst foreign currency revaluation gains contributed significantly to the Group's reported total income, our lending operations managed to record modest growth, as a result of a combination of loan growth and re-pricing, despite the prevailing macro- economic challenges. Consequently, net interest income was 20% higher with ZWL1.7 billion being achieved during the period under review, against ZWL1.4 billion recorded in the prior year. A 5% decline in interest expense was also registered as a result of an improvement in the funding mix. Net fees and commission income receded 12% to ZWL1.2 billion from ZWL1.4 billion recorded last year, mainly as a result of a marked slowdown in the volume of transactions, in line with the reduced economic activity induced by the Covid-19 pandemic lockdown measures. The repricing of this revenue stream, implemented during the year, was inadequate to counterbalance the decrease in the volume of transactions.

The insurance business recorded a decrease of 5% in net earned insurance premium to ZWL845 million from ZWL886 million achieved last year. The significant decrease in insurance premium revenues of 21% was offset by an improvement in premium ceded to reinsures and retrocessionaires of 44%. The Covid-19 pandemic lockdown effects and the hyperinflationary environment had an initial negative effect on the insurance industry at large. This however, took a positive turn when the regulatory authorities subsequently permitted the underwriting of insurance policies in foreign currency.

The Group's administration expenses increased by 16% to ZWL4.5 billion from ZWL3.9 billion reported in 2019, mainly as a result of the repricing of expenses to match the inflationary environment. The cost to income ratio excluding the monetary loss, remained static at 64%. The monetary loss improved to ZWL1.4 billion from ZWL1.8 billion recorded last year, following the slowing down of inflation and an improvement in the hedging of monetary assets. The net monetary loss represents the effect of inflation on the net monetary assets of the Group and this is explained in detail in the notes to the financial statements.

As at 31 December 2020, the Group's total assets increased by 19% to ZWL32.4 billion against ZWL27.1 billion as at 31 December 2019. The growth was mainly driven by increase in deposits and the translation of foreign denominated assets. The Group's total equity was up 29% from the prior year, closing the current year at ZWL5.1 billion against ZWL3.9 billion reported in 2019.

### Operating Environment

The operating environment remained difficult in 2020 and was exacerbated by the Covid-19 pandemic. The government instituted a number of measures to reduce the risk of infection among citizens. These measures included restrictive lockdown measures which had negative consequences on the economy and business in general. Some economic sectors such as tourism, recorded a sharp decrease in business volumes. Demand for products and services fell, resulting in weak earnings across a number of entities.

To help ease the Covid-19 induced pressures, the Government of Zimbabwe announced an ZWL18 billion stimulus package for industry on 1 May 2020. Similarly, an additional ZWL3 billion was availed by the Reserve Bank through a Medium Term bank accommodation facility for banks. The Reserve Bank of Zimbabwe furthermore reduced the Medium Term bank accommodation rate to 10% in order to boost productive sector lending. The Government of Zimbabwe awarded subsistence allowances to civil servants while various companies made similar arrangements for their employees.

Sadly however, due to supply chain disruptions and lower demand caused by movement restrictions, the economy is estimated to have contracted by 4.1%, against an initial expectation of a 3.0% growth rate. We are however, anticipating a marked improvement in 2021, with authorities projecting a growth of 7.4% after two consecutive years of negative GDP growth.

### Foreign Exchange

During the period under review, a Dutch foreign currency exchange auction system was introduced, replacing the previous pegged exchange rate regime. This welcome development has resulted in price and exchange rate stability, coupled by a significant reduction in the difference between the official exchange rate and that prevailing in alternative markets. Further, access to foreign currency has since improved, resulting in an increase in capacity utilization across the productive sectors of the economy.

The USD/ZWL exchange rate stabilised around US$1:ZWL81 from June to December 2020. The introduction of the Dutch auction exchange rate system not only facilitated price discovery of the market exchange rate, but also greatly assisted in creating transparency in the management of

# Group Chairman's Statement
(Continued)

foreign exchange. The RBZ has allocated more than US$625 million to importers from June to December 2020.

### Inflation
The year 2020 was characterised by high inflation levels and year-on-year inflation which topped 837% in July 2020. The inflation levels however, dropped to 348.59% and the blended inflation was 188.91% as at 31 December 2020. The decline was attributable to a stable exchange rate regime recorded during the second-half of the year, fiscal discipline and a tight monetary policy. The Group realigned its business structures and pricing models to these macroeconomic developments.

### Financial Services Sector
The financial services sector continued to function satisfactorily with all financial soundness indicators depicting a reasonable performance. Adequate capitalisation, improved asset quality and sustained earnings, bolstered the resilience against a turbulent economic landscape and the disruptive effects of the Covid19 pandemic. Growth in banking sector assets was however, largely attributable to gains from the translation of foreign currency denominated assets. Due to a cautious lending approach adopted by most banking institutions, banking sector financial intermediation remained low throughout the year, as most players prioritised capital preservation. On a positive note, the sector experienced an increased rate of digital transformation as institutions remodelled business operations to support and offer services to customers through electronic platforms. Customers' options to access financial services increased as a result. This was in response to the limitations of accessing financial services through traditional channels due to the Covid-19 pandemic.

To remain competitive and customer centric, the Group maintained a digitally oriented approach to ensure the provision of safe, convenient and remote access options to the transacting public. The Group introduced digital on-boarding for most accounts, with the intention of minimising direct interface and maximising convenience. Similarly, FBC Insurance introduced yakO Version 2.0 and FBC Health mobile application with biometric authentication features. Other digital platforms rolled out during the course of 2020 include ZIPIT Smart, Noku digital assistant and an upgrade of the digital banking application which now includes beneficiary maintenance and proof of payment.

### The Insurance Sector
The insurance sector continued to battle extremely challenging operating conditions, characterised by currency volatility and high inflation. During the period under review, the sector suffered an additional setback brought on by Covid-19-related restrictions, which dampened the demand for both short and long term insurance services. Private insurance consumption remained under significant pressure throughout the period, due to high rates of unemployment, low capacity utilisation and business closures. Prospects for the industry have however, been renewed given that insurers are now underwriting business in foreign currency.

### Property Market
The property market was not spared by the current economic challenges and the Covid-19 pandemic. This sector continually suffered from rental arrears, low occupancy levels and rental adjustments in line with inflation trends. Residential property demand declined sharply due to foreign currency shortages and non-availability of forex denominated mortgages. Rentals in the residential and retail market sector remained highly volatile during the course of 2020.

Office occupation in the Central Business District has remained low and unchanged since 2019. This was further compounded by the Covid19 induced lockdowns which led to a surge in remote working and a dampened demand for office space. The industrial market remained heavily curtailed by low capacity utilisation, power cuts, and shortages of foreign currency as well as high interest rates. The Group has however, taken a strategic decision in appreciation of the housing deficit in the country and continued further investments in real estate.

### Stock Market Performance
Zimbabwe Stock Exchange market capitalisation continued with an upward momentum in 2020 as it rallied a further 968% during the year to close at ZWL317.8 billion. The rally was predominantly spurred by investors seeking instruments with hedge characteristics in light of inflationary pressures and exchange rate dynamics. The All Share Index closed 2020 with a 1,046% nominal growth against 348.6% year-on-year inflation.

The stock market however suffered a temporary setback on 28 June 2020 when trading was suspended on the bourse to facilitate investigations of alleged trading malpractices. Trading resumed on 3 August 2020 with the suspension of certain counters which were earmarked for listing on the Victoria Falls Stock Exchange. Trading was launched on 23 October 2020.

### Share Price Performance
The FBCH share outperformed the main benchmark index (All Share) after gaining 2,201% compared to 1,046% recorded by the All Share Index to close the period at ZWL15.01. A total of 27.9 million shares were traded at a weighted average price of ZWL7.13, a gain of 1,283% from 2019 full year's weighted price of ZWL0.5155.

# Group Chairman's Statement
(Continued)

## Dividend

On behalf of the Board of Directors, I am pleased to advise shareholders that the company has proposed a final dividend of 44.65 ZWL cents per share. This is in addition to the interim dividend of 29.76 ZWL cents per share which was paid in September 2020. The total dividend declared for the year 2020 amount to ZWL500 million including the interim dividend of ZWL200 million that was paid in September 2020. The proposed dividend translates to approximately 6.25 times cover, which is 16% of the historical cost profit after tax.

## FBCH Covid-19 Pandemic Response

The country and the rest of the world have been burdened by the Covid-19 pandemic. Resources have been rechanneled to fight the pandemic whilst economies have been decimated due to restrictive measures put in place to contain the rates of infection. The Group responded swiftly to this global threat by instituting work from home arrangements for staff, introduction of digital on-boarding for our customers, regular awareness and campaigns related to Covid-19 pandemic, procurement of all protective equipment and facilitating transport for staff to and from work. The Group also carried out risk-based testing for staff as part of detective and preventative measures. A regular review of the measures will continue to be done through the Covid-19 Taskforce that has been set up to focus on Covid-19 related issues.

## FBC in the Community

FBC Holdings is a purpose driven institution and responsible corporate citizen whose primary focus is to proffer sustainable and inclusive community enrichment solutions. Guided by the commitment to Shared Growth, the Group seeks to set a tone of excellence by giving back to the community while providing shareholder value. In light of this, we are involved in education, with particular attention being paid to ICT infrastructure rehabilitation of learning centres and tertiary education bursaries to underprivileged students. In the health sector, the Group has directed its intervention towards curbing the spread of Covid-19 through the provision of Personal Protective Equipment (PPEs) and Disinfectants to hospitals.

## FBC Trendsetting

FBC Holdings' firm commitment towards adapting to the rapidly changing tech-driven market place, solid corporate governance, risk management and memorable customer experience was recognised locally and regionally. The Group scooped the following awards in 2020:

- FBC Holdings won the Contact Centre Association of Zimbabwe (CCAZ) Most Innovative Organisation Award.
- FBC Bank was crowned the Overall Winner in the Banks and Banking Survey.
- FBC Bank was awarded the Best Digital Bank by Digital Banker Africa (DBA).
- FBC Bank scooped the Digital Banker Africa (DBA) Best Mobile Banking Award.
- FBC Bank was awarded the Best Banking Board Governance Practice Award by the Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ).
- FBC Bank won the Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ) Best Banking Risk Management Practices Award.
- FBC Bank scooped the Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ) Overall Best Corporate Governance Disclosures by a Banking Institution Award.
- MicroPlan won the Contact Centre Association of Zimbabwe (CCAZ) Service Excellence Award in the Microfinance Sector.

## Digital Transformation and Innovation

The digital transformation journey has gathered momentum over the last three years in a quest to position FBC as a future-proofed and digitally-fit business equipped to deal with the rapidly changing global environment. The advent of the Covid-19 pandemic has necessitated the acceleration of the Group's digital transformation program, with a focus on developing capabilities that will help the Group to underwrite new business efficiently and conveniently.

The Group will also deliberately leverage the new digital capabilities to augment and diversify the revenue model. The adoption of cloud, scale, speed, and agility are enabling organizations to innovate and go to market faster than before. By initiating the transformation process three years ago, the Group is now well positioned to adapt and act fast, pivoting new initiatives into operations and processes, enabling it to navigate through the pandemic, whilst building resilience for the future. The digital transformation program will also accentuate the synergy value proposition through integrated and insights-based customer, product and service delivery. It is pertinent to note that the Group's digital transformation strategy fundamentally supports a number of sustainability development goals (SDGs); climate action through carbon emission reduction, industry innovation and infrastructure, decent work and economic growth, as well as poverty reduction through financial inclusion.

The Group has accelerated the use of technology to delight the customer, improve productivity and lower operational costs across all businesses. Through orchestrating an ecosystem approach, the Group is positioned for exponential digital impact internally as well as the market at large. FBC Group is well aware of the pivotal role that organisational culture plays in the digital transformation process. In that regard, we have embarked on a critical change management process that takes into account all our people, technology, business processes and attitude with a focus on the customer.

# Group Chairman's Statement
(Continued)

During the period under review, the Group also launched a new vision, mission and promise as part of its re-positioning strategy:

**Vision**
To nurture sustainable solutions that enable the financial well-being of the communities we serve.

**Mission**
To deliver a unique customer experience through value-adding relationships, simplified processes and relevant technologies.

**Promise**
You matter most

**Compliance**
The Group is committed to complying with all applicable laws, regulations, standards and international best practices. We understand that any breach of the applicable laws and regulations exposes the Group to legal, regulatory and reputational risks which may result in de-risking and financial abandonment that can impair FBCH's ability serve its clients. As such, the Group has adopted a policy of zero tolerance to non-compliance to ensure strict adherence to laid down policies.

**Capitalisation**
The Reserve Bank of Zimbabwe (RBZ) extended the minimum capital requirements compliance date for banking institutions by a further twelve months. FBC Bank Limited and FBC Building Society are now required to have capital levels of the equivalent of US$30 million and US$20 million respectively by 31 December 2021. These subsidiaries are expected to self-capitalise through normal trading and/ or merging the two institutions by the regulated deadline. The Insurance and Pension Commission (IPEC) also reviewed minimum capital thresholds with reinsurance companies expected to have a minimum capital of ZWL150 million and composite primary insurance companies ZWL112.5 million. The Group has a detailed capitalisation plan in place to ensure full compliance.

**Environment, Social and Governance (ESG) Priorities**
With the advent of rapid developments in the environmental, social and governance (ESG) space, financial services providers on a global scale are making concerted efforts to adopt a proactive approach to sustainability as it moves from the side-lines to the corporate mainstream. Within the new era of sustainable banking, where capital market decisions are now based on a triple dimensional approach centred on risk, return and social impact, the Group is adopting a sustainable business model that values environmental integrity and social coherence, without sacrificing its economic objectives.

We are aware of the fourteen national priorities outlined in the National Development Strategy 1 of 2020-2025. To strike a balance between achieving profits and safeguarding the environment, the Group has embarked on an agenda to align its strategy to these national priorities. In the same vein, FBC Bank is currently undergoing sustainability certification which will go a long way in ensuring institutional ownership in the adoption of sustainability as an integral business practice.

**Outlook**
The country is looking forward to better economic prospects in 2021, riding on a good agricultural season, improved access to foreign currency and effective responses to the Covid-19 pandemic. This positive economic outlook will translate to increased business activities across a number of economic sectors. The Group plans to diversify its revenue streams through innovative roll-out of services and products, whilst increasing business underwriting in a number of traditional business lines.

**Appreciation**
My sincere gratitude goes out to our various stakeholders, strategic partners, clients and regulatory authorities for their unwavering support and commitment in our journey to elevate and consolidate the FBC Holdings brand.

I am also grateful to my fellow Non-Executive Directors of FBCH, Group Chief Executive, John Mushayavanhu and the entire FBC Team for placing the Group on a path of sustainable growth and being able to adjust to the sudden changes of the operating environment in order to stay afloat. I look forward to your unwavering support throughout the year ahead.

**Herbert Nkala**
**Group Chairman**

**10 May 2021**

# Group Chief Executive's Report

It is my great pleasure and honour to present to you, the FBC Holdings Limited (FBCH's) audited financial statements for the year ended 31 December 2020.

## Introduction

The Group's financial statements are being published at a time when the country and the world at large are faced with the devastating pandemic in the form of the novel coronavirus 2019 (Covid-19), which has impacted business activities and operations across the globe. Businesses have been forced to adapt operating models that cope with the effects of the Covid-19 pandemic. Collaborative efforts by governments, aid organisations and corporate firms have resulted in concerted efforts to preserve life and reduce the adverse effects of the pandemic. In the same vein, FBCH remains committed to supporting all national and private sector initiatives that uphold these initiatives to combat the Covid-19 virus.

## Operating Environment

The focal point of discussion in the year 2020 is undoubtedly Covid-19 and the unexpected consequences on business prospects and activities in general. Compared to other countries across the globe, the pandemic's negative impact was significantly less in Zimbabwe. What was however severe for Zimbabwe, were the spill-over effects from a resultant weaker global demand, lower commodity prices, and a drop in tourism activities.

Financial services distribution and development was drastically affected as institutions shifted to a defence and survival mode as a result of the uncertainty that was ushered in by the Covid-19 pandemic. In an effort to support the needs of customers, the Group accelerated the roll out of its digitalisation strategy which saw the Group's strategic business units launching new products that bring convenience to the customers by enabling them to transact their banking and insurance business in the comfort of their private spaces. This has enabled our customers to continue transacting, while ensuring that their productive and personal assets remain adequately insured throughout the lockdown periods. Our ability to bring this convenience to our customers reinforces our strategic realignment towards a digitally driven organisation.

The Group adopted a new vision, mission statement and pay-off line during the period under review, to better reflect the institution's digitalisation thrust and renewed philosophy to serve.

**Vision:** "To nurture sustainable solutions that enable the financial well-being of the communities we serve"

# Group Chief Executive's Report
(Continued)

**Mission statement:** "To deliver a unique customer experience through value-adding relationships, simplified processes and relevant technologies"

**Our promise:** "You matter most"

As we continue to enable the markets we serve, we are encouraged by the Government of Zimbabwe's recently launched National Development Strategy 1 (NDS-1) as a predecessor to the Transitional Stabilisation Policy (TSP) which subsisted during the period 2018- 2020. We remain hopeful and in support of the government's initiatives towards macroeconomic stability as well as fostering inclusive growth. We are however conscious of the prevailing macroeconomic conditions and will continue to implement the relevant risk management responses, while also seeking out opportunities to optimise the Group's business model and product offering.

The introduction of the foreign exchange auction in June 2020 has managed to stabilise the exchange rate and contain inflation. Meanwhile the gazetting of Statutory Instrument 185 of 2020 facilitated the use of foreign currency by holders of free funds during the Covid-19 lockdown. While the statutory instrument provided flexibility to consumers in the use of free funds during this period, some business entities have proceeded to exclusively charge for their goods and services in foreign currency. General trade in United States dollars has also increased both in the formal and informal sectors of the economy, creating an opportunity for the Group to create a basket of foreign currency denominated products within the regulated horizon.

## FBCH Group Performance

In accordance with the International Accounting Standard 29 (IAS 29), the inflation adjusted figures will form the basis of the Group's performance commentary.

During the period under review, the Group recorded a profit before tax of ZWL1.6 billion, which is 111% higher than ZWL0.76 billion reported in the prior year. Total income was ZWL8.1 billion, which is 14% ahead of the previous year's comparative amount of ZWL7.2 billion, while total expenses at ZWL5.2 billion were 13% higher than the previous year's comparative amount of ZWL4.6 billion. The Group's cost to income ratio for the period under review was 64%, in line with the previous year's figure of 64%. This is reflective of the aforementioned business disruptions which the Group contained relatively well under the prevailing circumstances.

The Group prioritised value preservation during the period under review, resulting in the Group's profit before tax being largely attributable to revaluation gains in foreign currency denominated assets. The Group is however, expected to drive growth in its core business of providing funding, investment as well as insurance solutions to the productive sectors of the economy, amidst indications of an improving economic environment.

Total assets were up 19%, from ZWL27.1 billion in FY2019 to close FY 2020 at ZWL32.4 billion as at 31 December 2020. Despite the aforementioned restrictions, total loans and advances were up 18% in FY 2020 compared to FY 2019, while total equity was up 29% to close FY 2020 at ZWL 5.08 billion.

The Group's commendable performance is attributable to the following performance of our subsidiaries;

## FBC Bank Limited

FBC Bank achieved a profit before tax of ZWL1.39 billion and an after tax profit of ZWL1.46 billion, largely anchored by foreign exchange gains following the strategic decision to hedge and preserve value as a response to the conditions prevalent in FY 2020. Net interest income at ZWL1.67 billion was mainly driven by the review of lending interest rates, in an attempt to reduce the level of negative interest in a hyperinflationary environment. The associated reviews of fees and charges to compensate for the loss in purchasing power supported the non-funded revenue streams of the business. However, this was inadequate to compensate for the Covid-19 induced reduction in transaction volumes.

Given the positive economic outlook, FBC Bank will improve its participation in key lending business operations, with a number of initiatives lined up to support the agricultural sector on the back of a good rainfall season, which resulted in most dams in the country accumulating adequate water reserves for irrigation purposes. We further anticipate that the electricity supply situation will improve in the country, giving the bank opportunities to provide key productive sectors with exciting financing solutions to revitalise the economy.

# Group Chief Executive's Report
(Continued)

Our transactional business was enabled by the Group's digitalisation program, which has successfully implemented ground-breaking products such as Digital on-boarding, Mobile Moola version 2.0, WhatsApp banking, Internet banking, QR Code capability and Send to Cell, which support our paperless banking initiative. In response to this successful transition to paperless banking, the bank rationalised its branch network, resulting in the closure of four branches, as the strategy shifts from brick and mortar branches to service provision through digital platforms.

### FBC Building Society

The FY2020 strategic focus of FBC Building Society was to spearhead the real estate value preservation strategy by creating a sizable investment properties portfolio. Consequently, a sizeable number of residential properties were retained for value preservation and rental income generation. The Building Society implemented a strategy to hedge most of its assets for the long term preservation of value at the cost of profitability, with the unit recording a loss of ZWL14.66 million for the period under review.

As the economic environment stabilizes, we anticipate that the Building Society will be more aggressive, with the key focus being the recovery of market share and increasing property sales on a cash and mortgage basis. The Building Society will focus on cost control to make the housing units more affordable for the benefit of customers.

FBC Building Society's construction activities have been progressing well, with a number of residential units currently under development in Kuwadzana high density suburb of Harare, with also several housing units having been completed and available for sale. Additional high density construction opportunities will be pursued in Hwange and Zvishavane where FBC Building Society has secured land for residential property development.

### MicroPlan Financial Services (Private) Limited

The Zimbabwean micro financing sector has been heavily affected by sub-optimal interest rates which have continued to trail inflation developments. The restriction of movement brought on by lockdowns and curfews have also had a negative impact on the target market of this sector. Subsequently, low business activity induced by the Covid-19 pandemic and the hyperinflationary environment, affected the viability of Microplan's operations which resulted in the business recording a loss of ZWL49.28 million. Furthermore, prospects of growing the loan book were significantly stifled by liquidity challenges prevalent in the market.

The stabilisation of exchange rates however, provides renewed impetus for the business to expand its product offering in favour of non-traditional markets. The business continues to seek out opportunities in the digitalisation of operations so as to manage costs and enhance its outreach to the target market.

### FBC Insurance Company (Private) Limited

FBC Insurance recorded a profit before tax of ZWL42.37 million, largely influenced by the growth in investment income. The core business of insurance services continues to be affected by low disposable incomes and low industrial capacity utilisation culminating in reduced insurance uptake. Meanwhile, the sustained mismatch in premium collections to claims has continued to pose serious operational challenges to the sector, with industry players failing to satisfy both policyholder and fund member expectations.

FBC Insurance availed exciting digital insurance solutions that we anticipate will present exciting opportunities for the unit going forward. To complement digital business development initiatives, the company will continue to deploy cost containment strategies for the betterment of policyholders whilst monitoring developments in relation to foreign currency denominated policies.

### FBC Reinsurance Limited

FBC Reinsurance achieved a profit before tax of ZWL203.55 million and an after tax profit of ZWL55.71 million attributable to the company's net earned premiums and trading income. The company is focusing on widening its revenue source markets by establishing operations outside the country; this initiative is at an advanced stage. The operating expenses of the unit continue to be a key focus area to improve the unit's profitability.

### FBC Securities (Private) Limited

FBC Securities recorded a loss of ZWL2.69 million mainly due to the lost two months of business when trading on the ZSE was suspended. Macroeconomic challenges necessitated management to proactively refine the business model as a

# Group Chief Executive's Report
(Continued)

way to manage working capital levels as well as defend the unit's statement of financial position. The unit's business has however, remained resilient.

### Capitalisation

The Group's banking entities that fall under the purview of the Reserve Bank of Zimbabwe were subject to adjustments to minimum capital requirements compliance deadline. FBC Bank Limited is expected to have a minimum reported ZWL equivalent capital level of US$30 million while FBC Building Society is expected to have a ZWL equivalent minimum capital position of US$20 million by 31 December 2021, instead of the original target date of 31 December 2020.

The insurance entities which are regulated by the Insurance and Pension Commission (IPEC) are also required to hold minimum capital thresholds. FBC Reinsurance has a new capital requirement of ZWL150 million whilst FBC Insurance is expected to have ZWL112.5 million in regulated capital.

The Group has a detailed capitalisation plan in place to ensure full compliance with the stipulated capital thresholds. To this end, all regulated subsidiaries are expected to be compliant when their capital requirements fall due.

### Information Technology, Digital Transformation and Innovation

FBC Holdings continues to view Information Technology as a key enabler for the delivery of service to its valued customers. Despite being under lockdown for the greater part of 2020, the Group made significant strides in implementing its digitalisation program. In an effort to ensure that the digitalisation strategy maintains traction, the Group established a financial technology entity, which will, going forward, spearhead the Group's digitalisation thrust. Since its launch, the unit has developed some exciting digital products for consumption by Group company customers as well as other players in the financial services and insurance industries.

FBC Holdings embraced agile methodology, virtual teams and successfully launched the following products and services during the lockdown:

- Digital Insurance
- Digital Account On-boarding for consumer banking accounts
- Whatsapp Banking and Insurance
- ZIPIT Smart Mobile Merchant Payments
- Send-to-Cell money Transfer
- Third Party Digital On-boarding and Electronic Know-Your-Customer Service

Through the new digital on-boarding capabilities, consumer banking customers can now open all account types including a full KYC account on their mobile phones in less than five minutes. The account opening process is now completely dematerialised with no need for paper or a visit to the branch, except to collect their bank card. Similarly, the vehicle insurance and licensing process has been digitalised. However, complete dematerialisation is pending the alignment of all stakeholders and enabling statutes.

To support the digitally native client, the Group has established the FBC Virtual unit which provides second line support, managing operations, and relationship and compliance issues.

The "New Normal" has created a favourable environment for the acceleration of FBC's digitalisation strategy, which should see more exciting products and services being rolled out in 2021. The main focus is on providing exceptional service while employing the best technology standards. Risks associated with digital transacting also remain a key consideration for the organisation, with the aim of providing peace of mind to customers as they transact. FBC continues to invest in robust Information Security tools and standards.

In 2021 and beyond, we aim to reduce our physical and carbon footprint through technology, while increasing the availability of current and exciting new products and services through digital touch points.

### Response to the Covid-19 Pandemic

The country witnessed an exponential rise in the number of local infections, which in part can be attributed to the general relaxation of the lockdown restrictions, especially in the fourth quarter of the year. The spike in infections as well as the emergence of new Covid-19 variants has culminated into what has now come to be known as the second Covid-19 wave.

This development increased the risk of infection within FBC Holdings, potentially disrupting business operations. In response, the Group instituted a number of health and safety measures to protect its employees, customers and the wider

# Group Chief Executive's Report
(Continued)

community. These measures are summarised as follows:

- Raising awareness and dissemination of Covid-19 related information as guided by the WHO and the Ministry of Health and Child Care.
- The adoption of risk based Group-wide testing across all business units.
- Adherence to Covid-19 hygiene protocols such as social distancing, sanitisation of persons, disinfection of offices, wearing of masks and other safety related practices.
- Introduction of work from home (WFH) arrangements where employee office presence is restricted to authorised numbers.
- Purchase of buses to ferry staff to and from work to avoid them being subjected to community infections through use of public transport.

The Group managed to provide medical solutions for staff members that tested positive with some requiring home based care while others required hospitalisation. Arrangements were made with competent medical practitioners to provide medical solutions in both circumstances. The Group unfortunately however lost 2 staff members to the novel Covid-19 virus while up-to 56 staff members tested positive but managed to recover. Our deepest condolences go to our dear colleagues' families.

### Our approach to human development

FBC Holdings is an equal opportunity employer that is committed to diversity and inclusion in the workplace. We value the importance of the skills possessed by our human capital in achieving the strategic and operational objectives. As a result, the Group invests significantly in talent management and positive employee engagement.

The Group has observed that there is a positive correlation between high employee engagement and business performance. To this end, the Group has put in place a reward and incentive programmes to boost employee engagement, among other initiatives. Staff retention levels are high and this is in line with the company's strategic objectives.

The Group also prioritises employee learning and development. One of the key enablers to learning has been the installation and deployment of an e-learning management system which facilitates easier and cost effective access to learning materials for all our employees through an on-line platform. This system has come in handy, particularly at this point in time where covid-19 does not allow for physical or classroom type of training. The Group will continue to invest in systems that facilitate the enhancement of employee knowledge and the improvement of all our processes in the business and product value chains.

### Our Risk Management approach

The Group Risk profile significantly changed during the period under review as the Group adapted its operations in line with regulatory prescriptions and lockdown measures. The Covid-19 pandemic significantly escalated operational and business risks due to its disruptive effects. The risk management framework was adjusted to incorporate the changes in business operations. Business Continuity Management (BCM) processes were reconfigured and consequently ensured the Group continued to deliver bespoke products and services. Efforts were biased towards enabling and creating new digital service channels. The majority of staff members were enabled to work from home and the Group continues to invest in this capacity. The internal control environment was also enhanced by the review of processes and policies to ensure that the Group's systems and all its information assets are protected from possible threats. The Group has embraced the new normal and will continue to take the necessary steps to ensure that customers will be served in a satisfactory manner.

With the advent of new strains of the virus and possible government reactions, the Group remains focused on ensuring that customer convenience is enhanced despite the operating environment, further investments are planned to help improve the business continuity processes.

### Compliance and Regulatory Developments

A number of statutory instruments were promulgated during the year 2020, which impacted the Group's operations in a number of ways. Numerous Covid19 safety guidelines were rolled out in response to the unfolding circumstances. The regulatory and compliance environment continues to increase in complexity and thus increasing the Group's compliance burden.

As a result of the country's adverse designation under the Financial Action Task Force (FATF) and European Union (EU) regulations, banks and other entities are required to apply increased due diligence checks on financial operations

# Group Chief Executive's Report
(Continued)

involving customers and financial institutions from high-risk developing nations, to better identify any suspicious money flows. The period under review also saw the addition of Zimbabwean individuals and entities to the United States Office of Foreign Assets Control (OFAC) and Specially Designated Nationals (SDN) Listings. The United Kingdom also listed several Zimbabweans under its sanctions regime.

The Group is committed to adherence with all applicable laws, regulations, standards and international best practices. FBC Holdings cannot over emphasise the serious impact of non-compliance and as such will continue to commit resources on measures to mitigate the same.

## Our Environment, Social and Governance (ESG) Priorities

The Covid-19 pandemic has brought about a wide range of environmental social governance factors into focus for corporate entities, including employee treatment and working conditions, access to healthcare, and socio- environmental impacts. Covid-19 has also made investment in the Social Development Goals (SDG's) and national priorities as defined in the National Development Strategy 1 (NDS1) more urgent than ever.

As such FBC Holdings is redefining its corporate strategy making sure that it incorporates issues of environmental integrity, economic prosperity as well as social equity and cohesion. The Group is well positioned not only to provide financial support but also to share knowledge in order to help our clientele meet and create demand for products and services with a sustainability focus. FBC Holdings, through its diverse business model, is committed to playing a collaborative role to ensure that the communities we serve become inclusive and develop a greater social conscience.

## Outlook

The outlook for 2021 is positive despite the uncertainty posed by the Covid-19 pandemic. Aid organisations, Governments and Corporate organizations continue to coordinate efforts and mobilise resources towards fighting the Covid-19 pandemic. The vaccination programme rollout across the globe is also expected to reduce the impact of the pandemic in 2021 allowing for more economic activity. The Group projects a positive outturn for 2021 on the back of a very strong recovery in the agricultural and energy sectors. Transaction volumes and values across the Group are expected to increase, resulting in much stronger performance in 2021. The Group will continue to seek opportunities to preserve its balance sheet and reconstitute its business model in line with regulatory requirements and the changes to the macroeconomic landscape.

## Appreciation

My sincere and heartfelt appreciation goes out to all our stakeholders and in particular to our valued customers who have demonstrated an unwavering support for the FBCH Brand. To our customers, we would like to reaffirm our promise that "You matter most". We are dedicated to delivering innovative, market-led products for the present and future generations. To the FBC Holdings Board of Directors, management and staff members, I thank you for your guidance and support in the execution of our business strategy under unprecedented business conditions.

As we continue the fight against Covid-19, we will put all the necessary measures to create a safe and cordial transacting environment for our clients, employees, their families and the nation at large.

**John Mushayavanhu**
**Group Chief Executive**

**10 May 2021**

# Sustainability **Report**

### Reporting scope, boundary and framework

This report covers the non-financial performance of FBC Holdings from 1 January 2020 to 31 December 2020. Any notable or material events after this date and up to the approval date of this 2020 sustainability report are included.

The sole intention of this report is to serve the information needs and interests of the various stakeholder groups that are directly impacted by the Group's business operations. This report also highlights sustainability material aspects in relation to our corporate strategy. We have taken direction from the Zimbabwe Stock Exchange listing requirements (Statutory Instrument 134 of 2019) and the Global Reporting Initiative (GRI) standards.

### Assurance

Our Group Internal Audit and Risk Management divisions applied a risk-based combined assurance approach to ensure the accuracy of quantitative and qualitative information contained in this report.

### Oversight & Strategy

The Executive Committee, led by the Group Company Secretary is responsible for the monitoring and reporting of the FBCH's non-financial performance. The Group has nominated sustainability champions who drive the operational sustainability objectives and provide feedback through the Group Sustainability Officer.

Our sustainability strategy is aligned to the new vision and mission statement. By prioritising stakeholders, we perceive that our revised purpose can only be achieved by managing the impact we cause.  Through continuous and rigorous stakeholder engagement, we seek to embrace the evolving expectations and deepen integration of sustainability in our day to day operations.  While our endeavours for promoting sustainability remain a challenging task, we intend to strengthen our practices as we continue to grow and as stakeholders begin to appreciate its significance.

# Sustainability Report
(Continued)

## Message from the Group CEO

**Dear Stakeholders,**
Sustainability is increasingly becoming integral to how we operate as FBC Holdings as well as Zimbabwe at large. We are proud to have taken a deliberate effort to have sustainability at the heart of our operations and strategy. Our sustainability journey dates back to 2016 when disclosure of non-financial performance was still voluntary. Five years later, our commitment to integrating sustainability across the Group has been enhanced. We have deepened our contribution towards a cleaner, more environmentally sustainable and socially just planet.

Over the past year, we experienced remarkable buy-in from both FBCH management and the Board of Directors on the essence of creating harmony amongst our business units, the communities we serve as well as the environment. We are also excited that our Board has taken sustainability as a key deliverable in our corporate strategy and is committed to making sustainability count. As such, this has provided the much needed impetus for continued focus on the pertinent environmental, social and governance factors that directly affect our long term profitability. Our new vision, mission and business principles are designed to drive profitability by prioritising the communities we serve. Driven by a strong focus to identify social challenges and expectations, the Group is in the process of establishing relevant management committees to ensure that sustainability is incorporated into our corporate strategy. These initiatives mark the onset of FBCH's business, governance and cultural transformation in line with national, regional and global priorities.

I am delighted to announce our participation in the inaugural World Development Finance Forum (2020). Through this conference, we now acknowledge the importance of building close connections and partnerships among governments, regulators, national development finance institutions, commercial banks and other financial intermediaries, to turn the current unprecedented challenges into opportunities. In our view, this ecosystem will catapult us to transit beyond the profit only objective, to a scenario where we are expected to connect with and contribute to society more than ever. Armed with that refreshed approach, we undertake to work hand in glove with all stakeholders, for the betterment of humanity.

The unfortunate advent of Covid-19 has tremendously impacted livelihoods, industries and has even financially crippled governments across the globe. Admittedly, our resilience as a Group was and continues to be tested in ways we could never have imagined. Despite the unpredictability of this pandemic, our response remained strong under the decisive direction and able leadership of our Board of Directors and senior management. Our people stepped up and quickly adopted measures to keep themselves, their families and the communities we serve, safe and well.

The National Development Strategy 1 (2020-25) is a welcome blueprint to the Group as it addresses the pertinent emerging issues of our country and how we can all work as a team to attain a green and inclusive Zimbabwe. FBCH acknowledges its economic role to finance the achievement of the Global Sustainable Development Goals (SDGs) and the country's transition to a fourth industrial revolution. It is our understanding that the government's financial resources may not be sufficient to meet the needs of Covid-19 challenges as well as the actualisation of SDGs. As FBCH, we also understand that crises such as the current one often reveal the inequalities of our society and the disproportionate impact on communities. It requires a revitalised role of the financial service providers to close such gaps and alleviate the impact, through accelerated, deliberate and sustained community enrichment initiatives.

As a responsible corporate citizen, we are intensifying efforts to embed sustainability. We must not only create a strong and resilient institution but we must also assist in the purposeful mobilisation of funding for environmental as well as community enrichment. To specifically address issues of inequalities, we have already started the journey by reviewing our policies and practices to make sure they are not only inclusive but deliberately enable and improve equality and inclusion both within and outside FBCH. It is our responsibility to make a meaningful contribution to major societal transition and build an impact-centred, long term business that has the community at heart.

Fellow stakeholders, it is pertinent to note that going green is the only strategy that can optimise a business' operations in the 21st century. While Covid-19 continues to pose a major impediment, we are confident in the Group's ability to drive meaningful and lasting change in this regard. Driven by our values and guided by our business principles, a sustainable financial services space is indeed a possibility. In the same vein, we will not neglect our duty to safeguard the revenue model and profitability objective of the Group.

**Dr John Mushayavanhu**
**Group Chief Executive**

# Sustainability Report
(Continued)

## 1. Our Journey

Throughout the last five years, the Group has made reasonable progress in terms of sustainability transformation and value creation.

| | |
|---|---|
| 2020 | • Strategy & reporting guided by the triple bottom line.<br>• Proposed sustainability structures.<br>• FBC Holdings still undergoing sustainability certification. |
| 2019 | • Nominated for Green Climate Fund accreditation (Expression of Interest submitted).<br>• Participated in climate finance regional learning forum.<br>• Engaged third party mentorship on sustainability. |
| 2018 | • Capacity building to strengthen our sustainability initiatives.<br>• Participated in the National Designated Authority climate workshops. |
| 2017 | • Integration of Environment, Social and Governance (ESG) metrics into the credit policy.<br>• Capacity building. |
| 2016 | • Sustainability covenants in lines in of credit.<br>• Nominated Environment, Social and Governance (ESG) champions across the Group. |

# Sustainability Report
(Continued)

## 2. Our Sustainability Management priorities

FBC Holdings Limited embraced the three dimensional approach to capital allocation, where organisations go beyond risk and return as they seek to also consider environmental, social and governance impact to the communities they serve. To enable the transition to an equitable, responsible and just society, the Group deliberately adopted triple bottom line reporting, to ensure that impartial focus is placed on profit, people and the planet.

In 2020, Zimbabwe transitioned from the Transitional Stabilisation Programme 2018-2020 ("TSP") to the National Development Strategy (NDS) which focuses on the delivery of 14 National Priorities in the realisation of the 17 United Nations Sustainable Development Goals ("SDG"). The NDS1 outlines the strategies and institutional reforms; and the programmes and projects that will be implemented over the next five-year period, to achieve accelerated, high, inclusive, broad based and sustainable economic growth as well as socio-economic transformation and development. Based on the understanding that we cannot afford to be bystanders, the Group aligned its sustainability agenda to the national priorities set in the two blueprints and will continually revise it so as to make a positive contribution towards the attainment of the SDGs.

### Sustainable Development Goals

As part of our integrated reporting framework and in conjunction with the triple bottom line reporting method, FBC Holdings reports on the six capitals as highlighted below. The six capitals provide a basis for which the Group can better evaluate its progress in the value creation process as well as assess the Group's contribution towards the SDGs.

### The United Nations 17 Sustainable Development Goals


**Financial Capital** can be related to 14 of the above enlisted SDGs. FBC Group selected SDG 8, 17 and 11
**Human Capital** can be related to 12 of the above enlisted SDGs. FBCH chose SDG 3, 4, 5, 8 and 10.
**Intellectual Capital** can be related to 9 of the above enlisted SDGs. The Group selected SDG 3, 10, 16 and 11.
**Technological Capital** can be related to 10 of the above enlisted SDGs. FBCH selected SDG 9 and 17.
**Natural Capital** can be related to 9 of the above enlisted SDGs. The Group selected SDG 13
**Social Capital** can be related to all 17 of the above enlisted SDGs. FBC has selected 3 being SDG 1, 8 and 10.

# Sustainability Report
(Continued)

## 3. Stakeholder Engagement

At FBC Holdings, stakeholder engagement is an ongoing process as we seek to understand and prioritise their changing needs. We apply an inclusive approach in balancing their unique needs, interests and expectations with the best interests of the Group and concurrently maximise our positive impact in both good and challenging times. Given the dynamic nature of the financial services space, frequent engagements inform the Group's decision-making and enable us to swiftly respond. We view stakeholder engagement as a value-creating process that is critical in furthering our growth ambitions.

Our stakeholders comprise of people who do business with us, are employed by us, bank with us, own us, regulate us and live in the communities we serve. To us, being sustainable means building strong relationships with these stakeholders and addressing their overarching concerns timeously. From our stakeholder mapping exercise, we came up with the following groups which also highlight the  material topics which were raised during the on-going engagements:

| Stakeholder Group | How we sought their views | Material topics raised |
|---|---|---|
| Customer Communities<br>Employees<br>Investors and Shareholders<br>Government and Regulatory Bodies<br>Suppliers<br>Media<br>Financial Institutions (Debt and Equity Analysis) | Annual and Interim Reports<br>Social Media<br>Press Release<br>Call Centre<br>Dedicated Intranet<br>Training Workshops<br>Internal Magazines<br>Annual/Board/General Meetings<br>Surveys<br>Workers Committees | Service quality<br>Culture and Digital Transformation<br>Covid-19 Health, Safety and Well being Remote Working<br>Training Benefits and Compensation<br>Customer Protection Responsible Marketing Governance Risk Management Compliance<br>Financial Performance Sustainability Capital Preservation Auditor independence |

# Sustainability Report
(Continued)

## Material topics common amongst stakeholders

| Material Concerns | How we responded |
|---|---|
| Service Quality | • The Group sufficiently resourced and operationalised the Customer Experience Department which offers 24/7 support.<br>• Digital standardisation of processes (MasterCard).<br>• Creation of Customer Service champions.<br>• Through the Customer Experience Department, we now hold branch clinics to regularly engage management on pertinent customer issues.<br>• Digital on-boarding for FBC Bank clients.<br>• yakO (Digital on-boarding for Motor Vehicle insurance clients).<br>• Introduced the FBC Health mobile application to the pool of remote access points.<br>• Enhanced features of mobile application. |
| Culture Transformation and Digital Transformation | • The Group has put in place a culture transformation champion/change agent to spearhead this cause.<br>• Facilitated remote working.<br>• Plan for business processing reengineering–in line with the new business design principles.<br>• New vision, mission statement and pay off line as the overarching guide for a total paradigm shift and a planned corporate repositioning campaign to communicate this to the market at large.<br>• The Group has a standalone digital value office which is a division which works hand in glove with all key departments in the Group to ensure a synergistic transformation process.<br>• The Group is revisiting all processes with a view to rolling out full digitalisation.<br>• The knowledge gap still exists within the Group and we are in the process of implementing a change management strategy. |
| Covid-19<br><br>Health, Safety and Wellbeing | • Activated the Business Continuity Plan to enable seamless delivery of financial services through a transition into remote working.<br>• Contributed to the fight against the Covid-19 pandemic by donating protective clothing and test kits.<br>• Provided our employees with protective clothing and sanitisers while enforcing maximum adherence to Covid-19 safety guidelines.<br>• Committed to purchasing vaccines on a private sector lead initiative approved by the Government for our staff members and their immediate families. |
| Training | • We remain focused on fully equipping our employees with the right knowledge to maximise customer service.<br>• FBCH subscribes to a learning management system called Cornerstone on Demand.<br>• We subscribed to an e-library and e-learning platform, where diverse learning content is available to meet the Group's learning requirements.<br>• Employees attend webinars and online training programmes.<br>• Employees periodically take in-house product knowledge tests which are deployed through an online system.<br>• The Group provides internship to university students to enable them to acquire practical experience. |
| Benefits & Compensation | • Remuneration reviewed in line with inflation trends.<br>• Further discretionary cushioning allowances paid subject to satisfactory financial performance.<br>• The Group purchased buses and availed secure transport to employees. |

# Sustainability Report
(Continued)

| Material Concerns | How we responded |
|---|---|
| Customer Protection<br><br>Responsible Marketing | • This is guided by the Consumer Act & Framework.<br>• We have a Complaints & Grievance Management Policy in place to guide our daily operations.<br>• We added a virtual complaints option on our mobile application (support function).<br>• All complaints are managed through the Complaints & Queries Manager's desk.<br>• Complaints are reported to the regulator on a periodic basis.<br>• We regularly educate customers through our website, social media platforms and text messages.<br>• Business conditions are published on our website and displayed in banking halls. |
| Governance Risk Management & Compliance | • Our regulators and the government continued to rollout disaster management policies throughout the year to manage the Covid-19 pandemic.<br>• Given our zero-tolerance to non-compliance, we managed to furnish the respective bodies with proposed responses to the pandemic as requested and also swiftly responded with initiatives to curtail further infections.<br>• The Group is currently working towards complying with all regulatory directives by the set deadlines. |
| Financial Performance | • The Group discloses its financial performance on a quarterly basis through trading updates, semi-annually through interim financial reports and annually through full year audited financials and annual reports. |
| Sustainability & Climate Change | • FBC Bank is currently adopting a universally accepted and executable set of across-the-board sustainability standards under the Sustainability Standards and Certification Initiative.<br>• FBC Bank is a signatory of the International Resolution on Financing Post-Covid-19 Era, signed during the inaugural World Development Finance Forum of 2020.<br>• The Group is in the process of setting up sustainability structures i.e. Sustainability Committees and the Sustainability function.<br>• We have been participating in regional climate finance learning forums since 2018, to boost our understanding of climate related issues.<br>• Since 2016, the Group has been disclosing non-financial performance voluntarily.<br>• FBCH authors its sustainability with guidance from ZSE listing requirements and Global Reporting Initiative standards.<br>• As a capacity building initiative, we have significantly increased our participation in climate related forums. |
| Capital Preservation | • The Group took cognisance of the turbulent macro-economic environment and deployed capital preservation methodologies to minimise value erosion. Real estate, currency hedging and revenue diversification remain the main hedging strategies for the Group. |
| Auditor Independence | • In line with the Banking Act and FBC policies, Deloitte and Touché, the Group external auditors for the last five years were replaced with new external auditors. KPMG was nominated and appointed as the new auditors for the next 5 years. |

# Sustainability Report
(Continued)

## 4. Our People

*"The Group's aim is to create a safe and inclusive working environment where everyone is valued and celebrated. Our incredible team is our source of confidence —people who are empowered, self-driven, manifest great agility and stand for what we believe in."*

**Group Human Resources Director – Dr. Israel Murefu**

### Our Human Resources strategy

FBC Holdings is creating a culture of diversity, responsibility, inclusivity and sustainability across its business to deliver on and amplify our ambitions towards the national priorities and 2030 Sustainability Agenda. FBC Holdings firmly believes its employees are the greatest asset. Their recognition and appreciation is a key priority to the Group. It is against this backdrop that we are making concerted efforts to continuously develop and upgrade the skills of our valued employees. Our strategy is to:

### 4.1. Recruit, develop and retain talent based on meritocracy

The Group's recruitment process is transparent and solely based on meritocracy. It is our firm belief that FBCH's reputation is defined by skilled and empowered employees who have the customers at heart. The talent management strategy adopted by the Group allows nurturing of skills through graduate trainee programs and internships. This then feeds into the succession pipeline where senior management vacancies are filled from within the organisation.

As demand for new and diverse skills increase in tandem with the dynamic global landscape, we understand the need to continuously equip our workforce with the right knowledge to ensure that customers' expectations are met. The Group has a dedicated training arm that handles most upskilling and development of the entire organisation. Where necessary, external training is sought. Knowledge gap assessments and skills audit are essential aspects of this department.

**Average training hours per employee**

| | 2020 | 2019 |
|---|---|---|
| Male | 12 | 12 |
| Female | 10 | 11 |
| **Total** | **22** | **23** |

**Voluntary Staff Turnover**
**2020** 0.39%
**2019** 2%
**2018** 2.8%

**Training activities**

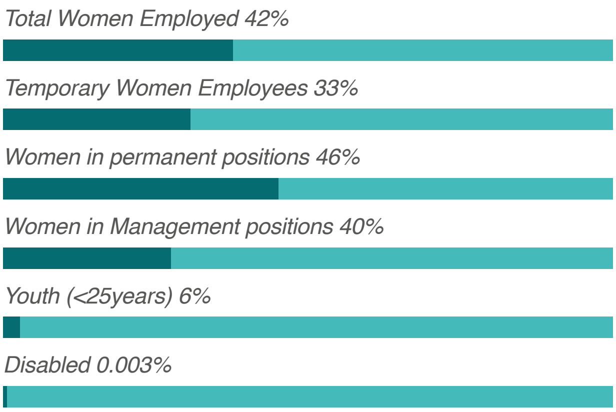
| Activity | Attendance | 2020 | 2019 |
|---|---|---|---|
| Wellness (Incl HIV/AIDS) | Number | 213 | 620 |
| Health & Safety | Number | 101 | 26 |
| Anti-money Laundering | Number | 205 | 150 |
| Human rights | Number | - | - |
| Anti-corruption | Number | 600 | 542 |
| **Total** | **Number** | **1.119** | **1.338** |

### 4.2. Champion inclusion and diversity

At FBC Holdings, we chose to prioritise representation. While the transition to ensure equality is not an overnight process, we aspire to be an inclusive organisation that promotes diversity. We firmly believe that diversity advances performance and triggers creativity as well as innovation. Our target is to have an organisation that has equal representation in terms of gender, ethnicity, age and skills.

In collaboration with SouthSouthNorth, the Group has embarked on a journey to revise all policies and redouble efforts to promote equality. Gender mainstreaming is one pertinent issue that has been discussed and we look forward to coming up with a robust set of policies that captures this.

**FBCH Demographics**



# Sustainability Report
(Continued)

### 4.3. Ensure privacy and respect for all people

The Group's philosophy is anchored on respecting human and labour rights as well as creating dignified lifelong relationship. We do not entertain any forms of harassment and bullying both at the workplace and outside FBCH's premises. We have put in place stringent measures to curtail violation of human rights. Our approach to the protection of human rights is as defined by the Zimbabwean Constitution and the following organisations:

International Labour Organization

United Nations Human Rights

We are committed to protecting the privacy of our employees and customers by ensuring that their personal information is safe and secure. To minimise leakages of information into the public domain, the Group continuously upgrades its systems and clearly defines points of information dissemination.

### 4.4. Allow employees to speak up

An inclusive and safe working environment is achieved only when concerns and work-related issues are addressed through an open dialogue. At FBCH, we understand that everyone needs to be heard and we have put in place the appropriate channels of communication.

The whistle blowing policy allows employees to report inappropriate behaviour and irregularities, whilst protecting their privacy. To avoid victimisation and to ensure confidentiality, this platform is manned by an independent third party where codes are used instead of names. It is mandatory for every department to have whistle blowing procedures clearly displayed to encourage employees to air their sentiments anonymously.


To further create comfort in cross-rank communication, we adopted an open door policy where junior officers can freely converse and share ideas with senior officers. The Group values all contributions regardless of rank, which creates a level playing field for ideation and appreciative enquiry. We also address each other by first names irrespective of grade to ensure prevalence of a cordial working environment and to promote the easy flow of ideas.

Our employee engagement surveys assist us in understanding the topical concerns within our workforce. This enables us to ascertain morale levels which in turn fully inform how we motivate strategy.

### 4.5. Put family first

Our policies are informed by the notion that we do not just hire an individual but an entire family. Our employees can only perform better when the home environment is a happy one. We understand that beyond financial compensation, employees are left with unmet family needs. In seeking to develop a deeply trusting relationship with our employees, FBCH has put in place family-considerate polices. We have a commitment from our GCE and the Board, to ensure that all our staff members are assisted in purchasing houses to meet their basic shelter need. Following guidance from ILO, the Group has a maternity scheme with generous allowance for days off for time with their family. All employees have comprehensive health cover which is fully paid for by the organisation. Regardless of the challenging economic environment, we try by all means to match benefits with the needs of our valued employees.


*FBC employees celebrating Valentine's Day.*

### 4.6. Prioritise health, safety and wellness

Health and safety within and outside the organisation remains our main priority. It our role to incentivise, subsidise and organise the right programs for our employees. As such, FBCH

# Sustainability Report
(Continued)

pays an annual subscription of ZWL 1.2 million at FBCH Old Hararians Sports Club which has a wide range of wellness facilities. The Group also installed a solar system at a ZWL equivalent cost of US$4000.

Apart from the dedicated SHE officer, the Group has a medical doctor whose primary role is dealing with Covid-19 related ailments within our employee base. A Covid-19 taskforce was put in place to ensure maximum protection of our employees and adherence to Covid-19 protocols. In the same vein, the Group assists with medical costs incurred by staff members diagnosed with Covid-19. A staggered working arrangement was put in place to decongest all workplaces in response to the pandemic.


*The Group put in place protective shields to protect all frontline officers from the risk of contracting Covid-19.*

*The Group availed free transport for employees as a measure to curtail the spread of Covid-19*

We are also vigilant in training our staff members on non-communicable diseases such as cancer and HIV/AIDS.

| Indicator | 2020 | 2019 |
|---|---|---|
| Total number of injuries | 0 | 0 |
| Total number of occupational disease rate | 0 | 0 |
| Number of days lost due to absenteeism | 0 | 1 424 |
| Number of work related fatalities | 0 | 0 |
| Safety training days (count) | 0 | 26 |

### 4.7. Objectively track performance and competitively compensate

The Group's performance appraisals which are conducted bi-annually are not meant to victimise or penalise employees but rather to improve performance and productivity. Performance appraisals serve as a basis of creating an enabling environment and modifying work-related behaviour.

At FBCH, we believe that employees should be competitively compensated. Despite the current economic down turn, our target is to always have decent remuneration packages for our valued employees. We have an array of low interest credit facilities and other benefits that our employees enjoy.

### 4.8. Resolve disputes amicably

The Group fully appreciates that misunderstandings are part of all relationships. Matters of mutual interest are openly discussed through a Works Council, with equal representation from both management and employees. Meetings are held quarterly, with provision for special adhoc meetings. Our employees have the liberty to join a workers union of their choice. The Group then engages and solves disputes through the Works Council. The Group's ultimate goal in dispute resolution is to have amicable settlements that are free of duress and prejudice.

# Sustainability Report
(Continued)

## 5. Community Impact

*"Beyond our vision to create financial services and products that make life better for all people, communities and organisations across the country, we strive to promote the transition to a green, inclusive and digital economy, through collaborations with industry thought leaders, regulators and the government."*
**Dr. John Mushayavanhu - Group Chief Executive**

### 5.1 Our investment in Micro, Small and Medium Enterprises (MSMEs)

MSMEs is estimated to constitute more than 70% of business in Zimbabwe which employ more than 60% of the working population, with an estimated average GDP contribution of 50%. The Group is aware of the enormous impact from this sector and has put in place appropriate funding mechanisms. Within FBCH, we have a dedicated Unit under FBC Bank whose mandate is to cater for the funding needs of small businesses. Our microfinance subsidiary also serves this market.

### 5.2 Youth and Women empowerment

Youths and women have been excluded from the economic mainstream for some time. The country's rural population is reported to be above 60% and it is unfortunate that this is where most women and children reside. On the contrary, a lot of youths have migrated to urban areas but have failed to secure employment. Armed with the necessary insights of these demographic groupings, we introduced a dedicated desk within the Business Banking section, to ensure that their financial needs are addressed, particularly when they are ready to start small businesses. To this end, we have noted an increase in the number of youths and women owned businesses that have accessed our financing facilities.

### 5.3 Agricultural support

In our efforts towards national development, FBC Bank has over the years participated in a number of private sector- led national initiatives that include, but are not limited to, the support of agriculture through the issuance of Agro-bills for and on behalf of the Agricultural Bank of Zimbabwe. For eleven consecutive years since 2010, we are proud to have successfully raised more than US$170 million cumulatively, with proceeds used to strengthen notable agricultural value chains. We also lend directly to farmers and now have a dedicated agricultural support finance team in Corporate Banking Division.

### 5.4 Housing

The Group, through its subsidiary FBC Building Society, has been working on various housing projects with the intention of addressing the national housing backlog and concurrently contributing to the SDGs. This is against the background that sustainable livelihoods are attainable only when adequate housing units are constructed.

**FBC Building Society Housing Statistics**

| Target Market | Project | Cumulative Total (2016 - date) |
|---|---|---|
| High Density | Kuwadzana FountainBleau | 858 |
| Medium Density | Glaudina | 46 |
| | Masotsha Phase 1-4 | 72 |
| | Masotsha Phase 5 | 16 |
| Low density | Greendale Chaplin | 10 |
| | Greendale Rossal | 24 |
| | Greendale Rhino Gardens - Acturus | 17 |
| | Belgravia | 15 |
| | Newlands Ostrich Gardens | 16 |
| | Greendale Kennedy | 16 |
| | St Kilda Mt Pleasant | 48 |
| | Avondale 97 West Road | 16 |
| | Greendale Alfred | 24 |
| Stands : Low density | Helensvale | 8 |
| : Medium density | Ruwa | 10 |

# Sustainability Report
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*Kuwadzana high density project which is currently under development in partnership with Harare City Council*

### 5.5 Our continued support towards education

In our quest to improve the quality of education, we continue to support learning centres across the country. The Group has a scholarship fund which assists in the payment of tuition for 5 students at Midlands State University on an annual basis. We also offer opportunities for internship to enable learners to have practical experience.

4 QUALITY EDUCATION

Following the Cyclone Idai catastrophe, FBCH donated building material for the construction of a classroom block at Charleswood Primary School in Chimanimani. The building materials were duly delivered and construction is still ongoing. FBC Bank partnered with the Ministry of Primary & Secondary School Secretary's Merit Award to sponsor computer hardware for electronic learning (e-learning) classrooms at selected schools nationwide. During the course of 2020, the Group donated the following;

- 20 interactive classroom boards,
- 20 classroom projectors,
- 450 notebooks for primary school children ,
- 450 notebooks for secondary school children

*Work in progress at Acacia Junior in Madokero; FBC Bank's Business Banking Division fully funded the construction of a new block with 9 classrooms.*

### 5.6 Covid19

3 GOOD HEALTH AND WELL-BEING

In response to Covid-19, we decongested all premises across the country and introduced remote working. Through our fintech unit, we rolled out a couple of convenient access points to benefit our valued customers. To curtail the spread of Covid-19, we understood the need to virtually interact with all stakeholders and quickly accelerate the usage of social media, online meeting platforms as well as our virtual assistant, Noku. At the same time, the Group ensured maximum adherence to Covid-19 guidelines in the few necessary physical interactions which transpired.


*In cases where our customers require physical interaction with our staff, we ensure that masks are properly worn and social distancing is strictly observed.*

It is our understanding that when faced with a pandemic of this nature, there is need to pool resources for the common cause. As a responsible corporate citizen, we proudly donated 10 000 test kits to the government. We also donated personal protective equipment to Zvishavane and Mberengwa Hospitals.

*His Excellency Emmerson Dambudzo Mnangagwa, President of the Republic of Zimbabwe (centre), receives 10 000 Covid-19 Test Kits donated by FBCH from Herbert Nkala (FBCH Group Chairman-second from right) and John Mushayavanhu (FBC Group CE-second from left). Looking on is Mr Shingi Mabuto (PSMI Corporate Services Executive Director-far right) and Dr T.Gutu (PSMI).*

*Shepherd Sayi (FBC Bank Zvishavane Branch Manager-second from right) presents the FBC Covid-19 donation to Mr Chokera (District Development Coordinator-far right) and Dr Mavurayi (District Medical Officer) at Zvishavane District Hospital.*

# Sustainability Report
(Continued)

## 6. Our planet

*"We are mindful of the urgency required in addressing environmental related risks through financing mitigation and adaptation programmes. By virtue of our intermediary role, we are better placed to influence accelerated implementation through the capital allocation process."*
**Webster Rusere - FBC Bank Managing Director**

### 6.1 Climate change

13 CLIMATE ACTION

The unbearable effects of climate change have been felt across the globe through extreme weather conditions such as floods, hurricanes and continuous droughts which are expected to continue escalating in the future. Numerous groups of people have been negatively affected by the damages with some thrown into abject poverty. Increasingly, the world has had to witness changes in sea levels, advent epidemics and ravaging fires.

### 6.2 Our strategy

We recognise the relentless global, regional and local efforts to combat climate change through the Paris Agreement, 2030 Sustainability Agenda as well as local blueprints. We also acknowledge that fighting climate change is a collective task where the financial institutions should never be left out. As FBCH, we are in the process of putting the appropriate framework to ensure that our operations are in line with global expectations. Our target is to promote responsible resourcing within the Group, ensure efficient usage of energy and water, as well as to reduce our carbon foot print. Whilst our initial approach to environmental management is inward looking, we also strive to support our clients as they invest in environmentally friendly projects.

### 6.3 Indirect impact

The Group's sustainability policy accounts for all the environmental, social and governance issues that need to be addressed by FBC Holdings. As a financial intermediary, we assume the risks that come with the operations of whoever we fund. In this regard, it becomes our prerogative to meaningfully influence how capital is deployed in the market. Against the understanding that capital allocation is now based on risk, return and impact, we believe that we play a crucial role in ensuring that stakeholders understand the paradigm shift.

The Group is proud to have incorporated ESG metrics in our credit policy. Our lending is more concentrated on companies that have minimal environmental damage.

### 6.4 Direct impact

Whilst we have minimal direct impact to the environment, we understand that we have a responsibility to adopt sustainable behaviour in all our internal operations. Internally, we seek to reduce water usage, energy consumption and waste, by adopting recycling as well as sustainable procurement, by conducting supplier assessments prior to engagement.

The Group is yet to put in place the relevant structures and data capturing mechanisms that are needed to fully capture carbon emissions on a periodic basis. We have however, managed to capture our foot print and energy consumption for the period.

**Energy Consumption**

| | 2020 | 2019 |
|---|---|---|
| Electricity | 1.3m KwH | 1.8m KwH |
| Petrol | 26 380litres | 26 120 litres |
| Diesel | 28 316litres | 35 020 litres |

**Water Footprint**

| | 2020 | 2019 |
|---|---|---|
| Municipal | 28.3 Mega litres | 63 Mega litres |
| Ground water | 1.5Mega litres | 5.7 Mega litres |

Municipal Water is based on estimates as the Harare City Council was not issuing water & rates receipts during the period under review.

# Sustainability Report
(Continued)

## 7. Our Pursuance of Profitability

*"Strong client activity levels have continued to support the Group's underlying performance even in times of business unpredictability."*
**Trynos Kufazvinei - Deputy Group Chief Executive & Group Finance Director**

### 7.1 Overview of our 2020 financial year

- Zimbabwe's operating environment largely remained fluid and susceptible to regulatory developments. As such, the situational and intimate involvement of senior management in the day to day operations of the business remained critical as we sought to closely monitor the evolving risk profile.
- Central to our sustainability strategy, was the preservation of value for both our valued stakeholders as well as that of our business operations.
- As the Group's subsidiaries face this challenging economic cycle, a strong focus will be on buttressing our risk management principles for resilience and sustainability.

### 7.2 Sound risk management principles maintained

- A well-established liquidity management philosophy remains in place, with continued monitoring triggers.
- Capital remained in excess of current regulatory requirements across all subsidiaries as at December 2020. Capital Compliance tracking will remain a key component of business operations in 2021.
- With the Group's digitalisation strategy having gained impetus and relevance during Covid-19 induced lockdowns, an opportunity is presented for the business to review its business model and align it to emerging business concepts.
- FBC Holdings continued to prioritise its hedging strategies in the preservation of shareholder wealth and growth due to the threat of inflation risk.

## 8. Our Digital thrust

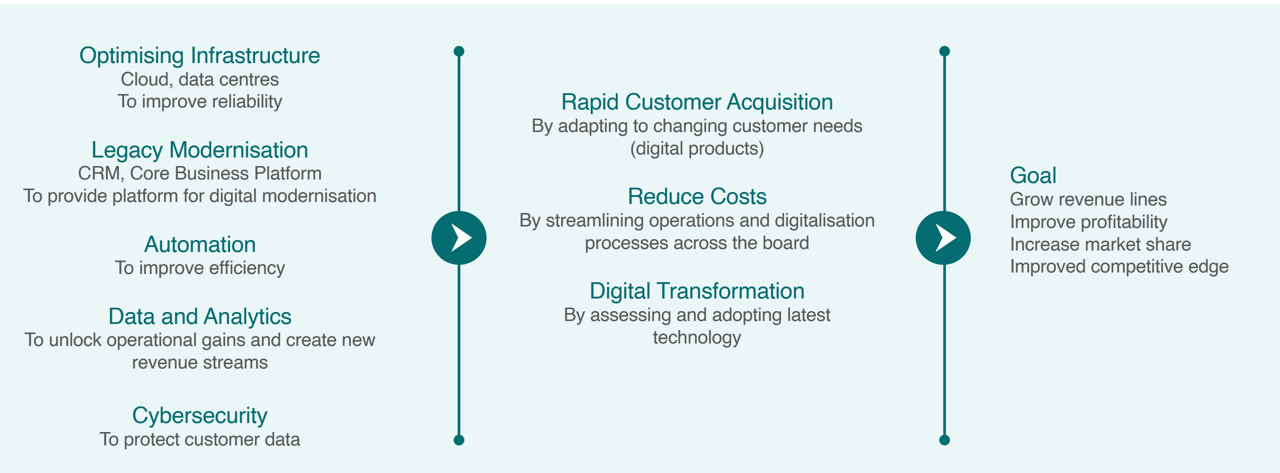
*"FBC Holdings strives to keep abreast with technological developments in the financial services sector in order to serve a multi-banked sophisticated 21st century customer."* **Erica Muzuva - Acting Head of IT & MIS**

### 8.1 Our strategy

FBC Holdings acknowledges the threat of technological disruption happening globally which is intensifying business competition. In response to this, the Group modernised its strategic focus areas by adopting the following;

- redesigning the business model and making use of technological efficiencies to improve and expand the portfolio of products, services and channels.
- investing in digital and innovative customer experience solutions that are always available.
- capitalising on cost-effective, adaptable technology and processes with key partners.

It is the Group's vision to proffer technology-driven sustainable financial solutions for the betterment of the communities we serve. FBCH's long-term growth is premised around innovation and digital transformation across all the Group SBUs. The main goal of the business strategy is to grow and diversify revenues, improve profitability, lower the cost to serve and increase market share. The following schematic summarises the Group's business objectives and priorities;



# Sustainability Report
(Continued)

The key sustainable development goals underpinning our I.T strategy are as follows:

- reduce poverty levels through financial inclusion and improved reach.
- engender climate action by supporting the green movement through the reduction of paper usage and our carbon footprint.
- remote industry, innovation and infrastructure by rolling out new digital and convenient initiatives.
- decent work and economic growth through elimination of manual work and enhancing per capita productivity.

## 8.2 Key 2020 developments

The Covid19 pandemic had the unintended positive consequence of exposing the need for urgent digital transformation across the Group. This had the positive effect of providing convenient service and a highly improved product offering across all our market segments. The digital on-boarding and electronic know-your-customer capabilities are highly in demand as many businesses are migrating to electronic commerce. Statutory Instrument 80 of 2020 has largely levelled the banking field by placing mobile money operators under the purview of the Reserve Bank of Zimbabwe. Under the new set-up, mobile money operators have been mandated to open up integrations with banks without exception. This extends payment opportunities for banks, given the more liberal transaction limits. This development also gives banks access to the wider mobile money network to support financial inclusion, whilst removing regulatory arbitrage in the market.

The Group embraced the new normal which entails a total paradigm shift from brick-and-mortar to e-commerce and regards it as an opportune time to display its customer-centric strategy. Apart from the lockdown impact on collaboration, the major constraints have been the high foreign currency costs of acquiring some of the available proprietary technology, forcing the Group to develop its own solutions which takes more time. The impending margin squeeze from the increase in banking and fintech players will require strategic partnerships to realise direct and indirect monetisation opportunities as well as intermediation.

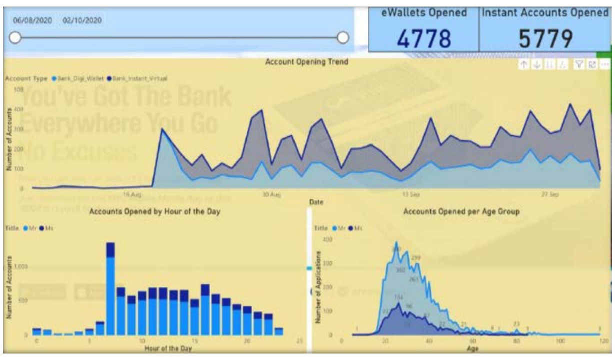
## 8.3 Digitalisation at FBC

The transformation journey that began in earnest in 2016 has begun to gather meaningful momentum as witnessed by a number of exciting opportunities experienced during 2020. By integrating insights-based customer product and service delivery, the Group has begun to accentuate our value proposition. Cloud scale, speed, and agility are enabling organisations to innovate faster than ever. As such, the Group is making concerted efforts to improve its pace in line with the dynamic digital landscape, by pivoting operations and processes in order to navigate through the pandemic and build a resilient and sustainable business.

Central to FBCH's digital transformation journey has been the increasing use of technology to work, interact with our valued stakeholders, as well as to seamlessly deliver our products and services. Against this backdrop, FBCH accelerated implementation of its digital transformation strategy, with a focus on developing capabilities that will help the Group to underwrite new business efficiently and conveniently. During the period under review the Group introduced the following;

- yakO version 1 & 2.
- yakO Agent App.
- Bulk Account Opening.
- E-KYC.
- Digital On-boarding.
- WhatsApp Banking and Insurance.
- Online Covid19 Allowance Liquidation.

Since inception in March 2020, over 15,000 clients and 7000 vehicles have been registered on the YakO platform. In the same vein, a total of 4,800 wallets, 5,800 instant accounts, 660 full KYC accounts and 186 FCA accounts having been opened since inception on 6 August 2020 for digital account on boarding. Meanwhile, digital marketing campaigns have to date pooled over 4.4 million ad impressions, thus increasing the Group's touch points with customers. Below is a snap shot of activity on our digital on-boarding platform that is advancing the Group's financial inclusion thrust.




## 8.4 FBC digital account on-boarding

The major direct benefit to the customer is the convenience of opening an account in less than 5 minutes on a mobile device, in the comfort of their home or office, given the contact risks associated with the Covid-19 pandemic. Significantly, the new digital on-boarding process is completely dematerialised with no use of paper. Over 32,000 accounts were opened between

# Sustainability Report
(Continued)

October 2020 and January 2021, with an above-average account utilisation and additional product uptake. Notably, the business was able to under-write a lot more business than it would have done without this new capability. The consumer on-boarding costs have been significantly reduced. The initiatives among others have enhanced customer experience, improved safety whilst lowering costs and created new opportunities for the Group in the wider market.

### 8.5 Future ICT and e-commerce developments

The Group will focus on the following areas in 2021 to consolidate the digitalisation thrust:

- accelerate implementation of the target operating model.
- establish Xarani as a fully-fledged financial technology company serving FBCH and the market at large.
- enable consumer and SME on-boarding across more Group products and services.
- enhance and expand remote and contactless payments.
- enable consumer digital lending.
- automate all internal systems and processes to improve efficiency.
- expand ecosystem orchestration leveraging digital core technologies and networks.

In all its investments, the Group will take a holistic approach to avert accruing technical and transformation debt in the future.

### 8.6 IT security and risk management

In this digital era of highly sophisticated threats that are continually evolving, FBC must continue to develop and implement comprehensive, risk-based approaches to protect information handled. As such, the Group continues to build information security and technology risk management capabilities to support business strategy resilience, protect information assets, and safeguard personal data. Policies and procedures are in place, which govern the sound management of digital and technology resources, including comprehensive acceptable IT usage policies. Investment into information security awareness remains an ongoing activity for the Group and as such, training is provided to staff members to ensure high levels of vigilance.

An Information Security Steering Committee was also established in 2020 with the aim of overseeing the Information Security program. Group focus has been on the deployment of baseline security solutions that are integral components of the Security Operations Centre which oversees all operations across the Group.

### 8.7 Cybersecurity

The proliferation of Covid-19 has brought about an unanticipated shift to operate businesses online while at the same time, introducing a wide range of new risks. Cybercriminals are using the heightened digital footprint and traffic to exploit vulnerabilities and seek out opportunities to siphon money and/or steal data credentials. FBC Holdings, being in the financial services sector, has not been immune to this scourge. Five incidents, revolving mainly around phishing and SPAM emails; card fraud; data leakage; and malware and web application attacks, were recorded in 2020. Subsequently, the Group has maintained a risk-based strategy, incorporating prevention, detection and response capabilities to ensure that the Group is adequately protected against advanced attacks. The Group also holds regular internal security awareness programs, most of which are done through virtual platforms and in collaboration with Group Training department and Group Marketing.

The strategy for 2021-2022 is to improve on operational, tactical and strategic metrics that will provide management with needed information for oversight. FBC will continue to improve its information security stature to levels of maturity that align with banking and financial services benchmarks, through implementation of relevant Information Security Management Systems policies, in line with ISO 27001 and NIST Cybersecurity Framework. To mention a few initiatives that aim to improve trust reliance in products, the Group adopted cybersecurity monitoring tools and has recently done penetration testing exercise to assess the effectiveness of its control measures. Customer data protection remains a major priority in this digital era and, as such, the Group adopted data leakages protection tools in 2020. Compliance to regulatory requirements will also remain central to the strategic goals of the Group's Information Security programme.

# Sustainability Report
(Continued)

## 9. Corporate Governance, Risk and Compliance

*"The Group's values require our directors and employees to be people of integrity, who display consistent and uncompromised moral strength in order to promote and maintain trust amongst various stakeholders."*

**Tichaona Mabeza - Group Company Secretary**

### 9.1 Governance

FBC Holdings attaches great importance to sound corporate governance practices. The Board is ultimately responsible for the effectiveness of corporate governance practices across the FBC Holdings. As such, the Group appreciates the need to build an environment of trust, transparency and accountability, to foster long term sustainable investment. As a responsible corporate citizen, FBC Holdings through its product and service offering endeavors to satisfy the needs of the present without jeopardising the ability of future generations to meet their needs as well. Consequently, the Group has embodied the sustainable development concept into three important pillars which are economic development; social coherence and equity; and environmental integrity. Commitment to the sustainability agenda enables FBCH Holdings' corporate governance practices to measure and assess Group performance against three areas of impact which are People, Planet and Profit.

### 9.2 Our Board

Apart from the responsibility of overseeing the effectiveness of corporate governance practices, the Board is also responsible for providing the overall direction and control of all entities within the Group. Processes by which people achieve FBCH's purpose and the determination of its performance also fall under the purview of the Board. As such, there is a governance structure in place wherein the Board of Directors has the ultimate responsibility of ensuring that an adequate and effective system of internal controls is established and maintained.

To assist the Board in the discharge of its mandate, a number of committees have been established. The most significant committees are:

- Board Risk and Compliance Committee
- Board Audit Committee
- Board Human Resources and Remuneration Committee
- Board Finance and Strategy Committee
- Board Credit Committee
- Board Loans Review Committee
- Board Assets and Liabilities Committee
- Board Digitalisation and Innovation

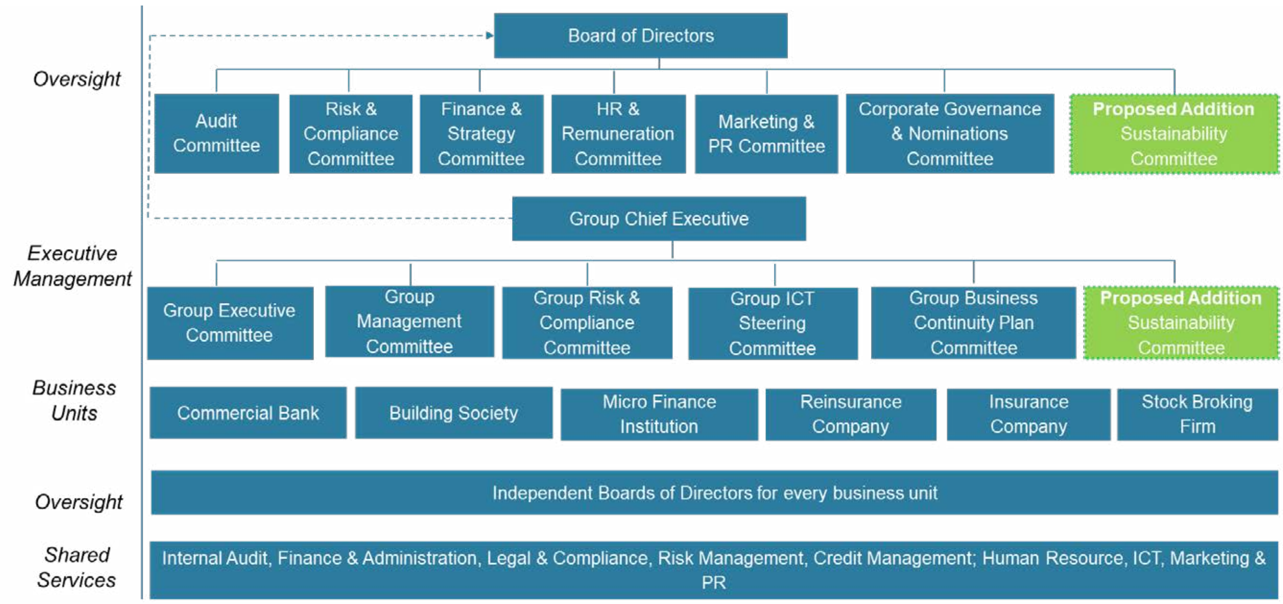
**These committees are replicated at management level.*

In addition to the above committees, the following three (3) related functions are directly involved in risk management;

- Group Risk Management;
- Group Internal Audit and
- Group Compliance

The Group's corporate governance systems enable the diversified business model of FBC Holdings to deploy efficient and effective management strategies across the business' SBUs and to integrate ethical and transparent values in daily operations at all levels.

**FBCH Corporate Governance Structure**




*For detailed oversight, kindly refer to the Group's Company Secretary's Report.*

# Sustainability Report
(Continued)

### 9.3 Key governance considerations in 2020

Governance at FBC Holdings is adaptive and has been progressing in response to strategic considerations, emerging trends in society and developments within the regulatory and compliance space.

In 2020 the following issues were topical to FBC Holdings' governance discussions;

- business resilience to Covid-19 and its impact on our clients, people and the communities we serve.
- stakeholder engagement in the midst of fundamental changes to the operating environment.
- equality against gender and diversity targets as well as performance.
- integration of "sustainability" into the Group strategy and business operations.
- environmental, social and governance policies and disclosures.
- The Group's digitalisation thrust.
- Compliance in respect of the regulatory developments.
- KYC and Anti Money Laundering (AML).
- Combating the financing of terrorism (CFT) and fraud.

FBCH Board appreciates that effective corporate governance requires dedicated focus on the part of the directors, the Group Chief Executive and senior management in terms of their responsibilities towards achieving the shared goal of building long-term value.

### 9.4 FBC Holdings' refreshed Vision, Mission and Pay-off line

The setting of the company's values and standards of conduct and monitoring adherence to these standards, in the best interests of the company's shareholders, employees, customers, suppliers and the communities in which it operates, is one of the matters reserved for the Board. In order to buttress the Group's thrust towards digitalisation and customer obsession, FBC Holdings refreshed its vision, mission statement and pay off line detailed hereunder:

### Vision

Nurture sustainable solutions that enable the financial well-being of the communities we serve.

### Mission

Deliver a unique customer experience through value adding relationships, simplified processes and relevant technologies.

### Our Promise

You Matter Most.

In refreshing the Group's vision and mission statement, the Board demonstrates leadership, integrity and judgment in pursuit of Group-wide strategic goals and objectives to achieve long-term sustainability and growth. The FBCH Board continues to oversee and monitor, on an ongoing basis, the impact of the Group's activities and products as a responsible corporate citizen and its allegiance to the triple bottom line - People, Planet and Profit.

### 9.5 Board diversity

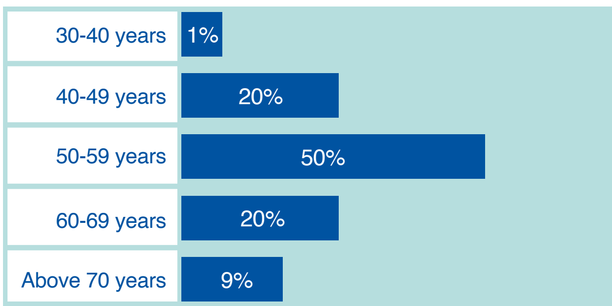
The FBCH Board reflects diversity of thought, backgrounds and expertise that collectively enables it to perform its oversight function effectively. The main Board comprises of four (4) executive directors and nine (9) non-executive directors including the Chairman. A broader view of the FBC Holdings main Board is covered under the Company Secretary's Corporate Governance Report herein.

FBCH recognises that Board diversity should be representative of the society and should strengthen Board performance and promote the creation of long term shareholder value. As such, FBC Holdings has been giving due attention to Board tenure and the constitution, to better reflect community and institutional interests. All subsidiaries are managed by independent boards of directors. The statistics below relate to all directors within the Group and its subsidiaries;

**Geographical Mix**


**Gender Balance**


**Age Profile**



# Sustainability Report
(Continued)

### 9.6 Board effectiveness

The extent and complexity of the Group influences our Board's composition. The Group strives to maintain an appropriate balance of diversity to ensure robust governance, sound commercial decision-making and strong technical inputs. Subsequently, FBC Holdings annually evaluates Board effectiveness using a prescribed Reserve Bank of Zimbabwe Board Evaluation Framework. The performance of its subsequent Board committees and individual directors is also evaluated on an annual basis. Results over the years have been satisfactory, showing Board effectiveness both at individual directorship level and Board level.

### 9.7 Compliance

The period under review was characterised by the introduction of a number of Statutory Instruments partly induced by the Covid-19 pandemic. The legal and regulatory developments mainly related to the Foreign Exchange Auction Trading System that was introduced in the course of 2020, the Covid-19 pandemic and the Intermediated Money Transfer Tax.

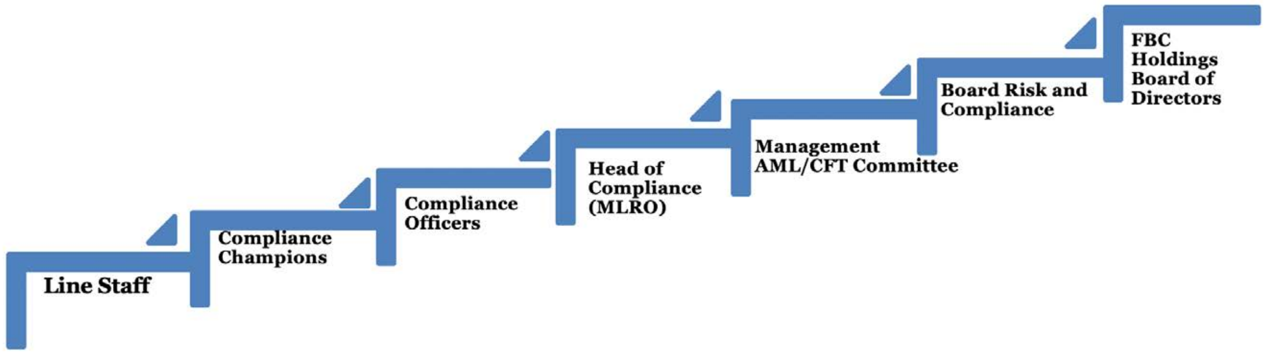
Below is a list of the major compliance developments relating to FBC Group;

- Companies and Other Business Entities Act [Chapter 24:31].
- S.I. 200 of 2020 Public Health (COVID-19 Prevention, Containment and Treatment) (National Lockdown) (Consolidation and Amendment) Order, 2020.
- Finance Act No.2 of 2020 – detailing reviews to the IMTT regime, exemptions to the levying of IMTT and the applicability of IMTT on nostro accounts.
- S.I. 280 of 2020: Exchange Control (Exclusive Use of Zimbabwe Dollar for Domestic Transactions) (Amendment) Regulations, 2020 (No. 4) –made it permissible for payment in foreign currency for a wide range of insurance services.
- S.I. 265 of 2020: The Banking (Amendment) Regulations, 2020 (No. 5).
- SI. 65A of 2020 being the Banking (Savings Interest Rates) Regulations, 2020.
- S.I. 80 of 2020 : Banking (Money Transmission, Mobile Banking and Mobile Money Interoperability)Regulations, 2020.
- SI 108 of 2020 : National Social Security Authority (Pensions and Other Benefits Scheme) (Rates of Benefits) (Amendment) Notice, 2020 (No. 27).
- S.I. 185 of 2020 being the Exchange Control (Exclusive Use of Zimbabwe Dollar for Domestic Transactions) (Amendment) Regulations, 2020 (No. 3) – dual pricing Regulations.
- FBC Securities was issued with an Enforcement Action concerning the company's possession of unclaimed share certificates. FBC Securities was directed in terms of Section 105 of the Securities and Exchange Act [Chapter 24:25] to implement a number of measures to address weaknesses discovered in its operations.
- In January 2020, the Securities and Exchange Commission of Zimbabwe (SECZ) acknowledged and is satisfied with FBC Securities compliance with the Corrective Order issued on 8 April 2020. FBC Securities was directed to surrender all the unclaimed share certificates in its custody to Investor Protector Fund (IPF) in their current form by 31 January 2021 which certificates were submitted by the deadline.
- Cognisant of the prevailing challenging environment exacerbated by the negative impact of the Covid-19 pandemic, RBZ extended the deadline for compliance with minimum capital requirements to 31 December 2021.

Regardless of the complex and dynamic operating environment, FBC holdings remains committed to maintaining the highest levels of compliance and integrity in all our business units. As a gatekeeper to the financial system, acting with integrity and adhering to relevant laws and regulations is the responsibility of all FBC Holdings employees.

# Sustainability Report
(Continued)

## 9.8 Our Compliances structure




FBC's Group subsidiaries are subject to rigorous external regulation and supervision. Consequently, all employees have a duty to comply with acceptable standards of corporate governance and international best practice. It is FBC Holdings' compliance philosophy that "everyone is a compliance officer." There is a "zero tolerance" for non-compliance within FBC.

## 9.9 Anti-bribery and corruption

The Group Anti-Fraud and Corruption Policy was established to prevent and deter corruption, fraud, collusion, coercion, obstruction, money laundering and terrorist financing in the FBCH activities. The policy takes into consideration relevant legislative and regulatory as well as internal policies related to fraud risk management. It is the responsibility of the Board to ensure that exposure to fraud and corruption are appropriately identified, assessed and managed. FBCH has a set of values that embraces integrity, commitment and communication and in this regard, has a zero tolerance approach to fraud, unethical conduct and corruption.

Below are the Group's Fraud Awareness and Ethics Training statistics as a percentage of Total Staff Member Complement:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Fraud and Ethics Awareness and Training | 100% | 90% | 95% |

*Adhoc training is also undertaken on need basis throughout the year*

## 9.10 Anti-money laundering (AML), combating the financing of terrorism (CFT) and Fraud

Zimbabwe has been designated under the European Union (EU) regulations amongst countries considered to have strategic deficiencies in their anti-money laundering and counter-terrorist financing frameworks.

As a result of the listing, banks and other entities covered by EU anti-money laundering rules are required to apply increased checks (due diligence) on financial operations involving customers and financial institutions from these high-risk third countries to better identify any suspicious money flows. On the local front, there has been enhanced surveillance of transactions on mobile money and banking platforms through the Financial Intelligence Unit (FIU).

The Group is committed to complying with all applicable laws, regulations, standards and international best practices. Any breach of the applicable laws and regulations exposes the Group to legal, regulatory and reputational risks and may result in de-risking and financial abandonment, which will impair the Group's ability to provide products and services to its customers. The Group therefore realises the serious impact of non-compliance and will continue to place great emphasis and commit resources to measures which will mitigate the same.

# Sustainability Report
(Continued)

### 9.11 Sanctions screening

FBC Holdings Limited and its subsidiaries (the Group) are committed to complying with all applicable sanctions laws that are legally binding to the Group. Subsequently, the Group ascribes to the sanctions laws and regulations of the United Nations (UN), the UK, the European Union (EU), the United States (US) OFAC, Australia, Canadian, Specified Persons List and local Financial Clearing Bureau (FCB), in addition to all relevant international sanctions applicable to FBCH's business operations.

Any breach of applicable sanctions exposes the Group to legal, regulatory and reputational risks and may result in de-risking and financial abandonment, which will impair the Group's ability to provide products and services to its customers. The Group therefore realises the serious impact of non-compliance with sanctions and has established a Sanctions Policy. The FBC Group employs the following sanctions screening systems;

- Internal Special Reference Search Tool for customer on-boarding and adhoc searches.
- SWIFT Sanctions Screening for cross border payments (third party automated solution).
- World Check for periodic name screening and ad hoc searches(third party automated solution).

In support of the above systems, the Group also closely monitors high risk clients and undertakes annual KYC reviews. Employee training remains a cornerstone to sustained compliance and effective risk management within the organisation.

### 9.12 Whistle-blowing and protected disclosures

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

FBC Holdings addresses whistle blowing in the Group's Anti-Fraud, Bribery and Corruption Policy. The policy is reviewed every year in light of trends and is up to date. The primary aim of the Group's whistle blowing programme is to encourage employees to raise concerns or disclose information about possible fraudulent, unethical, criminal or other improper behavior in the workplace environment. Reports may be made directly through to Group Internal Audit or through the Deloitte Tip - Off Anonymous whistle blowing programme. The Group's Whistle-blowing guidelines and Tip Offs Anonymous facility promotes employee disclosure protection, reward and recognition. Furthermore, FBC Holdings' whistle-blowing programme is also communicated to the Group's suppliers, contractors, business partners and the wider stakeholders using a risk-based approach.

Below are the numbers of reports made through the Group's systems.

| Reporting Mechanism | Number of Reports Received | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Forensic Audit | 6 | 3 | 3 |
| Deloitte's Tip Offs Anonymous | 3 | 13 | 9 |

# Sustainability Report
(Continued)

## FBCH 6 Capitals

**Human Capital**

FBC believes in the capability of its human capital to deliver its strategic and operational business objectives.

| Purpose | Impact | SDG |
|---|---|---|
| A healthy balance of the mind, body and spirit | • Through the Group Wellness Policy employees are encouraged to participate in wellness programmes.<br>• Health and Safety at our construction sites remain our first priority. FBC Building Society has clearly laid down Safety Health & Environment ("SHE") guidelines and all staff members are expected to abide by them.<br>• Wellness activities at the FBC Old Hararians Sports Club and all other venues were suspended in line with Covid-19 protocols.<br>• Partnership with New Start Centre and CONNECT for free counseling and HIV /AIDS testing .<br>• Covid19 response programme under FBC Health. | 8 DECENT WORK AND ECONOMIC GROWTH<br>3 GOOD HEALTH AND WELL-BEING<br>5 GENDER EQUALITY<br>4 QUALITY EDUCATION<br>10 REDUCED INEQUALITIES |
| Talent and leadership | • Decline in annual staff costs on learning and development as we rolled out training programmes online.<br>• Learning and development approved budgets ZWL11.6 million for 2020 and 2019 ZWL1.9 million. | |
| Employee retention and motivation | • Staff turnover rate in 2020 stood 0.39% against 2% in 2019.<br>• Employee engagement was 66.2% in 2019. 2020 65.5% | |
| Diversity and equality at all levels of the Group | • 42% (2020) 43% (2019) female employees (2018: 45%).<br>• Percentage of female Board Constitution 2020: 15% and 2019: 15%.<br>• Senior female managers : 40% (2020) 30% (2019).<br>• Executive Management 24% (2020) 24% (2019). | |

OUR PEOPLE

# Sustainability Report
(Continued)

**Intellectual Capital**

Applying our financial skills and expertise to provide efficient solutions for clients.

| Purpose | Impact | SDG |
|---|---|---|
| Building a sustainable infrastructure | • Development in progress for the provision of 858 housing units in Kuwadzana.<br><br>• Building of 9 classroom cluster block at Acacia Junior Madokero. | 3 GOOD HEALTH AND WELL-BEING |
| Preserving value through risk management | • Non-performing loans at 0.13% in 2020 from 0.33% in 2019. | 11 SUSTAINABLE CITIES AND COMMUNITIES |
| Responsible lending and investing activities | • Continuous capacity building on ESG issues from the Board of Directors, executive and middle management and all staff members.<br><br>• Group Credit Policies being aligned to SDGs and NDS1 2020-25.<br><br>• Working with both lenders and regional thought leaders to strengthen our capacities in the long term. During the year under review, FBCH acquired thirty-two (32) class B shares of the African Export-Import Bank (“Afreximbank”), a supranational financial institution with an exciting and unique development objective of rapidly increasing Africa’s share in global trade by offering various financial solutions that expand, diversify and develop African trade. In making this investment, FBCH was inspired by Afreximbank’s for-profit but multiplier social effect that nurtures the growth of various Intra-Africa supply chains by integrating small-and medium-sized enterprises (SMEs) into the formal economies, while improving the skills and technology capabilities within our communities, benefiting multiple households. | 10 REDUCED INEQUALITIES<br><br>16 PEACE, JUSTICE AND STRONG INSTITUTIONS |



**Social Capital**

FBCH as a corporate entity, values key stakeholder relationships as it focuses on the creation of an equitable, responsible and just society.

| Purpose | Impact | SDG |
|---|---|---|
| Building deep durable relationships with our clients and creating new client relationships | • Customer accounts by deposits: 163 489 (2020) 151 761 (2019) 108 696 (2018). | 10 REDUCED INEQUALITIES |
| Contributing to society through our community programmes | • Community investment ZWL16 million spent in 2020 (ZWL 5.7 million in 2019). | 8 DECENT WORK AND ECONOMIC GROWTH |
| Committed to transformation and youth employment in Zimbabwe | • FBC annually takes in student attachés and graduate trainees from universities and assists them from a skills development perspective .<br><br>• In 2020 student attachés and graduate trainees represented 6.16% of the Group’s work force (2019:13%). | 1 NO POVERTY |

OUR PEOPLE

# Sustainability Report
(Continued)

**Natural Capital**
It is our mandate to ensure that we safeguard the environment both within and outside FBC Holdings.

| Purpose | Impact | SDG | |
|---|---|---|---|
| Capacity building for climate financing | • Expression of Interest to seek accreditation to access concessionary funding from the Green Climate Fund under the Private Sector Facility (PSF).<br>• Benefitting from bilateral relations with regional lenders from the facilitation efforts of SouthSouthNorth ("SSN") a leading player in the training, support practice, and facilitation efforts in the fields of climate change and development.<br>• FBC Bank applied and was accepted to undergo the Sustainability Standards and Certification Initiative ("SSCI") certification process under the European Organization for Sustainable Development ("EOSD").<br>• Bank in conjunction with the National designate applied for access to the GCF preparatory and readiness support fund. | 10 REDUCED INEQUALITIES<br>8 DECENT WORK AND ECONOMIC GROWTH<br>1 NO POVERTY | OUR PLANET |
| Limiting our direct operational carbon impact | • Group recorded a reasonable reduction in both electricity and fuel usage. | | |

**Technological Capital**
The Group strives to provide exceptional financial solutions through adopting modern and digital ways of doing business.

| Purpose | Impact | SDG | |
|---|---|---|---|
| Providing access to products and services which are both high-tech and high-touch | • The following products where rolled out by the Group in 2020:yakO version 1 & 2; yakO Agent App, Bulk Account Opening E-KYC, Digital Account on-boarding, WhatsApp Banking and Insurance Covid-19 Allowance Liquidation. | 17 PARTNERSHIPS FOR THE GOALS | PROFIT |
| Optimizing the internal value chain, and improving productivity | • In response to an increase in cashless transactions, the Group enhanced its look and feel aspects of our mobile banking and internet banking platforms so as to enhance customer experience. | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | |
| Establishing partnerships in the growing fintech ecosystem | • We have established relationships with a consultant towards the creation and operationalisation of our fintech ecosystem. | | |

# Sustainability Report
(Continued)

**Financial Capital**
We strive to build a resilient, green and sustainable Group by growing our core businesses.

**Value Added Statement**

| | INFLATION ADJUSTED | | HISTORICAL COST UNAUDITED | | SDG |
|---|---|---|---|---|---|
| | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 | |
| | ZWL 'm | ZWL 'm | ZWL 'm | ZWL 'm | |
| Net interest income | 1 704 | 1 416 | 1 156 | 131 | |
| Net fee and commission income | 1 220 | 1 380 | 839 | 148 | |
| Net income from property sales | 5 | 87 | 4 | 13 | |
| Net earned insurance premium | 844 | 886 | 469 | 81 | |
| Other operating income | 4 374 | 3 401 | 4 740 | 686 | |
| **Economic Value Generated** | **8 147** | **7 170** | **7 208** | **1 059** | |
| Administrative expenses | 2 440 | 2 232 | 1 543 | 240 | |
| Employee wages and benefits | 2 041 | 1 658 | 1 541 | 193 | |
| Commissions and claims paid | 553 | 538 | 356 | 64 | |
| Income tax expense | 79 | 2 386 | 401 | 233 | |
| Community investments | 21 | 26 | 16 | 6 | |
| **Economic Value Distributed** | **5 134** | **6 840** | **3 857** | **736** | |
| **Economic Value Retained** | **3 013** | **330** | **3 351** | **323** | |

PROFIT

**External Recognition**
In spite of the challenging 2020 operating environment induced by the Covid-19 pandemic, FBC Holdings was accorded the following accolades:

- FBC Holdings won the Contact Centre Association of Zimbabwe(CCAZ) Most Innovative Organisation Award.
- FBC Bank was Crowned the Overall Winner in the Banks and Banking Survey.
- FBC Bank was Awarded the Best Digital Bank by Digital Banker Africa (DBA).
- FBC Bank scooped the Digital Banker Africa (DBA) Best Mobile Banking, Zimbabwe Award.
- FBC Bank was awarded the Best Banking Board Governance Practice Award by the Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ).
- FBC Bank won the Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ) Best Banking Risk Management Practices Award.
- FBC Bank scooped the Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ) Overall Best Corporate Governance Disclosures by a Banking Institution Award.
- MicroPlan won the Contact Centre Association of Zimbabwe (CCAZ) Service Excellence Award in the Microfinance Sector.

# Sustainability Report
(Continued)

FBC Holdings appreciates awards and recognition as direct feedback on our impact and value creation within the societies we operate in.


*Donald Chinyanga (Head of FBC Project Management Office- Center) receiving FBC Bank accolades from the Institute of Chartered Secretaries (ICSA)*

# Directors' Report

The Directors have pleasure in submitting the annual report and financial statements, for the financial year ended 31 December 2020, for FBC Holdings Limited.

## ACTIVITIES AND INCORPORATION

FBC Holdings Limited (''the Company'') and its subsidiaries (together "the Group") are incorporated and domiciled in Zimbabwe. The Group comprises of five wholly-owned subsidiaries and one subsidiary controlled 95%. The Group, through its subsidiaries, provides a wide range of commercial banking, mortgage financing, short term reinsurance, short term insurance, stockbroking, micro financing and other related financial services.

## AUTHORISED AND ISSUED SHARE CAPITAL

The authorised share capital of the Company was 800 000 000 ordinary shares of a nominal value of ZWL0.00001 each as at 31 December 2020. The issued and fully paid ordinary shares remained at 671 949 927 ordinary shares of ZWL0.00001 with no movements during the year. The details of the authorized and issued share capital are set out in note 19.3 of the consolidated financial statements.

## RESERVES

The Group's total shareholders' equity attributable to equity holders of the parent as at 31 December 2020 was ZWL5 080 161 445 (2019: ZWL3 946 851 168) and ZWL4 907 001 288 (2019: ZWL804 159 899) inflation adjusted and historical basis respectively.

| FINANCIAL STATEMENTS | INFLATION ADJUSTED | | HISTORICAL COST UNAUDITED | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| The results reflected a profit before income tax for the year of | 1 595 247 202 | 757 138 892 | 3 614 265 026 | 529 350 452 |
| Income tax expense | (78 960 741) | (2 386 932 730) | (400 887 352) | (233 482 765) |
| **Profit/(loss) for the year** | **1 516 286 461** | **(1 629 793 838)** | **3 213 377 674** | **295 867 687** |
| Equity holders of the parent | 1 514 538 110 | (1 624 927 995) | 3 211 693 386 | 295 598 000 |
| Non-controlling interest | 1 748 351 | (4 865 843) | 1 684 288 | 269 687 |
| | **1 516 286 461** | **(1 629 793 838)** | **3 213 377 674** | **295 867 687** |

## DIRECTORS' INTERESTS

As at 31 December 2020, the Directors' interests in the issued shares of the Company directly or indirectly is shown below:

### Directors' shareholding

| Number of shares | Direct holding | Indirect holding | Total |
|---|---|---|---|
| H. Nkala (Group Chairman) | - | 410 339 | 410 339 |
| J. Mushayavanhu (Group Chief Executive) | 142 241 | 44 066 976 | 44 209 217 |
| T. Kufazvinei (Executive Director) | 35 114 | 22 756 547 | 22 791 661 |
| W. Rusere (Executive Director) | 5 000 | 8 500 519 | 8 505 519 |
| C. Mtasa (Non-Executive Director) | 10 000 | - | 10 000 |
| | **192 355** | **75 734 381** | **75 926 736** |

The other directors have no shareholding in the Company.

# Directors' Report
(Continued)

## CAPITAL ADEQUACY

The following subsidiaries have their capital regulated by the regulatory authorities:
FBC Bank Limited, FBC Building Society and Microplan Financial Services (Private) Limited are all regulated by the Reserve Bank of Zimbabwe ("RBZ"). 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 capital position for these subsidiaries is detailed in the table below;

| Company | Regulatory Authority | Minimum capital required US$ | Minimum capital required ZWL | Discounted Capital ZWL | Total Equity ZWL |
|---|---|---|---|---|---|
| **As at 31 December 2020** | | | | | |
| FBC Bank Limited | RBZ | 30 000 000 | 2 453 598 000 | 1 998 606 121 | 3 069 555 765 |
| FBC Building Society | RBZ | 20 000 000 | 1 635 732 000 | 368 187 450 | 726 841 681 |
| FBC Reinsurance Limited | IPEC | | 150 000 000 | 503 092 516 | 503 092 516 |
| FBC Securities (Private) Limited | SECZ | | 150 000 | 12 456 815 | 12 456 815 |
| FBC Insurance Company (Private) Limited | IPEC | | 37 500 000 | 211 048 135 | 211 048 135 |
| Microplan Financial Services (Private) Limited | RBZ | | 25 000 | 35 900 135 | 35 900 135 |
| **As at 31 December 2019** | | | | | |
| FBC Bank Limited | RBZ | 30 000 000 | 503 202 000 | 566 671 769 | 627 839 389 |
| FBC Building Society | RBZ | 20 000 000 | 335 468 000 | 142 572 121 | 145 411 819 |
| FBC Reinsurance Limited | IPEC | | 150 000 000 | 95 676 460 | 95 676 460 |
| FBC Securities (Private) Limited | SECZ | | 150 000 | 1 894 851 | 1 894 851 |
| FBC Insurance Company (Private) Limited | IPEC | | 37 500 000 | 46 806 996 | 46 806 996 |
| Microplan Financial Services (Private) Limited | RBZ | | 25 000 | 18 516 902 | 18 516 902 |

At 31 December 2020, the banking subsidiary's capital adequacy ratio computed under the Reserve Bank of Zimbabwe regulations was 13% and that of the building society was 35%, against the statutory minimum ratios of 12%. The respective capital adequacy ratios are determined as illustrated below.

| FBC Bank Limited capital adequacy ratio | INFLATION ADJUSTED 31 Dec 2020 ZWL | INFLATION ADJUSTED 31 Dec 2019 ZWL | HISTORICAL COST UNAUDITED 31 Dec 2020 ZWL | HISTORICAL COST UNAUDITED 31 Dec 2019 ZWL |
|---|---|---|---|---|
| Ordinary share capital | 714 718 565 | 714 718 565 | 18 502 313 | 18 502 313 |
| Share premium | 509 808 278 | 509 808 278 | 13 197 687 | 13 197 687 |
| Retained profits | 1 613 089 263 | 704 787 469 | 2 275 235 687 | 224 977 924 |
| General reserve | - | - | - | - |
| Capital allocated for market and operational risk | (968 563 174) | (222 187 080) | (968 563 174) | (49 530 591) |
| Advances to insiders | (308 329 567) | (274 389 122) | (308 329 567) | (61 167 622) |
| Tier 1 Capital | 1 560 723 366 | 1 432 738 110 | 1 030 042 947 | 145 979 711 |
| Other reserves | 258 379 359 | 1 001 766 346 | 762 620 077 | 371 161 467 |
| General provisions | - | - | - | - |
| Tier 1 and 2 Capital | 1 819 102 724 | 2 434 504 455 | 1 792 663 024 | 517 141 178 |
| Tier 3 capital allocated for market and operational risk | 968 563 174 | 222 187 080 | 968 563 174 | 49 530 591 |
| | **2 787 665 898** | **2 656 691 535** | **2 761 226 198** | **566 671 769** |
| **Risk weighted assets** | **23 128 055 736** | **7 952 507 449** | **23 128 055 736** | **1 772 796 121** |
| Tier 1 ratio (%) | 7% | 18% | 4% | 8% |
| Tier 2 ratio (%) | 1% | 13% | 3% | 21% |
| Tier 3 ratio (%) | 4% | 3% | 4% | 3% |
| **Capital adequacy ratio (%)** | **12%** | **33%** | **12%** | **32%** |
| **Minimum statutory capital adequacy ratio** | **12%** | **12%** | **12%** | **12%** |

# Directors' Report
(Continued)

| FBC Building Society capital adequacy ratio | INFLATION ADJUSTED 31 Dec 2020 ZWL | INFLATION ADJUSTED 31 Dec 2019 ZWL | HISTORICAL COST UNAUDITED 31 Dec 2020 ZWL | HISTORICAL COST UNAUDITED 31 Dec 2019 ZWL |
|---|---|---|---|---|
| Share capital and share premium | 435 213 015 | 435 213 020 | 11 266 599 | 11 266 599 |
| Accumulated surplus | 338 830 699 | 353 016 203 | 356 920 851 | 66 568 959 |
| Capital allocated for market and operational risk | - | (85 916 072) | - | (3 667 382) |
| Advances to insiders | - | (12 738 471) | - | (2 839 697) |
| Tier 1 Capital | 774 043 714 | 689 574 680 | 368 187 450 | 71 328 479 |
| Revaluation reserves | 161 104 735 | 125 270 147 | 358 654 231 | 67 576 260 |
| Tier 1 and 2 Capital | 935 148 449 | 814 844 827 | 726 841 681 | 138 904 739 |
| Tier 3 capital allocated for market and operational risk | - | 85 916 072 | - | 3 667 382 |
| | **935 148 449** | **900 760 899** | **726 841 681** | **142 572 121** |
| **Risk weighted assets** | **2 339 723 480** | **1 625 072 735** | **2 100 291 145** | **243 369 725** |
| Tier 1 ratio (%) | 33% | 42% | 18% | 29% |
| Tier 2 ratio (%) | 7% | 8% | 17% | 28% |
| Tier 3 ratio (%) | 0% | 5% | 0% | 2% |
| **Capital adequacy ratio (%)** | **40%** | **55%** | **35%** | **59%** |
| **Minimum statutory capital adequacy ratio** | **12%** | **12%** | **12%** | **12%** |

On the 22nd of January 2020, the Reserve Bank of Zimbabwe released a statement containing resolutions made by the Monetary Policy Committee (MPC). One of the resolutions concerned revised minimum capital requirements for banking institutions. The MPC noted the need for banks to hold sufficient capital to ensure continued stability and soundness of the financial services sector, as well as ensuring that banks continue to be able to underwrite financial transactions that are necessary for improving production and productivity. In this regard, minimum capital requirements for banking institutions were reviewed by the Reserve Bank of Zimbabwe to ZWL equivalent of the US$ 30 000 000 for FBC Bank and US$ 20 000 000 for FBC Building Society. Compliance with these new capital levels is expected by 31 December 2021. As at 31 December 2020 both the bank and the building society had not met these prescribed capital levels using the exchange rate prevailing as at 31 December 2020.

### Capitalisation plan

FBC Holdings is committed to inject additional capital into FBC Building Society to close the capitalisation gap by 31 December 2021. The bank is expected to trade itself into compliance by 31 December 2021. In the event that the bank fails to trade itself into compliance FBC Holdings will inject additional capital into FBC bank to close the capitalisation gap by 31 December 2021.

### DIVIDEND

Final dividend of 44.65 ZWL cents per share was declared by the Board on 671 949 927 ordinary shares in issue on 5 May 2021 in respect of the year ended 31 December 2020. The dividend is payable to Shareholders registered in the books of Company at the close of business on Friday 28 May 2021. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 24 May 2021 and ex-dividend as from 26 May 2021. Dividend payment will be made to Shareholders on or about 7 June 2021.

# Directors' Report
(Continued)

## DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Group and Company financial statements in accordance with applicable laws and regulations. Companies and Other Business Entities Act (Chapter 24:31) requires the directors to prepare Group and Company financial statements for each financial year. The Group and Company financial statements are required by law and International Financial Reporting Standards (IFRSs) to present a true and fair view of the financial position of the Group and the parent Company and the performance for that period; the Companies and Other Business Entities Act (Chapter 24:31) provides in relation to such financial statements that references in the relevant part of the Act to financial statements giving a true and fair view are references to their achieving a fair presentation. In preparing each of the Group and Company financial statements, the directors are required to:

* select suitable accounting policies and then apply them consistently;
* make judgments and estimates that are reasonable and neutral;
* state whether they have been prepared in accordance with IFRSs; and
* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at anytime the financial position of the Group and the Company and enable them to ensure that its financial statements comply with the applicable legislation. They have general responsibility for taking such steps as are reasonably open to them to safe guard the assets of the Group and to prevent and detect fraud and other irregularities. The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

### 2. Compliance with legislation

These inflation adjusted financial statements, which have been prepared under the historical cost convention (except for fair value measurements where applicable), are in agreement with the underlying books and records and have been properly prepared in accordance with the accounting policies set out in note 2, and comply with the disclosure requirements of Banking Act (Chapter 24:20), Insurance Act (Chapter 24:07) Securities and Exchange Act (Chapter 24:25), Building Societies Act (Chapter 24:02), Zimbabwe Microfinance Act (Chapter 24:29) the Companies and Other Business Entities Act (Chapter 24:31) and the relevant regulations made thereunder, and the relevant Statutory Instruments (SI) SI 62/96,SI 33/99 ,SI 33/19 and SI 142/19.

### 3. Compliance with IFRSs

The financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs). In 2020 the financial statements were qualified due to the residual effect of non-compliance with IAS 21 - The Effects of Changes in Foreign Exchange Rates, in prior periods. IFRSs comprise interpretations adopted by the International Accounting Standards Board (IASB), which includes standards adopted by the International Accounting Standards Board (IASB) and interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC). Complying with IFRSs achieves consistency with the financial reporting framework adopted. Using a globally recognized reporting framework also allows comparability with similar businesses and consistency in the interpretation of the financial statements.

### 4. Going concern

The Board has satisfied itself that the Group and Company have adequate resources to continue in operation for the foreseeable future despite the advent of Covid-19 pandemic.

The Group has taken several steps to further strengthen its financial position and maintain liquidity and flexibility. The Group is undertaking the following initiatives to manage the challenges brought about by this pandemic: suspending unnecessary capital expenditure, reviewing operating expenses, not allowing new facility draw downs, rationalizing the branch network by temporarily and permanently closing some branches, concentrating on digital delivery channels, revamping agency banking, restructuring of previous performing facilities taking into account the extent clients are secured and have been affected by the Covid-19 outbreak, adjusted certain aspects of our operations to protect our employees and customers while still meeting customers' needs for financial services. The Group's e-commerce business and delivery channels have not been affected in terms of delivering service to our customers although the volume of transactions and revenues are expected to be disrupted due the countrywide lockdowns which continue to limit business activity.

# Directors' Report
(Continued)

As at the end of March 2021, our Group operations were in line with the Budget and had adequate liquidity for operations. The Group is leveraging on its Group financial position which had adequate cash resources as the end of March 2021 to preserve its financial flexibility in the uncertain environment. The Company's share price and market capitalization has increased after 31 December 2020 from ZWL 1551,35 cents to ZWL 2500,00 cents and ZWL10,4 billion to ZWL16,7 billion respectively. The Group currently believes that it has adequate liquidity and business plans to continue operating using e commerce to mitigate some of the risks associated with COVID-19.

The Group continues to evaluate the potential short-term and long-term implications on the consolidated financial statements. The potential impacts include, but not limited to: impairment of loans and advances, impairment of property and equipment and operating lease right of use assets related to the company's branches, fair value of financial assets and other investments, valuation of inventory, capacity to meet foreign obligations, net interest income, levels of non-funded income and expenses.

As a result of this satisfaction, the Group and Company financial statements have accordingly been prepared on a going concern basis. The annual financial statements for the year ended 31 December 2020 set out on pages 73 to 200 were approved by the Board of Directors on 5 May 2021.

## Independent auditor

Messrs. KPMG have expressed their willingness to continue in office for the ensuing year and shareholders will be asked to confirm their re-appointment at the forthcoming Annual General Meeting.

**By order of the Board**

**Tichaona K. Mabeza**
**GROUP COMPANY SECRETARY**

**10 May 2021**

## Preparer of Financial Statements

These annual financial statements have been prepared under the supervision of Trynos Kufazvinei (Group Finance Director) and have been audited in terms of the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe.

**Trynos Kufazvinei CA(Z)**
**PAAB Number : 00293**

# Company Secretary's Certification

I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required to be lodged by a public company in terms of the Companies and Other Business Entities Act (Chapter 24:31) of the Republic of Zimbabwe, and that all such returns are true, correct and up to date.

**Tichaona K. Mabeza**
**GROUP COMPANY SECRETARY**

**10 May 2021**

# Board of Directors

### HERBERT NKALA
**B.Sc. Hons, MBA**
***(CHAIRMAN)***

Appointed to the FBC Holdings Limited Board in November 2002. He is a Chairman and director of several other companies, which are listed on the Zimbabwe Stock Exchange.

### CHIPO MTASA
**B.Acc (Hons), CA(Z)**
***(DEPUTY CHAIRPERSON)***

Chipo, is a Chartered Accountant (Zimbabwe) who completed her articles with Coopers & Lybrand. She has wide experience in various sectors of commerce and industry in Zimbabwe. She is the former Group Chief Executive for the Rainbow Tourism Group and is currently the Managing Director of Telone and director of several other companies. She was appointed to the Board of FBC Holdings Limited on the 3rd of July 2012.

### DR. JOHN MUSHAYAVANHU
**AIBZ, DIP MANAGEMENT, MBA, DBA**
***(GROUP CHIEF EXECUTIVE)***

John is an Associate of the Institute of Bankers in Zimbabwe ("AIBZ"), and holds a Diploma in Management from Henley Management College, United Kingdom, as well as a Masters degree in Business Administration from Brunel University, United Kingdom and a Doctorate in Business Administration from Binary University, Malaysia. A career banker, John has over 40 years in the financial services sector. He has previously held senior positions in corporate and retail banking with a local multinational bank. John is a former President of the Bankers Association of Zimbabwe ("BAZ"). John joined FBC Bank as an Executive Director in the Corporate Banking division in October 1997. He became Managing Director in 2004 and was appointed Chief Executive of FBC Holdings on the 1st of June 2011.

### GERTRUDE SIYAYI CHIKWAVA
**MSc Strategic Management, AIBZ**
***(NON-EXECUTIVE DIRECTOR)***

Appointed to the Board of FBC Holdings Limited in December 2009. She is a director of several other companies.

# Board of Directors
(Continued)

**AENEAS CHUMA**
**Msc in Applied Economics**
***(NON-EXECUTIVE DIRECTOR)***
Aeneas has in excess of 31 years diverse experience in development work with the United Nations in various countries and is a holder of an Msc in Applied Economics.

**KLETO CHIKETSANI**
**Bachelor of Business Studies (Honours) (UZ), AIISA**
***(EXECUTIVE DIRECTOR)***
Kleto has over 27 years experience in reinsurance gathered with two leading reinsurers in Zimbabwe. He is one of the founder members of FBC Reinsurance Limited, having joined the company (then Southern Africa Reinsurance Company Limited) on 1 January 1995 as Senior Underwriter and rose through the ranks to become Executive Director, Operations of FBC Reinsurance Limited in 2006. He holds a Bachelor of Business Studies (Honours) Degree from the University of Zimbabwe and is also an Associate of the Insurance Institute of South Africa. He was appointed Managing Director for FBC Reinsurance Limited on 1 March 2012.

**GARY COLLINS**
**PGD JMC**
***(NON EXECUTIVE DIRECTOR)***
Gary is a deep subject matter expert on the nexus between digital innovation, leading edge technologies and core business value in banking and diversified financial services. He is Founder and Chief Executive Officer of Solveworx (Pty) Limited, Australia and holds a Post Graduate Diploma in Journalism and Media Studies.

**FRANKLIN HUGH KENNEDY**
**Business Administration (Honours)**
***(NON EXECUTIVE DIRECTOR)***
Franklin is currently the President of Equator Capital Partners LLC and is director of several other companies. He is a holder of a Bachelor of Business Administration (Honours) degree from the University of Western Ontario, Canada. He was appointed to the Board of FBC Holdings Limited on 18 December 2013.

# Board of Directors
(Continued)

**TRYNOS KUFAZVINEI**
**B Acc (Hons), CA(Z), MBA**
***(DEPUTY GROUP CHIEF EXECUTIVE AND GROUP FINANCE DIRECTOR)***

Trynos is a Chartered Accountant (Zimbabwe) who completed his articles with Pricewaterhouse and holds a Masters degree in Business Administration from the University of Manchester, United Kingdom. Trynos is responsible for the finance and administration matters of FBC Holdings Limited. He has over 29 years experience in finance and administration. Trynos joined FBC Bank Limited in January 1998 as Head of Finance and Administration and was appointed to the board in October 2003. He became Group Finance Director in 2004 following the consolidation of the FBC Group and was appointed the Deputy Chief Executive of the FBC Group on the 1st of June 2011.

**CANADA MALUNGA**
**B.Acc (Hons), CA(Z)**
***(NON EXECUTIVE DIRECTOR)***

Canada, a Chartered Accountant (Zimbabwe) by training who completed his articles with Pricewaterhouse, has wide experience in various sectors of commerce and industry in Zimbabwe. He is the Managing Director of Masimba Holdings Limited. He was appointed to the Board of FBC Holdings Limited on the 8th of June 2011.

**RUTENHURO MOYO**
**MSIO**
***(NON EXECUTIVE DIRECTOR)***

Has a Masters in Industrial and Occupational Psychology and has post graduate qualifications in Business and Finance. An entrepreneur par excellence, Rute has wide experience and has held senior positions in international corporations such as Anglo – American, Old Mutual and Coca Cola Central Africa. He is director of several other companies.

**CHARLES MSIPA**
**Bachelor of Law, LLB**
**(NON-EXECUTIVE DIRECTOR)**

Mr Msipa is a lawyer by profession with years of experience at a senior level in various organizations, and is currently Group Managing Director of Schweppes Holdings Africa Limited.

**WEBSTER RUSERE**
**AIBZ, MBA**
***(EXECUTIVE DIRECTOR)***

Webster commenced his banking career in 1982 and rose through the corporate and retail banking ranks to become Head of Global Trade Finance and Cash Management Services in 1995 of a local multinational bank. He also served in other senior positions covering Local and Foreign Treasury Management, International Trade Finance, Correspondent Banking and Fund Management. He joined FBC Bank Limited in March 2000 as Project Manager. He was appointed Head of Retail Banking Division in 2004. He held the position of Managing Director at FBC Building Society for four years and was appointed Managing Director for FBC Bank Limited on the 1st of June 2011.

# 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.

Guidelines issued by the Reserve Bank of Zimbabwe from time to time are strictly adhered to and compliance check lists are continuously reviewed. The Board of Directors comprises of four executive directors and nine non-executive directors. The composition of the Board of FBC Holdings Limited shows a good mix of skill, experience as well as succession planning. The Group derives tremendous benefit from the diverse level of skills and experience of its Board of Directors.

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.

**Board Attendance**

| | Main Board | | | | Board Audit | | | | Board HR | | | | Board Finance & Strategy | | | | Board Risk & Compliance | | | | Board Marketing and PR | | | | Board Digitalisation and Innovations | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Board member** | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Herbert Nkala | √ | √ | √ | √ | n/a | n/a | n/a | n/a | √ | √ | √ | √ | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Chipo Mtasa | √ | √ | √ | √ | √ | √ | √ | x | √ | √ | √ | √ | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | √ | √ | √ | √ | n/a | n/a | n/a | n/a |
| John Mushayavanhu | √ | √ | √ | √ | n/a | n/a | n/a | n/a | n/a | n/a | 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 | n/a | n/a | n/a | n/a | 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 | n/a | n/a | n/a | n/a | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | n/a | n/a | n/a | n/a |
| Franklin Kennedy | √ | √ | √ | √ | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | √ | √ | √ | √ | √ | √ | √ | √ | n/a | n/a | 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 | n/a | n/a | n/a | n/a | 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 | √ | √ | √ | √ | √ | √ | √ | √ | 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 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Rutenhuro Moyo | √ | √ | √ | √ | √ | √ | √ | √ | n/a | n/a | n/a | n/a | √ | √ | √ | √ | √ | √ | √ | x | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Aenesa Chuma | √ | √ | √ | √ | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | √ | √ | √ | √ | 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 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 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 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | √ | √ | √ | √ |

**Key**

√ - Attended

x - Apologies Q1 - Quarter 1 Q3 - Quarter 3

n/a - not applicable Q2 - Quarter 2 Q4 - Quarter4

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:

# Corporate Governance
(Continued)

## Board Finance and Strategy Committee

**Members**

C. Malunga (Chairman)
G. Chikwava
F. Kennedy
C.Mtasa
J. Mushayavanhu

The Board Finance and Strategy Committee has written terms of reference. This committee is constituted at Group level and oversees the subsidiary companies. It is chaired by a non-executive director. Meetings of the Committee are attended by invitation, by other senior executives.

The committee meets at least four times a year to review the following amongst other activities:

- The Group's financial statements, and accounting policies,
- The Group's strategy and budget,
- The Group's performance against agreed benchmarks and
- The adequacy of the Group's management information systems.

## Board Human Resources and Remuneration Committee

**Members**

C. Mtasa (Chairperson)
C. Msipa
H. Nkala

The Committee is chaired by a non-executive director and comprises mainly non-executive directors. This Committee is constituted at Group level and oversees the subsidiary companies. Meetings of the committee are attended by invitation by the Divisional Director of Human Resources.

The Committee's primary objective is to ensure that the right calibre of management is attracted and retained. To achieve this it ensures that the directors, senior managers and staff are appropriately rewarded for their contributions to the Group's performance.

The Committee is also responsible for the Group's Human Resources Policy issues, terms and conditions of service.

Non-executive directors are remunerated by fees and do not participate in any performance-related incentive schemes.

## Board Audit Committee

**Members**

C. Mtasa (Chairperson)
A. Chuma
C. Msipa
R. Moyo

The Committee is chaired by a non-executive director and comprises of non-executive directors only. The Divisional Director of Internal Audit, the Group Chief Executive, the Group Finance Director and other executives attend the committee by invitation. The Committee is constituted at Group level and oversees subsidiary companies.

The Committee meets regularly to:

- Review compliance with statutory regulations,
- Review the effectiveness of internal controls,
- Review and approve the financial statements and
- Review reports of both internal and external auditors' findings, instituting special investigations where necessary.

## Board Risk and Compliance Committee

**Members**

R. Moyo (Chairman)
G. Chikwava
A. Chuma
F. Kennedy

The Committee is constituted at Group level and is responsible for the group risk management function. It is chaired by a non executive director. The Committee's primary objective is to maintain oversight of the Group's risk and regulatory compliance processes and procedures and monitor their effectiveness. The Committee keeps under review, developments and prospective changes in the regulatory environment and monitors significant risk and regulatory issues affecting the Group, noting any material compliance/ regulatory breaches and monitoring resolution of any such breaches.

## Board Credit Committee

**Members**

T. Mazoyo (Chairperson)
M. Nzwere
W. Rusere

This committee falls directly under the Bank. It sets the Bank's credit policy and also approves credit applications above management's discretionary limits. The committee is responsible for the overall quality of the Bank's credit portfolio. The committee is chaired by a non-executive director. The

# Corporate Governance
(Continued)

Heads of Credit and Risk Management attend the committee meetings by invitation.

**Board Loans Review Committee**
**Members**
M. Ndoro (Chairperson)
T. Mutunhu
J Mushayavanhu

The committee falls directly under the Bank, has terms of reference and comprises non-executive directors only. Meetings of the committee are attended by invitation, by the Managing Director of the Bank, the Head of Credit and Risk and the Group Chief Executive.

The committee is responsible for ensuring that the Bank's loan portfolio and lending activities abide by the Bank's credit policy as approved by the Board of Directors and is in compliance with RBZ requirements. It also ensures that problem loans are properly identified, classified and placed on non-accrual in accordance with the Reserve Bank guidelines. The committee also ensures that adequate impairment allowances are made for potential losses and write-offs of losses identified are made in the correct period.

**Board Assets and Liabilities Committee**
**Members**
M. Nzwere (Chairman)
F. Makoni
J. Mushayavanhu
T. Mutunhu
W. Rusere

The committee falls directly under the Bank, draws its members from the Bank's Board and is chaired by a non executive director. It is responsible for the continuous monitoring of the Bank's assets and liabilities.

**Internal Controls**
The Directors are responsible for the Group's internal control system, which incorporates procedures that have been designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information is reliably reported.

The key procedures which the Board considers essential to provide effective control include:
i) Decentralized organisational structure with strong management working within defined limits of responsibility and authority.
ii) An annual budgeting process with quarterly re-forecasts to reflect changing circumstances, and the identification of key risks and opportunities.
iii) Detailed monthly management accounts with comparisons against budget through a comprehensive variance analysis.

Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these internal control procedures and systems has occurred during the year under review.

**Executive Committee**
The operational management of the Group is delegated to the executive committee, which is chaired by the Group Chief Executive. The executive committee is the chief operating decision maker for the Group.

The executive committee comprises:
The Group Chief Executive
Deputy Group Chief Executive and Group Finance Director
Managing Director (FBC Bank Limited)
Managing Director (FBC Reinsurance Limited)
Managing Director (FBC Building Society)
Managing Director (FBC Securities (Private) Limited)
Managing Director (FBC Insurance Company (Private) Limited)
Managing Director (Microplan Financial Services (Private) Limited)
Group Company Secretary
Divisional Director Human Resources

It meets monthly or more frequently if necessary and acts on behalf of the Board.

**Internal Audit**
The internal audit department examines and evaluates the Group's activities with the aim of assisting management with the effective discharge of their responsibilities. It reviews the reliability and integrity of financial and operating information, the systems of internal control, the efficient management of the Group's resources, the conduct of operations and the means of safeguarding assets. The Divisional Director of Internal Audit reports to the Chairman of the Audit Committee.

**Risk Management and Control**

**Introduction and overview**
Managing risk effectively in a diverse and complex institution requires a comprehensive risk management governance structure that promotes the following elements of a sound risk management framework:

- Sound board and senior management oversight,
- Adequate policies, procedures and limits,
- Adequate risk monitoring and management information systems ("MIS"), and
- Adequate internal controls.

FBC Holdings Limited manages risk through a comprehensive framework of risk principles, organisational structure and risk processes that are closely aligned with the activities of the entities in the Group.

# Corporate Governance
(Continued)

The most important risks that the Group is exposed to are listed below:
- Credit risk,
- Market risk,
- Liquidity risk,
- Reputational risk,
- Strategic risk,
- Operational risk and
- Compliance risk.

In addition to the above, there are also specific business risks that arise from the Group's reinsurance and insurance subsidiaries' core activities.

## Risk management framework

In line with the Group's risk strategy, size and complexity of its activities, the Board established a risk governance structure and responsibilities that are adequate to meet the requirements of a sound risk management framework.

The Group's Board of Directors has the ultimate responsibility for ensuring that an adequate and effective system of internal controls is established and maintained. The Board delegates its responsibilities to the following Committees through its respective Board Committees:

- Group Risk and Compliance Committee,
- Group Audit Committee,
- Group Human Resources and Remuneration Committee,
- Group Finance and Strategy Committee,
- Credit Committees for the Bank and Building Society,
- Loans Review Committees for the Bank and Building Society and
- Assets and Liabilities Committees ("ALCO") for the Bank and Building Society.

The specific duties delegated to each committee of the Board and its respective Management Committee are outlined in the terms of reference for the specific committees.
In addition to the above Committees, the following three risk related functions are directly involved in Group-wide risk management:
- Group Risk Management,
- Group Internal Audit and
- Group Compliance.

Group Risk Management Division assumes a central role in oversight and management of all risks that the Group is exposed to in its various activities. The Head of Group Risk Management is responsible for recommending to the Group Risk and Compliance Committee and the Board Risk and Compliance Committee a framework that ensures the effective management and alignment of risk within the Group. The Head of Group Risk Management is responsible for the process of identifying, quantifying, communicating, mitigating and monitoring risk.

Group compliance is an independent compliance management activity that is headed by the Group Compliance Manager who reports administratively to the Group Chief Executive and directly to the Group Risk and Compliance Committee. The Group Compliance Manager has unrestricted access to the Chairman of the Group Risk Compliance Committee.

Group Internal Audit independently audits the adequacy and effectiveness of the Group's risk management, control and governance processes. The Divisional Director of Group Internal Audit who reports administratively to the Group Chief Executive and functionally to the Chairman of the Audit Committee, provides independent assurance to the Group Audit Committee and has unrestricted access to the Chairman of the Group Board Audit Committee.

The principal risks to which the Group is exposed to and which it continues to manage are detailed in note 34 under Financial Risk Management.

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 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. Subsidiaries have board committees responsible for ensuring robust operational risk management frameworks. 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

# Corporate Governance
(Continued)

appropriate risk committees which include the Group 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 Management 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.

### 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 Group'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.

### 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), the Companies and Other Business Entities Act (Chapter 24:31), the relevant Statutory Instruments ("SI") SI 33/99, SI 33/19 and SI 62/96, The Income Tax Act (Chapter 23:06), The Capital Gains Act (Chapter 23:01), the Value Added Tax Act (Chapter 23:12), Insurance Act (Chapter 24:07), Securities and Exchange Act (Chapter 24:25), Building Societies Act (Chapter 24:02), Zimbabwe Microfinance Act (Chapter 24:29).

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.

### International credit ratings
The Group suspended the credit ratings on all banking and insurance subsidiaries which have in the past 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 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|
| FBC Bank Limited | BBB+ | BBB+ | BBB+ | BBB+ | A- | A- | A- | A- | A- |
| FBC Reinsurance Limited | A- | A- | A- | A- | A- | A- | A- | A- | A- |
| FBC Building Society | BBB- | BBB- | BBB- | BBB- | BBB- | BBB- | BBB- | BBB- | BBB- |
| FBC Insurance Company Limited | A- | A- | A- | A- | A- | BBB | BBB- | BB+ | BB |
| Microplan Financial Services Limited | BBB | BBB | BBB | BBB- | N/A | N/A | N/A | N/A | N/A |

**Herbert Nkala**
**(Group Chairman)**

**John Mushayavanhu**
**(Group Chief Executive)**

**Tichaona K. Mabeza**
**(Group Company Secretary)**

# Group
# **Financial Statements**

KPMG
Mutual Gardens
100 The Chase (West)
Emerald Hill
P O Box 6 Harare
Zimbabwe
Tel: +263 (4) 303700, 302600
Fax: +263 (4) 303699

# Independent Auditors' Report

### To the shareholders of FBC Holdings Limited

### Qualified opinion

We have audited the inflation adjusted consolidated and separate financial statements of FBC Holdings Limited (the Group and Company), set out on pages 73 to 200, which comprise:

- the inflation adjusted consolidated and company statements of financial position as at 31 December 2020;
- the inflation adjusted consolidated and company statements of profit or loss and other comprehensive income for the year then ended;
- the inflation adjusted consolidated and company statements of changes in equity for the year then ended;
- the inflation adjusted consolidated and company statements of cash flows for the year then ended; and
- the notes to the inflation adjusted consolidated and company financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter described in the Basis for qualified opinion section of our report, the inflation adjusted consolidated and separate financial statements present fairly, in all material respects, the inflation adjusted consolidated and separate financial position of FBC Holdings Limited as at 31 December 2020, and its inflation adjusted consolidated and separate financial performance and its inflation adjusted consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the manner required by the Companies and Other Business Entities Act (Chapter 24:31), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Securities and Exchange Act (Chapter 24:25), Microfinance Act (Chapter 24:29) and the Insurance Act (Chapter 24:07).

### Basis for qualified opinion

Non-compliance with International Financial Reporting Standard IAS 21 - The Effects of Changes in Foreign Exchange Rates (IAS 21) in the prior year and the impact of this non-compliance on the comparative financial information.

As described in note 2.1 to the inflation adjusted consolidated and separate financial statements, for the 2019 financial year, the Group and Company applied Statutory Instrument (S.I. 33) up to 22 February 2019 and maintained the United States dollar (USD) as its functional currency applying an exchange rate of 1:1 between the USD and the Zimbabwe dollar (ZWL). This was not in compliance with IAS 21 where the functional currency was assessed to have been the ZWL with effect from 1 October 2018 and the market exchange rate was not 1:1. In order to comply with S.I. 33, issued on 22 February 2019, the Group and Company changed its functional currency to the ZWL with effect from 23 February 2019. These departures from IAS 21 resulted in an adverse opinion being issued in respect of the 31 December 2019 inflation adjusted consolidated and separate financial statements. Had the Group and Company applied the requirements of IAS 21 many elements of the prior year inflation adjusted consolidated and separate financial statements, which are presented as comparative financial information, would have been materially impacted. The financial effects of this departure on the prior year inflation adjusted consolidated and separate financial statements have not been determined.

Our opinion on the current year's inflation adjusted consolidated and separate financial statements is qualified because of the possible effects of this matter on the comparability of the current year's inflation adjusted consolidated and separate financial statements with that of the prior year.

KPMG, a Zimbabwean partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

# Independent Auditors' Report
(Continued)

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the inflation adjusted consolidated and separate financial statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the inflation adjusted consolidated and separate financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the inflation adjusted consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for qualified opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

### 1. Valuation of owner-occupied property and investment property

This matter relates to both the consolidated and separate financial statements.

Refer to the property and equipment accounting policy note 2.12, the investment property accounting policy note 2.10, critical accounting estimates and judgements note 3.4, the investment property consolidated note 11, the property and equipment consolidated note 13, the fair value of assets and liabilities consolidated note 35 and property and equipment company note 8 to the financial statements.

| Key audit matter | How the matter was addressed in our audit |
| --- | --- |
| The Group and the Company hold owner occupied properties that are measured at fair value in accordance with IAS 16, Property, Plant and Equipment. The Group also holds IAS 40, Investment Property which are measured at fair value. As at reporting date the Group had owner occupied properties amounting to ZWL1,861 billion inflation adjusted, of which ZWL124 million inflation adjusted relates to the Company, and investment properties amounting to ZWL978 million inflation adjusted relating to the Group.<br><br>The key inputs and assumptions used in the valuations, such as, rental rates per square meter and capitalisation rates are determined in an environment where there is limited market activity due to illiquidity in the market.<br><br>Fair valuation of properties is difficult to ascertain as market comparable sales are not as readily available as a result of depressed economic activity which has resulted in a limited number of open market sales. Furthermore, the hyperinflationary environment has made it increasingly difficult to determine the fair value in local currency. The qualified valuers, therefore, determined property values in USD and converted to local currency at the ruling interbank exchange rate as at 31 December 2020.<br><br>Given the degree of complexity involved in determining the fair value of the owner occupied and investment properties and the significant judgement and estimation required in determining the key inputs and assumptions used in determining the fair values, the valuation of the Group and the Company's owner occupied properties and the Group's investment properties was considered a key audit matter. | Our procedures included the following:<br>• Evaluating the professional competence and objectivity of the external valuers engaged by the directors to value the properties and specifically evaluating the independence of the external valuers by enquiring about their interests and relationship with the Group and Company and validating their membership to professional associations;<br>• Evaluating the appropriateness of the valuation methodologies used by the valuers based on our knowledge of the industry and the requirements of the applicable financial reporting standards, and challenging the inputs used through requesting market evidence relating to such inputs;<br>• Evaluating the appropriateness of the methodology applied for the conversion of the USD valuations to ZWL in line with the requirements of the applicable financial reporting standards; and<br>• Assessing the adequacy of the disclosures in respect of the valuation of owner occupied and investment properties. |

# Independent Auditors' Report
(Continued)

### 2. Valuation of intangible assets

This matter relates to the consolidated financial statements.

Refer to the intangible assets accounting policy on note 2.11 and the intangible asset consolidated note 12 to the financial statements.

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| The Group holds intangible assets with an inflation adjusted amount of ZWL96 million, carried at cost in the inflation adjusted consolidated financial statements in accordance with IAS 38, Intangible assets (IAS 38).<br><br>On 31 December 2019, the Group adopted the revaluation model on measuring the intangible assets. This was a change in accounting policy from the cost model to the revaluation model in the 2019 financial year. IAS 38 requires that the revaluation model be adopted provided an active market exists for the intangible assets.<br><br>Given the high level of judgement in establishing the existence of an active market for intangible assets based on the levels of customisation of the software licenses, we considered the valuation of intangible assets as a key audit matter. The assessment performed during the 2020 financial year relating to the existence of an active market has resulted in a prior period error being identified in terms of IAS 8, Accounting policies, changes in accounting estimates and errors (IAS 8). | Our procedures included the following:<br>• Evaluating management`s assessment in respect of the availability of an active market for the software licenses and critically challenging that assessment based on our understanding of the nature of the software licenses and their use;<br>• Consulting with our technical accounting specialists with regards to the use of the fair value model for intangible assets against the requirements of IAS 38, Intangible assets, specifically focusing on the active market requirement; and<br>• Assessing whether the calculations and disclosures for the prior period error in respect of restating the intangible assets back to cost in the financial statements meets the requirements of IAS 8. |

### 3. Accounting for the legacy debt asset

This matter relates to both the consolidated and separate financial statements.

Refer to the legacy debt accounting policy note 2.5.5, prepayments and other assets consolidated note 10 and other assets company note 7 to the financial statements.

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| The Group recorded a legacy debt receivable of ZWL1,031 billion inflation adjusted included in the prepayments and other assets financial statement caption, of which ZWL817 million inflation adjusted relates to the Company included in the other assets financial statement caption.<br><br>The Reserve Bank of Zimbabwe (RBZ) directed that legacy debt denominated in foreign currency be registered with the RBZ. The RBZ committed to settling registered legacy debt on a 1:1 basis. The RBZ required that an equivalent amount (of the legacy debt) in ZWL be transferred to them.<br><br>The Group registered for US$15.5 million (the Company registered for US$10 million and Building Society subsidiary registered for USD5.5 million) owing mostly to loan repayments for offshore facilities, of which the full amounts were approved and registered with the RBZ.<br><br>Given the degree of complexity involved in determining whether the legacy debt asset meets the definition of a financial instrument in terms of IFRS 9, Financial Instruments (IFRS 9) and the significant judgement and estimation required in determining the credit rating of the instrument and the calculation of the impairment allowance, this was considered to be a key audit matter. | Our procedures included the following:<br>• Obtaining an understanding of the registration process and inspecting the approvals and other correspondences between the Group and the Company and the RBZ;<br>• Reviewing the legal opinion provided by the legal expert to assess the enforceability of the arrangement between the Group and Company and the RBZ, and assessing the independence and objectivity of the legal expert;<br>• Confirming with the RBZ in writing, that they had validated the amounts registered as legacy debt under the Exchange Control directive RU28 issued on 22 February 2019;<br>• Consulting our technical accounting specialists with regards to the appropriateness of the accounting treatment of the legacy debt asset;<br>• Assessing the appropriateness of the classification of the legacy debt in accordance with IFRS 9;<br>• Performing an assessment of the appropriateness of the credit risk grading of the legacy debt asset, through an independent assessment performed by our financial risk management specialists; and<br>• Assessing the adequacy of the disclosures in respect of the legacy debt asset against the requirements of IFRS 9. |

# Independent Auditors' Report
(Continued)

### 4. Expected credit loss allowance on loans and advances to customers

This matter relates to the consolidated financial statements.

Refer to the impairment of financial assets accounting policy note 2.5, loans and advances consolidated note 5, and credit risk consolidated note 34 in the financial statements.

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| The Group provides loans and advances to individuals, corporates and, small and medium enterprises (SMEs).<br><br>As at reporting date, the Group had loans and advances to customers of ZWL13,343 billion inflation adjusted. The Group uses an Expected Credit Loss (ECL) model to determine the allowance for loans and advances. The ECL methodology incorporates the expected future credit losses due to forward looking macro-economic variables.<br><br>The Group's ECL model includes certain judgements and assumptions such as:<br>• the credit grade allocated to the counterparties in the retail and corporate banking category;<br>• the probability of a loan becoming past due and subsequently defaulting (probability of default PD);<br>• the determination of the Group's definition of default;<br>• the magnitude of the likely loss if there is default (loss given default LGD);<br>• the expected exposure in the event of a default (exposure at default EAD);<br>• the criteria for assessing significant increase in credit risk (SICR);<br>• the rate of recovery on the loans that are past due and in default;<br>• the identification of impaired assets and the estimation of impairment, including the estimation of future cash flows, market values and estimated time and cost to sell collateral; and<br>• the incorporation of forward-looking information related to the expected outlook on the country's inflation rates, central bank interest rates, exchange rates and the gross domestic product used in determining the expected credit losses in the loans and advances portfolios.<br><br>Due to the significance of the loans and advances to the financial position of the Group and the level of judgement applied in determining the ECL, the expected credit loss on loans and advances was considered a key audit matter. | Our procedures included the following:<br>• Assessing and testing the design and operating effectiveness of the key controls over credit origination and monitoring;<br>• Assessing whether the Group's credit policies are aligned with IFRS 9, Financial Instruments (IFRS 9);<br>• Engaging our financial risk management specialists to evaluate the appropriateness of the Group's IFRS 9 expected credit losses model by using our own independent models to evaluate the appropriateness of the ECL;<br>• Using available external and independent information to challenge management's assumptions and judgements in determining expected credit losses;<br>• Assessing the completeness, accuracy and validity of data and inputs used during the development and application of the ECL model;<br>• For a sample of loans and advances, we evaluated the appropriateness of the credit risk grade through the performance of credit reviews and an analysis of the financial performance of selected entities; and<br>• Assessing the adequacy of the Group's disclosures in respect of ECL as required in terms of IFRS 9. |

# Independent Auditors' Report
(Continued)

### 5. Valuation of unlisted and suspended securities

This matter relates to both the consolidated and separate financial statements.

Refer to the valuation of unlisted equities accounting policy note 3.5, valuation of suspended shares accounting policy note 3.6, financial assets at fair value through profit or loss consolidated note 7, the fair value of assets and liabilities consolidated note 35 and company financial assets at fair value through profit or loss note 4 to the financial statements.

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| *Unlisted securities*<br>The Group holds unlisted securities amounting to ZWL 202 million inflation adjusted which are measured at fair value, of which ZWL 146 million inflation adjusted relates to the Company. Unlisted investments are shares that are not listed on a registered stock exchange therefore the prices are not quoted in any active market and are classified as level 3 financial instruments, in terms of IFRS 13, Fair value measurement (IFRS 13), in the fair value hierarchy. The valuation methodologies, assumptions and inputs used by the directors include significant unobservable inputs which require significant judgement and estimation.<br><br>*Suspended securities*<br>On 26 June 2020, the Ministry of Finance and Economics Development banned the trading of shares for three counters on the Zimbabwe Stock Exchange (ZSE) that have dual listings. These dual-listed shares are Old Mutual Limited (OML), Seed Co International Limited ('SCIL") and PPC Cement Limited (PPC). The shares are functionally suspended from any trading. The restriction on trade has resulted in the absence of the Zimbabwe market price of the shares which presents valuation challenges at year end for companies which hold OML shares, SCIL shares and PPC shares. The Group holds investments of ZWL 51 million inflation adjusted in these suspended shares, of which ZWL 13 million inflation adjusted relate to the Company. There was need to ascertain whether the last trading day price is still the appropriate share price as at 31 December 2020.<br><br>Given the significant judgement and estimation applied by the directors in the valuation of these investments, the valuation of unlisted and suspended securities were considered a key audit matter. | Our procedures included the following:<br>• Evaluating and challenging the appropriateness of the methodologies applied, assumptions and inputs used in the valuation of unlisted and suspended securities;<br>• Enquiring with the primary issuer of the shares, Afreximbank, on the market and the market participants of these shares, the volume of transactions in those markets and the appropriateness of the net asset value as a proxy in the valuation of the shares;<br>• Engaging our internal valuation specialists to evaluate the appropriateness of the inputs and assumptions used to value the investments suspended from the ZSE. This was performed by establishing our own independent valuation by using a range of key assumptions and inputs, based on externally available metrics and wider economic and commercial factors using our knowledge and industry experience and comparing the values to those determined by the directors; and<br>• Evaluating whether these investments are presented in accordance with International Financial Reporting Standard 13, Fair Value Measurement, in the financial statements. |

# Independent Auditors' Report
(Continued)

### 6. Valuation of incurred but not reported claims (IBNR), net outstanding claims and unearned premium reserve

This matter relates to the consolidated financial statements.

Refer to the insurance liabilities accounting policy note 2.8, critical accounting estimates and judgement note 3.2 and insurance liabilities consolidated note 16 to the financial statements.

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| The Group holds insurance liabilities which, on an inflation adjusted basis, comprise of IBNR of ZWL 21.6 million (note 16.1), net outstanding claims of ZWL 95.6 million (note 16.1), and net unearned premium (UPR) of ZWL 246.6 million (note 16.2).<br><br>The directors engaged an actuarial expert to assess the valuation of the IBNR, outstanding claims and unearned premium reserve.<br><br>The determination of the insurance liabilities, is an area that makes use of significant qualitative and quantitative judgments and estimates due to the level of subjectivity inherent in the estimation of the occurrence and severity of insurable events that have occurred as at the end of the reporting period.<br><br>Because of the inherent susceptibility of the technical reserves to estimation uncertainty, we considered the valuations of the insurance liabilities to be a key audit matter. | Our procedures included the following:<br>• Evaluating the appropriateness of the methodology applied and assumptions used by the Group to determine the insurance liabilities using our knowledge and industry experience;<br>• Engaging our own actuarial specialist to interrogate the methodology and assumptions used in the determination of the insurance liabilities by testing the principles and integrity of the data and models used by management and their actuaries;<br>• Assessing the reasonability and accuracy of the liabilities by comparing the prior year claims recognised against the results of current year claims actually reported that related to the prior financial period;<br>• Confirming the amounts recoverable from the reinsurers;<br>• Re-computing, from date of origination of premium, the allocation of premiums received between current year and future periods based on time allocation, with the amounts for future periods being recognized as UPR;<br>• Assessing the disclosures in the financial statements, paying particular attention to the disclosure of the assumptions used and judgements made relating the claims provision; and<br>• Assessing the disclosures regarding the sensitivity of the IBNR claims provision and the related factors that influence the sensitivities. |

### 7. IAS 29 – Financial Reporting in Hyperinflationary Economies

This matter relates to both the consolidated and separate financial statements.

Refer to the basis of preparation accounting policy note 2.1 to the financial statements.

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| Zimbabwe was deemed hyperinflationary effective 1 July 2019 in terms of the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29). For the year ended 31 December 2020, the country continued experiencing hyperinflationary pressures, with the inflation rate closing at 348.59% as at 31 December 2020. In accordance with guidance issued by the Public Accountants and Auditors Board, management utilised the ZWL consumer price indices to prepare inflation adjusted financial statements. For the year ended 31 December 2020, the Group recorded a monetary loss adjustment of ZWL1.360 billion and the Company recorded a monetary loss of ZWL118 million.<br><br>Given the significance of the quantitative impact of IAS 29, we have assessed hyperinflation accounting to be a key audit matter. | Our procedures included the following:<br>• Enquiring with management responsible for financial reporting on the considerations taken into account with regards to the application of IAS 29 and tested the IAS 29 model designed and implemented by management to ensure the completeness and accuracy of the key inputs;<br>• Re-computing management's IAS 29 calculations, independently verifying indices used and reviewing the proof of the net monetary adjustment; and<br>• Inspecting the financial statements for compliance with IAS 29. |

# Independent Auditors' Report
(Continued)

### Emphasis of matter relating to comparative information

We draw attention to note 12 to the inflation adjusted consolidated financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2019 has been restated. Our opinion is not modified in respect of this matter.

### Other matter relating to comparative information

The inflation adjusted consolidated financial statements of FBC Holdings Limited as at and for the year ended 31 December 2019, excluding the adjustments described in note 12 to the inflation adjusted consolidated financial statements, were audited by another auditor who expressed an adverse opinion on those inflation adjusted consolidated and separate financial statements on 30 April 2020 as a result of non- compliance with the requirements of IAS 21.

As part of our audit of the inflation adjusted consolidated financial statements as at and for the year ended 31 December 2020, we audited the adjustments described in note 12 that were applied to restate the comparative information presented as at and for the period ended 31 December 2019. We were not engaged to audit, review, or apply any procedures to the inflation adjusted consolidated financial statements for the period ended 31 December 2019, other than with respect to the adjustments described in note 12 to the inflation adjusted consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective inflation adjusted consolidated financial statements taken as a whole. However, in our opinion, the adjustments described in note 12 are appropriate and have been properly applied.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled 2020 Annual Report and the unaudited financial information in the inflation adjusted consolidated and separate financial statements titled Historical Cost but does not include the inflation adjusted consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the inflation adjusted financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the inflation adjusted consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section above, given the non- compliance with IAS 21 in the prior year the Group's and Company's current year's inflation adjusted consolidated and separate financial statements may not be comparable with the prior year. We have therefore concluded that the other information is materially misstated for the same reasons with respect to the amounts or other items included in the financial information included in the 2020 Annual Report and the unaudited financial information in the inflation adjusted consolidated and separate financial statements titled Historical Cost.

### Responsibilities of the directors for the inflation adjusted consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated and separate financial statements in accordance with International Financial Reporting Standards and the manner required by the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe, the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02),the

# Independent Auditors' Report
(Continued)

Securities and Exchange Act (Chapter 24:25), the Zimbabwe Microfinance Act (Chapter 24:29) and the Insurance Act (Chapter 24:07), and for such internal control as the directors determine is necessary to enable the preparation of inflation adjusted consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted consolidated and separate financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/ Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the inflation adjusted consolidated and separate financial statements**

Our objectives are to obtain reasonable assurance about whether the inflation adjusted consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these inflation adjusted financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the inflation adjusted consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the inflation adjusted financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated and separate financial statements, including the disclosures, and whether the inflation adjusted consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the inflation adjusted consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# Independent Auditors' Report
(Continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the inflation adjusted financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

**KPMG Zimbabwe**
Registered Accountants and Auditors Chartered Accountants (Zimbabwe)

Per: Themba Mudidi Partner
Registered Public Auditor
PAAB Practicing Certificate Number 0437
10 May 2021
For and on behalf of, KPMG Chartered Accountants (Zimbabwe), Reporting Auditors 100 The Chase (West)
Emerald Hill, Harare Zimbabwe

# Consolidated Statement of Financial Position

## As at 31 December 2020

| | | INFLATION ADJUSTED | | HISTORICAL COST* | |
|---|---|---|---|---|---|
| | | | RESTATED | | RESTATED |
| | Note | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **ASSETS** | | | | | |
| Balances with banks and cash | 4 | 10 559 374 255 | 8 558 593 908 | 10 559 374 255 | 1 907 906 680 |
| Financial assets at amortised cost | 5.5 | 1 085 461 468 | 855 588 436 | 1 085 461 468 | 190 730 266 |
| Loans and advances to customers | 5.1 | 13 343 058 826 | 11 488 025 929 | 13 342 940 672 | 2 560 920 299 |
| Trade and other receivables including insurance receivables | 5.2 | 519 563 948 | 463 703 524 | 485 619 884 | 104 144 323 |
| Bonds and debentures | 6 | 473 679 285 | 545 079 161 | 473 679 285 | 121 510 634 |
| Financial assets at fair value through profit or loss | 7 | 771 748 183 | 246 419 753 | 808 232 947 | 57 760 631 |
| Financial assets at fair value through other comprehensive income | 8 | 38 389 849 | 66 704 543 | 38 389 849 | 14 869 971 |
| Inventory | 9 | 297 715 820 | 295 899 508 | 126 312 625 | 13 525 576 |
| Prepayments and other assets | 10 | 2 176 313 487 | 1 618 006 458 | 2 042 880 343 | 318 540 053 |
| Current income tax asset | | 9 153 007 | 179 618 | 9 153 007 | 40 041 |
| Deferred tax assets | 18.4 | 100 254 538 | 2 298 759 | 101 657 053 | 59 509 |
| Investment property | 11 | 978 507 514 | 692 089 729 | 978 507 514 | 154 282 658 |
| Intangible assets | 12 | 96 139 110 | 149 566 590 | 9 074 177 | 8 832 356 |
| Property and equipment | 13 | 1 861 241 945 | 2 055 612 557 | 1 861 241 945 | 458 243 138 |
| Right of use asset | 29.3 | 91 235 211 | 100 288 910 | 36 749 236 | 7 865 553 |
| **Total assets** | | **32 401 836 446** | **27 138 057 383** | **31 959 274 260** | **5 919 231 688** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Liabilities** | | | | | |
| Deposits from customers | 14.1 | 10 962 412 658 | 9 083 294 723 | 10 962 412 658 | 2 024 874 514 |
| Deposits from other banks | 14.2 | 456 948 363 | 875 374 303 | 456 948 363 | 195 140 989 |
| Borrowings | 15 | 9 053 617 984 | 7 726 131 726 | 9 053 617 984 | 1 722 331 786 |
| Insurance liabilities | 16 | 489 683 226 | 451 420 704 | 402 454 943 | 51 333 232 |
| Trade and other payables | 17 | 5 400 632 522 | 3 947 816 828 | 5 353 987 092 | 865 030 059 |
| Current income tax liability | | 136 590 205 | 16 677 922 | 136 590 205 | 3 405 985 |
| Deferred tax liability | 18.4 | 778 631 958 | 1 047 266 993 | 642 741 559 | 242 833 805 |
| Lease liability | 29.3 | 33 818 029 | 35 771 881 | 33 818 029 | 7 974 372 |
| **Total liabilities** | | **27 312 334 945** | **23 183 755 080** | **27 042 570 833** | **5 112 924 742** |
| **Equity** | | | | | |
| **Capital and reserves attributable to equity holders of the parent entity** | | | | | |
| Share capital and share premium | 19.3 | 544 272 895 | 544 272 895 | 14 089 892 | 14 089 892 |
| Other reserves | 20 | 1 651 437 732 | 1 737 379 632 | 1 490 651 987 | 386 562 531 |
| Retained profits | | 2 884 450 818 | 1 665 198 641 | 3 402 259 409 | 403 507 476 |
| **Total equity, excluding non controlling interest** | | **5 080 161 445** | **3 946 851 168** | **4 907 001 288** | **804 159 899** |
| Non controlling interest in equity | | 9 340 056 | 7 451 135 | 9 702 139 | 2 147 047 |
| **Total equity** | | **5 089 501 501** | **3 954 302 303** | **4 916 703 427** | **806 306 946** |
| **Total equity and liabilities** | | **32 401 836 446** | **27 138 057 383** | **31 959 274 260** | **5 919 231 688** |

The consolidated financial statements on pages 73 to 184 were authorised for issue by the board of directors on 10 May 2021 and were signed on its behalf.

| | | |
|---|---|---|
| **Herbert Nkala** | **John Mushayavanhu** | **Tichaona K. Mabeza** |
| **(Group Chairman)** | **(Group Chief Executive)** | **(Group Company Secretary)** |

*The historical 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 an opinion on this historical financial information.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

| | Note | INFLATION ADJUSTED 31 Dec 2020 ZWL | INFLATION ADJUSTED RESTATED 31 Dec 2019 ZWL | HISTORICAL COST* 31 Dec 2020 ZWL | HISTORICAL COST* RESTATED 31 Dec 2019 ZWL |
|---|---|---|---|---|---|
| Interest income calculated using the effective interest method | 21 | 2 606 715 797 | 2 370 850 368 | 1 762 265 737 | 224 505 240 |
| Interest and related expense | 21.1 | (902 980 185) | (954 366 376) | (605 774 749) | (93 158 365) |
| **Net interest related income** | | **1 703 735 612** | **1 416 483 992** | **1 156 490 988** | **131 346 875** |
| Fee and commission income | 22 | 1 237 838 164 | 1 389 018 548 | 849 278 703 | 149 146 686 |
| Fee and commission expense | 22.1 | (17 217 538) | (9 102 146) | (10 622 685) | (781 832) |
| **Net fee and commission income** | | **1 220 620 626** | **1 379 916 402** | **838 656 018** | **148 364 854** |
| Revenue from property sales | 23 | 27 735 160 | 142 881 212 | 10 812 476 | 16 586 687 |
| Cost of property sales | 23.1 | (22 918 271) | (55 888 149) | (6 948 589) | (3 073 238) |
| **Net income from property sales** | | **4 816 889** | **86 993 063** | **3 863 887** | **13 513 449** |
| Insurance premium revenue | 24 | 1 209 104 768 | 1 533 663 944 | 749 282 711 | 154 585 095 |
| Premium ceded to reinsurers and retrocessionaires | | (364 538 012) | (647 727 407) | (280 131 308) | (73 683 897) |
| **Net earned insurance premium** | | **844 566 756** | **885 936 537** | **469 151 403** | **80 901 198** |
| **Revenue** | | **3 773 739 883** | **3 769 329 994** | **2 468 162 296** | **374 126 376** |
| Net foreign currency dealing and trading income | | 3 459 603 141 | 1 926 719 588 | 3 153 911 932 | 416 365 612 |
| Net gain from financial assets at fair value through profit or loss | 25 | 716 553 819 | 326 162 453 | 752 575 545 | 72 709 084 |
| Other operating income | 26 | 197 654 528 | 1 148 070 045 | 834 064 585 | 196 626 084 |
| **Total other income** | | **4 373 811 488** | **3 400 952 086** | **4 740 552 062** | **685 700 780** |
| **Total net income** | | **8 147 551 371** | **7 170 282 080** | **7 208 714 358** | **1 059 827 156** |
| Impairment allowance | 5.4 | (137 460 519) | (151 694 528) | (137 460 519) | (33 816 186) |
| Insurance commission expense | 27 | (277 660 449) | (221 658 821) | (171 381 719) | (19 626 223) |
| Insurance commission recovered from reinsurers | 27 | 93 611 774 | 60 635 974 | 74 908 190 | 7 876 187 |
| Insurance claims and loss adjustment expenses | 28 | (473 370 765) | (671 787 657) | (332 365 872) | (91 650 593) |
| Insurance claims and loss adjustment expenses recovered from reinsurers | 28 | 105 146 610 | 296 017 997 | 72 639 026 | 38 975 790 |
| Administrative expenses | 29 | (4 502 295 711) | (3 890 518 831) | (3 100 788 438) | (432 235 679) |
| Monetary loss | | (1 360 275 109) | (1 834 137 322) | - | - |
| **Profit before income tax** | | **1 595 247 202** | **757 138 892** | **3 614 265 026** | **529 350 452** |
| Income tax expense | 30.1 | (78 960 741) | (2 386 932 730) | (400 887 352) | (233 482 765) |
| **Profit/(loss) for the year** | | **1 516 286 461** | **(1 629 793 838)** | **3 213 377 674** | **295 867 687** |

*The historical 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 an opinion on this historical financial information.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

| | Note | INFLATION ADJUSTED 31 Dec 2020 ZWL | INFLATION ADJUSTED RESTATED 31 Dec 2019 ZWL | HISTORICAL COST* 31 Dec 2020 ZWL | HISTORICAL COST* RESTATED 31 Dec 2019 ZWL |
|---|---|---|---|---|---|
| **Other comprehensive income** | | | | | |
| **Items that will not be reclassified to profit or loss** | | | | | |
| (Loss)/gains on property and equipment revaluation | | (174 184 727) | 1 500 065 455 | 1 308 825 402 | 604 352 529 |
| Tax | | 65 589 876 | (307 418 310) | (204 497 453) | (98 119 717) |
| | | **(108 594 851)** | **1 192 647 145** | **1 104 327 949** | **506 232 812** |
| **Items that may be subsequently reclassified to profit or loss** | | | | | |
| Gain on financial assets at fair value through other comprehensive income | | 34 623 385 | 8 100 307 | 34 623 385 | 1 805 744 |
| Tax | | (740 728) | (81 002) | (740 728) | (18 057) |
| | | **33 882 657** | **8 019 305** | **33 882 657** | **1 787 687** |
| **Total other comprehensive (loss)/income, net income tax** | | **(74 712 194)** | **1 200 666 450** | **1 138 210 606** | **508 020 499** |
| **Total comprehensive income/(loss) for the year** | | **1 441 574 267** | **(429 127 388)** | **4 351 588 280** | **803 888 186** |
| **Profit/(loss) attributable to:** | | | | | |
| Equity holders of the parent | | 1 514 538 110 | (1 624 927 995) | 3 211 693 386 | 295 598 000 |
| Non - controlling interest | | 1 748 351 | (4 865 843) | 1 684 288 | 269 687 |
| **Profit/(loss) for the year** | | **1 516 286 461** | **(1 629 793 838)** | **3 213 377 674** | **295 867 687** |
| **Total comprehensive income/(loss) attributable to:** | | | | | |
| Equity holders of the parent | | 1 439 685 346 | (427 203 095) | 4 344 033 188 | 802 025 118 |
| Non - controlling interest | | 1 888 921 | (1 924 293) | 7 555 092 | 1 863 068 |
| **Total comprehensive income/(loss) for the year** | | **1 441 574 267** | **(429 127 388)** | **4 351 588 280** | **803 888 186** |
| **Earnings/(loss) per share (ZWL cents)** | | | | | |
| Basic earnings/(loss) per share | 33.1 | 243.85 | (263.21) | 517.10 | 47.88 |
| Diluted earnings/(loss) per share | 33.2 | 243.85 | (263.21) | 517.10 | 47.88 |
| Headline earnings/(loss) per share | 33.3 | 251.81 | (265.16) | 519.11 | 47.88 |

*The historical 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 an opinion on this historical financial information.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

**INFLATION ADJUSTED**

| | Share capital ZWL | Share premium ZWL | Retained profits ZWL | Treasury shares ZWL | Non distributable reserve ZWL | Revaluation reserve ZWL | Finacial assets at fair value reserve ZWL | Regulatory reserve ZWL | Changes in ownership ZWL | Total ZWL | Non controlling interest ZWL | Total equity ZWL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2019** | 259 547 | 544 013 348 | 3 525 214 441 | (237 194 770) | 1 414 757 683 | - | 28 088 288 | 26 971 211 | 64 535 695 | 5 366 645 443 | 9 712 815 | 5 376 358 258 |
| Profit for the year | - | - | (1 624 927 995) | - | - | - | - | - | - | (1 624 927 995) | (4 865 843) | (1 629 793 838) |
| **Other comprehensive income;** | | | | | | | | | | | | - |
| Gain on revaluation of property and equipment, net of tax | - | - | - | - | - | 1 189 705 594 | - | - | - | 1 189 705 594 | 2 941 550 | 1 192 647 144 |
| Transfer to and from regulatory reserves | - | - | 26 971 211 | - | - | - | - | (26 971 211) | - | - | - | - |
| Gain on financial assets at fair value through other comprehensive income | - | - | - | - | - | - | 8 019 306 | - | - | 8 019 306 | - | 8 019 306 |
| **Total other comprehensive income** | - | - | 26 971 211 | - | - | 1 189 705 594 | 8 019 306 | (26 971 211) | - | 1 197 724 900 | 2 941 550 | 1 200 666 450 |
| **Total comprehensive income** | - | - | (1 597 956 784) | - | - | 1 189 705 594 | 8 019 306 | (26 971 211) | - | (427 203 095) | (1 924 293) | (429 127 388) |
| **Transaction with owners:** | | | | | | | | | | | | |
| Dividend declared and paid | - | - | (262 059 016) | - | - | - | - | - | - | (262 059 016) | (337 387) | (262 396 403) |
| Treasury share purchase | - | - | - | (157 252 476) | - | - | - | - | - | (157 252 476) | - | (157 252 476) |
| **Total transactions with owners recognised directly in equity** | - | - | (262 059 016) | (157 252 476) | - | - | - | - | - | (419 311 492) | (337 387) | (419 648 879) |
| **Balance as at 31 December 2019** | 259 547 | 544 013 348 | 1 665 198 641 | (394 447 246) | 1 414 757 683 | 1 189 705 594 | 36 107 594 | - | 64 535 695 | 4 520 130 856 | 7 451 135 | 4 527 581 991 |
| **Balance as at 1 January 2020, as previously stated** | 259 547 | 544 013 348 | 1 665 198 641 | (394 447 246) | 1 414 757 683 | 1 189 705 594 | 36 107 594 | - | 64 535 695 | 4 520 130 856 | 7 451 135 | 4 527 581 991 |
| Prior period error on revaluation of intangible assets | - | - | - | - | - | (573 279 688) | - | - | - | (573 279 688) | - | (573 279 688) |
| **Balance as at 1 January 2020, restated** | 259 547 | 544 013 348 | 1 665 198 641 | (394 447 246) | 1 414 757 683 | 616 425 906 | 36 107 594 | - | 64 535 695 | 3 946 851 168 | 7 451 135 | 3 954 302 303 |
| Profit for the year | - | - | 1 514 538 110 | - | - | - | - | - | - | 1 514 538 110 | 1 748 351 | 1 516 286 461 |
| **Other comprehensive income** | | | | | | | | | | | | |
| Gain on revaluation of property and equipment, net of tax | - | - | - | - | - | (108 735 421) | - | - | - | (108 735 421) | 140 570 | (108 594 851) |
| Gain on financial assets at fair value through other comprehensive income | - | - | - | - | - | - | 33 882 657 | - | - | 33 882 657 | - | 33 882 657 |
| **Total other comprehensive income** | - | - | - | - | - | (108 735 421) | 33 882 657 | - | - | (74 852 764) | 140 570 | (74 712 194) |
| **Total comprehensive income** | - | - | 1 514 538 110 | - | - | (108 735 421) | 33 882 657 | - | - | 1 439 685 346 | 1 888 921 | 1 441 574 267 |
| **Transaction with owners:** | | | | | | | | | | | | |
| Dividend declared and paid | - | - | (295 285 933) | - | - | - | - | - | - | (295 285 933) | - | (295 285 933) |
| Treasury share sale | - | - | - | 16 418 213 | 30 467 379 | - | - | - | - | 46 885 592 | - | 46 885 592 |
| Treasury share purchase | - | - | - | (57 974 728) | - | - | - | - | - | (57 974 728) | - | (57 974 728) |
| **Total transactions with owners recognised directly in equity** | - | - | (295 285 933) | (41 556 515) | 30 467 379 | - | - | - | - | (306 375 069) | - | (306 375 069) |
| **Balance as at 31 December 2020** | 259 547 | 544 013 348 | 2 884 450 818 | (436 003 761) | 1 445 225 062 | 507 690 485 | 69 990 251 | - | 64 535 695 | 5 080 161 445 | 9 340 056 | 5 089 501 501 |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

**HISTORICAL COST***

| | Share capital ZWL | Share premium ZWL | Retained profits ZWL | Treasury shares ZWL | Non distributable reserve ZWL | Revaluation reserve ZWL | Finacial assets at fair value reserve ZWL | Regulatory reserve ZWL | Changes in ownership ZWL | Total ZWL | Non controlling interest ZWL | Total equity ZWL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2019** | **6 719** | **14 083 173** | **128 886 322** | **(7 128 376)** | **36 624 611** | **3 163 733** | **1 066 199** | **-** | **1 670 671** | **178 373 052** | **338 915** | **178 711 967** |
| Profit for the year | - | - | 295 598 000 | - | - | - | - | - | - | 295 598 000 | 269 687 | 295 867 687 |
| **Other comprehensive income;** | | | | | | | | | | | | - |
| Gain on revaluation of property and equipment, net of tax | - | - | - | - | - | 504 639 431 | - | - | - | 504 639 431 | 1 593 381 | 506 232 812 |
| Gain on financial assets at fair value through other comprehensive income | - | - | - | - | - | - | 1 787 687 | - | - | 1 787 687 | - | 1 787 687 |
| **Total other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **504 639 431** | **1 787 687** | **-** | **-** | **506 427 118** | **1 593 381** | **508 020 499** |
| **Total comprehensive income** | **-** | **-** | **295 598 000** | **-** | **-** | **504 639 431** | **1 787 687** | **-** | **-** | **802 025 118** | **1 863 068** | **803 888 186** |
| **Transaction with owners:** | | | | | | | | | | | | |
| Dividend declared and paid | - | - | (20 976 846) | - | - | - | - | - | - | (20 976 846) | (54 936) | (21 031 782) |
| Treasury share purchase | - | - | - | (11 098 900) | - | - | - | - | - | (11 098 900) | - | (11 098 900) |
| **Total transactions with owners recognised directly in equity** | **-** | **-** | **(20 976 846)** | **(11 098 900)** | **-** | **-** | **-** | **-** | **-** | **(32 075 746)** | **(54 936)** | **(32 130 683)** |
| **Balance as at 31 December 2019** | **6 719** | **14 083 173** | **403 507 476** | **(18 227 276)** | **36 624 611** | **507 803 164** | **2 853 886** | **-** | **1 670 671** | **948 322 424** | **2 147 047** | **950 469 471** |
| **Balance as at 1 January 2020, as previously stated** | **6 719** | **14 083 173** | **403 507 476** | **(18 227 276)** | **36 624 611** | **507 803 164** | **2 853 886** | **-** | **1 670 671** | **948 322 424** | **2 147 047** | **950 469 471** |
| Prior period error on revaluation of intangible assets | - | - | - | - | - | (144 162 525) | - | - | - | (144 162 525) | - | (144 162 525) |
| **Balance as at 1 January 2020, restated** | **6 719** | **14 083 173** | **403 507 476** | **(18 227 276)** | **36 624 611** | **363 640 639** | **2 853 886** | **-** | **1 670 671** | **804 159 899** | **2 147 047** | **806 306 946** |
| Profit for the year | - | - | 3 211 693 386 | - | - | - | - | - | - | 3 211 693 386 | 1 684 288 | 3 213 377 674 |
| **Other comprehensive income** | | | | | | | | | | | | |
| Gain on revaluation of property and equipment, net of tax | - | - | - | - | - | 1 098 457 145 | - | - | - | 1 098 457 145 | 5 870 804 | 1 104 327 949 |
| Gain on financial assets at fair value through other comprehensive income | - | - | - | - | - | - | 33 882 657 | - | - | 33 882 657 | - | 33 882 657 |
| **Total other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **1 098 457 145** | **33 882 657** | **-** | **-** | **1 132 339 802** | **5 870 804** | **1 138 210 606** |
| **Total comprehensive income** | **-** | **-** | **3 211 693 386** | **-** | **-** | **1 098 457 145** | **33 882 657** | **-** | **-** | **4 344 033 188** | **7 555 092** | **4 351 588 280** |
| **Transaction with owners:** | | | | | | | | | | | | |
| Dividend declared and paid | - | - | (212 941 453) | - | - | - | - | - | - | (212 941 453) | - | (212 941 453) |
| Treasury share sale | - | - | - | 7 284 034 | 13 517 027 | - | - | - | - | 20 801 061 | - | 20 801 061 |
| Treasury share purchase | - | - | - | (49 051 407) | - | - | - | - | - | (49 051 407) | - | (49 051 407) |
| **Total transactions with owners recognised directly in equity** | **-** | **-** | **(212 941 453)** | **(41 767 373)** | **13 517 027** | **-** | **-** | **-** | **-** | **(241 191 799)** | **-** | **(241 191 799)** |
| **Balance as at 31 December 2020** | **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** |

*The historical 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 an opinion on this historical financial information.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

| | | INFLATION ADJUSTED | | HISTORICAL COST * | |
|---|---|---|---|---|---|
| | | | RESTATED | | RESTATED |
| | Note | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **Cash flow from operating activities** | | | | | |
| Profit before income tax | | 1 595 247 202 | 757 138 892 | 3 614 265 026 | 529 350 452 |
| **Adjustments for non cash items:** | | | | | |
| Depreciation | 13 | 160 907 772 | 116 579 096 | 59 590 697 | 3 976 392 |
| Amortisation charge | 12 | 56 587 118 | 25 514 409 | 2 535 404 | 852 523 |
| Credit impairment losses | 5.4 | 137 460 519 | 151 694 528 | 137 460 519 | 33 816 186 |
| Net unrealised exchange gains and losses | | (3 439 501 418) | 2 745 067 469 | (3 966 691 318) | (386 798 184) |
| Fair value adjustment on investment property | 11 | (173 660 390) | (385 896 331) | (818 937 884) | (143 905 214) |
| Fair value adjustment on financial assets at fair value through profit or loss | 25 | (716 553 819) | (326 162 453) | (752 575 545) | (72 709 084) |
| Profit on disposal of property and equipment | 26 | 49 427 123 | (12 082 692) | 12 494 316 | (35 901) |
| **Net cash (used)/generated before changes in operating assets and liabilities** | | **(2 330 085 892)** | **3 071 852 918** | **(1 711 858 785)** | **(35 452 830)** |
| (Increase)/decrease in financial assets at amortised cost | | (229 873 032) | 4 337 839 258 | (894 731 202) | (4 661 970) |
| Decrease in loans and advances | | 6 207 545 600 | 5 482 117 911 | (2 719 441 876) | (357 320 454) |
| (Increase) in trade and other receivables | | (2 205 184) | (103 197 149) | (327 820 321) | (91 201 745) |
| Decrease in bonds and debentures | | 71 399 876 | 5 725 013 397 | (352 168 651) | 104 055 239 |
| Decrease in financial assets at fair value through profit or loss | | 191 225 389 | 442 307 096 | 2 103 229 | 23 998 355 |
| Decrease/(increase) in financial assets at fair value through other comprehensive income | | 62 938 079 | (1 073 613) | 11 103 507 | (10 999 525) |
| (Increase)/decrease in inventory | | (1 816 312) | 9 518 811 | (112 787 049) | (5 064 282) |
| Decrease/(increase) in prepayments and other assets | | 432 587 009 | (124 725 380) | (746 553 119) | (86 812 360) |
| (Increase) in investment property | | (116 976 031) | (59 932 368) | (15 342 264) | (1 539 444) |
| Decrease in deposits from customers | | (2 804 741 070) | (12 088 653 617) | 4 253 679 140 | 577 460 983 |
| Decrease in deposits from other banks | | (418 425 940) | (3 049 905 491) | 261 807 374 | 54 267 613 |
| Increase in insurance liabilities | | 38 262 522 | 18 232 980 | 351 121 711 | 37 411 330 |
| Increase in trade and other payables | | 51 062 600 | 1 579 063 297 | 3 087 203 939 | 588 464 652 |
| | | **1 150 897 614** | **5 238 458 050** | **1 086 315 633** | **792 605 562** |
| Income tax paid | | (269 763 511) | (1 374 701 297) | (183 744 069) | (35 635 223) |
| **Net cash generated from operating activities** | | **881 134 103** | **3 863 756 753** | **902 571 564** | **756 970 339** |
| **Cash flows from investing activities** | | | | | |
| Right of use asset | | 9 053 699 | (100 288 910) | (28 883 683) | (7 865 553) |
| Purchases of intangible assets | 12 | (3 159 152) | (38 541 300) | (2 777 332) | (5 270 623) |
| Purchase of property and equipment | 13 | (205 749 161) | (175 490 272) | (162 835 474) | (17 935 021) |
| Proceeds from sale of property and equipment | | 1 167 658 | 13 392 517 | 1 088 680 | 69 810 |
| **Net cash used in investing activities** | | **(198 686 956)** | **(300 927 965)** | **(193 407 809)** | **(31 001 387)** |
| **Cash flows from financing activities** | | | | | |
| Lease liabilities | | (1 953 852) | 35 771 881 | 25 843 657 | 7 974 372 |
| Proceeds from borrowings | | 587 119 115 | - | 250 064 743 | - |
| Repayment of borrowings | | 392 752 185 | (36 865 928) | 610 109 170 | (1 369 710) |
| Dividend paid to company's shareholders | | (295 285 933) | (262 059 016) | (212 941 453) | (20 976 846) |
| Dividends paid to non-controlling interests | | - | (337 386) | - | (54 936) |
| Purchase of treasury shares | | (57 974 728) | (157 252 476) | (49 051 407) | (11 098 900) |
| Sale of treasury shares | | 46 885 592 | - | 20 801 061 | - |
| **Net cash generated/(used in) from financing activities** | | **671 542 379** | **(420 742 925)** | **644 825 771** | **(25 526 020)** |
| **Net increase in cash and cash equivalents** | | **1 353 989 526** | **3 142 085 863** | **1 353 989 526** | **700 442 932** |
| Cash and cash equivalents at beginning of the year | | 8 558 593 908 | 5 342 412 713 | 1 907 906 680 | 192 209 582 |
| Effects of changes in exchange rates | | 646 790 821 | 74 095 332 | 7 297 478 049 | 1 015 254 166 |
| **Cash and cash equivalents at the end of year** | 4.2 | **10 559 374 255** | **8 558 593 908** | **10 559 374 255** | **1 907 906 680** |

*The historical 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 an opinion on this historical financial information.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

## 1 GENERAL INFORMATION
FBC Holdings Limited ("the Company") and its subsidiaries (together "the Group") provide a wide range of commercial banking, mortgage financing, micro lending, reinsurance, short-term insurance, and stockbroking 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 consolidated financial statements were approved for issue by the Board of Directors on 10 May 2021.

## 2 SIGNIFICANT ACCOUNTING POLICIES
The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied by the Group and the Company to all the years presented unless stated otherwise.

### 2.1 Basis of preparation
The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and International Financial Reporting Standards Interpretations Committee, ("IFRIC") interpretations, Banking Act (Chapter 24:20), Insurance Act (Chapter 24:07), Securities and Exchange Act (Chapter 24:25), Building Societies Act (Chapter 24:02), Zimbabwe Microfinance Act (Chapter 24:29) and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) and the relevant Statutory Instruments ("SI") SI 62/96, SI 33/99, SI 142/19 and SI 33/19.

The consolidated financial statements have been prepared from statutory records that are maintained under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, Financial assets at fair value through other comprehensive income, investment property, intangible assets and property and equipment.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

**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 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. Monetary assets and liabilities and non-monetary assets and liabilities carried in the financial statements have been restated by 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 year ended 31 December 2020 and the comparative period. Comparative amounts in the Group financial statements 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.

| Period | Indices | Conversion Factors at 31 December 2020 |
|---|---|---|
| CPI as at 30 September 2018 | 64.06 | 38.6286 |
| CPI as at 31 December 2018 | 88.81 | 27.8639 |
| CPI as at 31 December 2019 | 551.63 | 4.4858 |
| CPI as at 31 December 2020 | 2474.51 | 1 |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

The inflation adjusted figures forms the primary set of financial statements and the unadjusted historical figures are supplementary information.

**IAS 21 (The Effects of Changes in Foreign Exchange Rates)**
The Government promulgated Statutory Instrument ("SI") 33 on 22 February 2019, giving legal effect to the reintroduction of the Zimbabwe Dollar (ZWL) as the legal tender and prescribed for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be in Zimbabwean Dollars at the rate which was at par with the United Stated Dollar (USD). In order to comply with SI 33, issued on 22 February 2019, the Group changed its functional currency to the ZWL with effect from 23 February 2019. Guidance issued by the Public Accountants and Auditors Board (PAAB) notes the requirements of SI 33 were contrary of the provisions of IAS 21.

## 2.1.1 Changes in accounting policy and disclosures

"Application of new and revised International Financial Reporting Standards (IFRSs)"

### 2.1.1.1 New and amended standards and interpretations

The Group has not early adopted the new or amended standards in preparing these separate financial statements. The following standard(s) have no material impact on the Group's financial statements in the year of first application.

**Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7**
In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. This did not have any material impact on the Group's financial statements in the year of first application.

**Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16**
In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits the Group to elect not to assess whether a COVID-19-related rent concession is a lease modification. If the Group makes this election, it shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. This did not have any material impact on the Group's financial statements in the year of first application.

**Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use**
The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. This did not have any material impact on the Group's financial statements in the year of first application.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

### 2.1.1.2 Future accounting developments

The following accounting standards have been issued by the IASB but are not yet effective:

**IFRS 17 – Insurance contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005.

IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

In June 2020, the IASB published amendments to IFRS 17. The amendments that are relevant to the Group are the scope exclusion for credit card contracts and similar contracts that provide insurance coverage, the optional scope exclusion for loan contracts that transfer significant insurance risk, and the clarification that only financial guarantees issued are in the scope of IFRS 9.

The amendments also defer the effective date of IFRS 17, including the above amendments, to annual reporting periods beginning on or after 1 January 2023. The Group is currently assessing the expected impact of adopting this standard.

An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022". The amendments to IFRS 17 were issued in 2020 and the effective date is for annual periods beginning on or after 1 Jan 2023.

The following new and amended standardsa are not expected to have a significant impact on the Group's consolidated financial statements.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- COVID-19-Related Rent Concessions (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

### 2.1.1.3 Change in accounting policy

**IAS 38- Intangible Assets**

IAS 38 presents two accounting policy choices in terms of how measurement after initial recognition of an asset can be done. The two choices are:
- Cost model
- Revaluation model

Under the cost model, after initial recognition, an item of intangible asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Under the revaluation model, an item of intangible assets may be carried at a revalued amount (based on fair value) less any subsequent amortisation and impairment losses only if fair value can be determined by reference to an active market.

The Group accounting policy on intangible assets has been to subsequently measure them using the revaluation model. The Group has changed its accounting policy on the subsequent measurement of intangible assets that were previously measured using the revaluation model. The Group has with effect from 31 December 2020 adopted the cost model on this category of assets. This change in accounting policy results in the Group applying the cost model on all its intangible assets.

**Reason for change in accounting policy**

Further reassessment made on the application of revaluation model on intangible assets in the current year pointed to a

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

technical difficulty in satisfying the requirement of the existence of an active market "as is required by IAS 38 [Intangible Assets] for adoption of the revaluation model for intangible assets. This was due to the following reasons:

- The pricing information of the computer software is not publicly available as contracts are negotiated between individual buyers and sellers. Computer software was considered a packaged deal designed to meet the specific selection of the buyer.
- The computer software is generally partly customized to satisfy the requirements of the users and this to a limited extent made it a unique product.

The above conditions were deemed present for the financial year ended 31 December 2019 resulting in the adoption of revaluation model being considered inappropriate for intangible assets. The Group has accordingly reverted to the historical cost model from the 2020 financial year.

### 2.1.2 Going concern

The Group's forecasts and projections, taking account of COVID-19 pandemic, reasonably possible changes in trading environment and performance, show that the Group should be able to operate within the level of its current financing. After a detailed assessment, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future despite the advent of the pandemic.

The Group's business operations has been and will continue to be affected by the outbreak of the COVID-19 (coronavirus) which in March 2020, the World Health Organization (WHO) declared as a pandemic and the country declared as a national disaster and ordered lockdowns and the closure of borders, non-essential services and businesses among other significant interventions. The ongoing national, regional and global response to the COVID-19 pandemic has and will overall continue to negatively affect the Group's business operations, the country, continental and global economies. The overall disruption and financial effect on the Group's businesses cannot be determined with certainty due to the nature of the complexity, the unknown duration and severity of the COVID-19 pandemic and dynamic responses continued to be implemented by the country to counteract the material negative impact on the economy. As a result of the still many unknowns relating to the current pace, spread and containment of the COVID-19 pandemic it may result in a material adverse impact on the Group's financial position, operations, financial results and cash flows. The duration of the business disruption and the related financial effect and impact cannot be reasonably estimated at this time and updates will be provided in the quarterly trading updates.

It is however, apparent that the Covid-19 pandemic has adversely impacted commercial activity and contributed to significant declines and volatility in financial markets and the government responses are creating disruption in national, regional and global supply chains and adversely impacting many industries and ultimately the Group's customers. This may materially affect all our revenues streams, operating costs and liquidity position. The future is dependent on future national and global developments, which are highly uncertain and are impossible to predict. The response by the regulatory authorities to introduce a stimulus package to ameliorate the impact of the Covid-19 will also determine the financial effect and impact on the Group's operations.

The Group has taken several steps to further strengthen its financial position and maintain liquidity and flexibility. The Group is undertaking the following initiatives to manage the challenges brought about by this pandemic: suspending unnecessary capital expenditure, reviewing operating expenses, not allowing new facility draw downs, rationalizing the branch network by temporarily and permanently closing some branches, concentrating on digital delivery channels, revamping agency banking, restructuring of previous performing facilities taking into account the extent clients are secured and have been affected by the Covid-19 outbreak, adjusted certain aspects of our operations to protect our employees and customers while still meeting customers' needs for financial services. The Group's e-commerce business and delivery channels have not been affected in terms of delivering service to our customers although the volume of transactions and revenues are expected to be disrupted due the countrywide lockdowns which continue to limit business activity.

As at the end of March 2021, our Group operations were in line with the Budget and had adequate liquidity for operations. The Group is leveraging on its Group financial position which had adequate cash resources as the end of March 2021 to preserve its financial flexibility in the uncertain environment. The Company's share price and market capitalization has increased after 31 December 2020 from ZWL 1551,35 cents to ZWL 2500,00 cents and ZWL10,4 billion to ZWL16,7 billion respectively. The Group currently believes that it has adequate liquidity and business plans to continue operating using e commerce to mitigate some of the risks associated with COVID-19.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

However, the COVID-19 pandemic is complex and rapidly evolving; the Group's plans above may change. At this point we cannot reasonably estimate the duration and severity of this pandemic, which could have a continued material adverse impact on our businesses, results of operations, financial position and cash flows.

The Group continues to evaluate the potential short-term and long-term implications on the consolidated financial statements. The potential impacts include, but not limited to:
impairment of loans and advances, impairment of property and equipment and operating lease right of use assets related to the company's branches, fair value of financial assets and other investments, valuation of inventory, capacity to meet foreign obligations, net interest income, levels of non-funded income and expenses.

The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

## 2.2 Basis of consolidation

**(a) Subsidiaries**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred. Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus their share of subsequent changes in equity.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or loses arising from such remeasurement are recognised through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

There were no business combinations in the current year.

**(b) Subsidiaries**

The consolidated financial statements combine the financial statements of FBC Holdings Limited ("the Company") and all its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(c) Non controlling interest**

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

**(d) Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity within "changes in ownership reserve". Gains or losses on disposals to non-controlling interests are also recorded in equity within "changes in ownership reserve".

**(e) Loss in control**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**(f) Transactions eliminated on consolidation**

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Unrealised profits or losses are also eliminated.

**(g) Separate financial statements of the Company**

The Company recognises investments in subsidiaries at cost, less accumulated impairment allowances in the separate financial statements of the Company.

## 2.3 Segment reporting

An operating segment is a distinguishable component of the Group that is engaged in business activities from which it earns revenues and incurs expenses (including revenues and expenses relating to transactions with other components of the entity); whose operating results are reviewed regularly by the entity's chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and to assess its performance; and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee that makes strategic decisions.

The Group's operating segments have been aggregated based on the nature of the products and services on offer and the nature of the regulatory environment. The CODM is responsible for allocating resources and assessing performance of the operating segments. In accordance with IFRS 8, Operating segments, the Group has the following business segments: commercial banking, microlending, mortgage financing, reinsurance, short-term insurance and stockbroking.

### 2.3.1 Commercial banking

The principal activities of this segment consist of dealing in the money and foreign exchange markets, retail, corporate and international banking and corporate finance.

### 2.3.2 Microlending

The principal activities of this segment consist of short-term lending to the informal market.

### 2.3.3 Mortgage financing

The principal activities of this segment consist of housing development, mortgage lending, savings deposit accounts and other money market investment products.

### 2.3.3 Mortgage financing

The principal activities of this segment consist of housing development, mortgage lending, savings deposit accounts and other money market investment products.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

### 2.3.4 Reinsurance
The principal activities of this segment consist of underwriting the following classes of reinsurance business; fire, engineering, motor, miscellaneous accident classes and marine.

### 2.3.5 Short - term insurance
The principal activities of this segment consist of underwriting the following classes of insurance business; fire, engineering, motor, miscellaneous accident classes and marine.

### 2.3.6 Stockbroking
The principal activities of this segment consist of dealing in the equities market and offering advisory services.

## 2.4 Foreign currency translation
**Transactions and balances**
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges. Economic hedging is applied where hedging is being refered to in these financial statements.

Foreign exchange gains or losses are presented in the statement of profit or loss within 'net trading income'.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non monetary financial assets, such as equities classified as financial assets at fair value through other comprehensive income, are included in other comprehensive income.

## 2.5 Financial assets and liabilities

### 2.5.1 Financial assets Classification
Financial instruments include cash and cash equivalents, loans and advances to customers, financial investments, investment securities, derivative assets and liabilities, financial assets and liabilities included in other assets and liabilities, deposits and current accounts. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss.

Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by instrument basis) to be presented at fair value through OCI. The Group has an equity investment in Zimbabwe Stock Exchange and Turnall Holdings which are measured at fair value through OCI.

**i. Recognition and initial measurement**
The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of a financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

**ii. Classification**
**Financial assets**
On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Business model assessment**
The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group's retail and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise mortgages, overdrafts, unsecured personal lending and credit card facilities. Sales of loans from these portfolios are very rare.

Certain debt securities are held by the Group Treasury in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Certain other debt securities are held by the Group Treasury in separate portfolios to meet everyday liquidity needs. The Group Treasury seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Group considers that these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

# Notes to the Consolidated Financial Statements
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(Continued)

In the event that the Group originates certain loans and advances to customers and investment securities for sale to securitisation vehicles that are not consolidated by the Group. Such financial assets are held within a business model whose objective is to realise cash flows through sale.

Certain non-trading loans and advances to customers held by the Group's investment banking business and debt securities held by the Group Treasury are managed with an objective of realising cash flows through sale. The Group primarily focuses on fair value information and uses that information to assess the asset's performance and to make decisions.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

**Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)**
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Group holds a portfolio of long-term fixed-rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Equity instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected

**Non-recourse loans**
In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgement in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:
- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group will benefit from any upside from the underlying assets.

# Notes to the Consolidated Financial Statements
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(Continued)

**Contractually linked instruments**
The Group has some investments in securitisations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:
- the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
- the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

**Reclassifications**
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

**iii. Derecognition**
**Financial assets**
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

# Notes to the Consolidated Financial Statements
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(Continued)

**Financial liabilities**
The Group derecognises a financial liability when its contractual obligations are discharged or canceled, or expire.

**iv. Modifications of financial assets and financial liabilities**
**Financial assets**
If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:
- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

**Financial liabilities**
The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.a Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

**v. Offsetting**
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

**vi. Fair value measurement**
'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

(a) The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

**vii. Impairment**
The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:
- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.
- No impairment loss is recognised on equity investments

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Determining a significant increase in credit risk since initial recognition:
The Group assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. The credit risk of an exposure is considered to have significantly increased when:

**i) Quantitative test**
The annualised lifetime probability of default (PD) has increased by more than an agreed threshold relative to the equivalent at origination. PD deterioration thresholds are defined as percentage increases, and are set at an origination score band and segment level to ensure the test appropriately captures significant increases in credit risk at all risk levels. Generally, thresholds are inversely correlated to the origination PD, i.e. as the origination PD increases, the threshold value reduces.

The assessment of the point at which a PD increase is deemed 'significant', is based upon analysis of the portfolios' risk profile against a common set of principles and performance metrics (consistent across both retail and wholesale businesses), incorporating expert credit judgement where appropriate.

**ii) Qualitative test**
Relevant for accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.
High risk customers may not be in arrears but either through an event or an observed behaviour exhibit credit distress. The definition and assessment of high risk includes as wide a range of information as reasonably available, such as industry and Group-wide customer level data, including but not limited to bureau scores and high consumer indebtedness index, wherever possible or relevant.

Whilst the high risk populations applied for IFRS 9 impairment purposes are aligned with risk management processes, they are also regularly reviewed and validated to ensure that they capture any incremental segments where there is evidence of credit deterioration.

**iii) Backstop criteria**
Relevant for accounts that are more than 30 calendar days past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into Stage 2.

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk. This means that, at a minimum: all payments must be up-to-date, the PD deterioration test is no longer met, the account is no longer classified as high risk, and the customer has evidenced an ability to maintain future payments.

# Notes to the Consolidated Financial Statements
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**Measurement of ECL**
ECL are a probability-weighted estimate of credit losses. They are measured as follows:
- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

When discounting future cash flows, the following discount rates are used:
- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate;
- lease receivables: the discount rate used in measuring the lease receivable;
- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

**Restructured financial assets**
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

**Credit-impaired financial assets**
At each reporting date, the Group assesses whether financial assets carried at amortised cost, debt financial assets carried at FVOCI and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

# Notes to the Consolidated Financial Statements
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In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.
- The market's assessment of creditworthiness as reflected in bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.

**POCI financial assets**
POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

**Presentation of allowance for ECL in the statement of financial position**
Loss allowances for ECL are presented in the statement of financial position as follows:
- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in retained earnings.

**Write-off**
Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

**Financial guarantee contracts held**
The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:
- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

# Notes to the Consolidated Financial Statements
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The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:
- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Group presents a gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

**viii. Designation at fair value through profit or loss (FVTPL)**
**Financial assets**
On initial recognition, the Group has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, that would otherwise arise.

**Financial liabilities**
The Group has designated certain financial liabilities as at FVTPL in either of the following circumstances:
- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### 2.5.2 Deposits from customers and other banks
Customer deposits and deposits from other banks are recognized initially at fair value, net of transaction costs incurred. Deposits are subsequently shown at amortised costs using the effective interest method.

### 2.5.3 Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

### 2.5.4 Financial guarantees
A financial guarantee contract is a contract that requires the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee.
Financial guarantee contracts (that are not designated at fair value through profit or loss) are subsequently measured at the higher of the:
• ECL calculated for the financial guarantee
• unamortised premium.

# Notes to the Consolidated Financial Statements

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### 2.5.5 Legacy debt

Foreign currency legacy debts or blocked funds refer to foreign currency denominated external payments that were outstanding as at 22 February 2019, when the Central bank introduced the RTGS local currency. The Central Bank committed to providing foreign currency at a rate of USD1: RTGS 1 or ZWL 1, to settle registered legacy debts or blocked funds.

In June 2019 the Central Bank directed authorised dealers to transfer to the Central Bank, Zimbabwe Dollar balances at an exchange rate of ZWL1:US$1 in relation to foreign currency legacy debts to be registered. During the course of 2019 and 2020, the Group made applications relating to foreign currency obligations incurred in USD between 2018, when the functional currency was USD and prior to promulgation of S.I. 33 of February 2019, to providers of offshore lines of credit.

FBC Holdings the company and the building society, during 2019, registered for US$15,5m owing mostly to loan repayments for offshore lines of credit of which the full amount was approved and registered with the Central Bank.

The ZWL paid to the Central Bank gives rise to an asset since FBC expects future economic benefits in the form of the ability to participate in a programme to facilitate settlement of the approved legacy debts, at preferential exchange rates. FBC became a party to the contractual provisions of the instrument on the day that it deposited money with the Central Bank.

With the approval and registration of the legacy debts with the Central Bank, receivable has been recognised in the Group. The receivable from the Central Bank was recognised as USD denominated asset and converted to local currency at the ruling exchange rate. The Central Bank confirmed in writing that they will be paying the USD equivalent amounts of interest and capital on the legacy debts. This creates a contractual right to receive cash and hence the legacy debt deposit made to RBZ meets the definition of a financial asset which will be measured at amortised cost.The respective foreign currency obligations in respect of which legacy debt had been applied for and approved remain as USD liabilities in the financial statements and converted at the interbank exchange rate, at each reporting date. The resulting exchange gains & losses as well as credit losses will be recognised in the statement of profit or loss.

### 2.5.6 Settlement of financial assets and liabilities

If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

## 2.6 Balances with other banks and cash

Cash and bank balances include cash on hand, deposits held at call with other banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown as liabilities. Cash and bank balances are carried at amortised cost in the statement of financial position.

## 2.7 Trade and other receivables including insurance receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. For further information of insurance receivables please refer to note 2.8.

## 2.8 Insurance contracts

**Classification of insurance contracts**

Contracts under which the Group accepts significant insurance risk from another party ("the policyholder") by agreeing to compensate the policyholder or other beneficiary in the event of loss are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

# Notes to the Consolidated Financial Statements

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Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts.

**Recognition and measurement**

**Revenue**

Gross premiums written reflect business written during the year, and exclude any taxes or duties charged on premiums. Premiums written include estimates for 'pipeline' premiums and adjustments to estimates of premiums written in previous years.

The earned proportion of premiums is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of the risks underwritten.

**Unearned premium provision**

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the subsequent financial year, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

**Claims**

Claims incurred comprise the settlement and handling costs paid and outstanding claims arising from events occurring during the financial year together with adjustments to prior year claims' provisions.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all the claims incurred but unpaid at the statement of financial position date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior years are reflected in the financial statements of the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

**Unexpired risk provision**

Provision is made for unexpired risks arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs. The provision of unexpired risk is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and unexpired claims provision.

**Reinsurance assets**

The reinsurance subsidiary cedes reinsurance to another reinsurer (hereafter a retrocessonaire) and the short-term insurance subsidiary cedes insurance risk to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense of the related insurance contract because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contract. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in the reinsurance assets.

**Reinsurance assets (contracts)**

The net amounts paid to the reinsurer at the inception of a contract may be less than the reinsurance assets recognised by the Group in respect of rights under contracts. Any difference between the premium due to the reinsurer and the

# Notes to the Consolidated Financial Statements
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reinsurance asset recognized is included in the statement of comprehensive income in the period in which the reinsurance premium is due.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid. These are classified as loans and receivables and are included within trade and other receivables in the statement of financial position.

Reinsurance assets are assessed for impairment at each statement of financial position date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the retrocessionaire.

**Reinsurance liabilities**
Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised when the obligation arises.

**Deferred acquisition costs**
Costs incurred in acquiring insurance contracts are deferred to the extent that they are recoverable out of future margins. Acquisitions costs include direct cost such as commission and indirect costs such as administrative expenses connected with the processing of proposals and issuing of policies.

Deferred acquisition costs are amortised over the period in which the costs are expected to be recoverable out of future margins in the revenue from the related contracts.

For insurance contracts the deferred acquisition cost represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written which is unearned at the statement of financial position date.

## 2.9 Inventory
Inventory is stated at the lower of cost and net realisable value. Cost is determined using the first in, first-out (“FIFO”) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## 2.10 Investment property
Investment property is recognised as an asset when it is probable that future economic benefits that are associated with the investment property will flow to the Group and the cost of the property can be reliably measured. Investment property is initially measured at cost and subsequently measured at fair value.

Investment property is property held to earn rentals and/or for capital appreciation. It is stated at its fair value at the reporting date as determined by independent professional valuers. Gains or losses arising from changes in the fair value of investment property are included in the statement of profit or loss in the period in which they arise.

The fair value of investment property is based on the nature, location and condition of the asset. The fair value is calculated by reference to market evidence of most recent proceeds achieved in arms length transactions of similar properties.

Transfers from investment property are made when there is a change in use, evidenced by commencement of owner-occupation for a transfer from investment property to owner-occupied property. The property’s deemed cost for subsequent accounting is its fair value at the date of change in use.

Investment property is derecognised on disposal or when the property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses from disposal is determined as the difference between the net proceeds and the carrying amount of the asset is recognised in the statement of comprehensive income in the period of disposal.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

## 2.11 Intangible assets

**Software licences**

Separately acquired software licences are at historical cost amounts less accumulated amortisation at each reporting date. Amortisation on carrying amounts is calculated using the straight-line method to allocate the cost of licences over the remaining estimated useful lives not exceeding 5 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives ranging from three to five years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

## 2.12 Property and equipment

**(a) Recognition and measurement**

The cost of an item of property and equipment is recognised as an asset if, and only if; it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Land and buildings comprise mainly retail banking branches and offices occupied by the Group. Land and buildings are shown at fair value, based on yearly valuations by external independent valuers, less subsequent accumulated impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All property and equipment is stated at revalued amounts less accumulated depreciation and impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property or equipment have different useful lives, they are accounted for (major components) as separate property and equipment.

**(b) Subsequent costs**

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss within ‘administrative expenses’ during the financial period in which they are incurred. Subsequent costs can also be recognised as separate assets.

Increases in the carrying amount arising on revaluation of property and equipment are credited to other comprehensive income and shown as revaluation reserve in shareholders’ equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income. The revaluation surplus is transferred from revaluation reserve’ to ‘retained profits’ on disposal of the revalued asset. Accumulated depreciation is eliminated at revaluation date.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Land and buildings | 50 years |
| Computer equipment | 3 - 5 years |
| Motor vehicles | 5 years |
| Office equipment | 5 - 10 years |
| Furniture and fittings | 10 years |
| Machinery | 5 years |

Depreciation methods, useful lives and residual values are reassessed at each reporting date. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income within other ‘operating income’.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

The carrying amounts of the Group's items of property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment allowance is recognised whenever the carrying amount exceeds its recoverable amount.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount (note 2.14)

**(c) Derecognition**

The carrying amount of an item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

## 2.13 Time - share asset

The time - share asset comprises a house boat jointly owned with external entities and the Group has a majority share. The boat is recognised as an asset for owner use. The boat is stated at revalued amount less impairment losses.

Depreciation is calculated using the straight-line method to allocate the cost or to the residual values over the estimated useful life of 10 years.

## 2.14 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment allowance is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows or cash generating units ("CGUs"). The impairment test can also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.15 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses'.

### 2.15.1 Current tax

Tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

### 2.15.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

## 2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2.17 Share capital

**Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of income tax, from the proceeds. Repurchase of share capital (“treasury shares”), where any group company purchases the Company’s share capital (“treasury shares”), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s shareholders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s shareholders.

When the Zimbabwean economy dollarized in 2009, a Financial Reporting Guidance was used to determine a foreign currency opening statement of financial position on the date of change in functional currency from ZWD$ to US$. The Group used the Guidance to translate the financial statements at the normalisation date to US$ to be used as the deemed costs in the opening statements of financial position at 1 January 2009. The surplus on the restatement of the assets and liabilities was credited to non-distributable reserves in equity. The reserve is not available for distribution to shareholders.

## 2.18 Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s consolidated financial statements in the period in which the dividends are declared by the Company’s directors.

## 2.19 Leases

**The Group as a lessee**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

## 2.20 Derivative

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward-rate agreements, futures, options and combinations of these instruments and primarily affect the Group's other income, net trading income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet. Derivatives have been used to hedge foreign currency and exchange rate risk related to non-trading positions. All derivative instruments are held at fair value through profit or loss.

Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes terms included in a contract or financial liability (the host), which, had it been a stand alone contract, would have met the definition of a derivative. If these are separated from the host, i.e. when the economic characteristics of the embedded derivative are not closely related with those of the host contract and the combined instrument is not measured at fair value through profit or loss, then they are accounted for in the same way as derivatives. For financial assets, the requirements are whether the financial asset contain contractual terms that give rise on specified dates to cash flows that are SPPI, and consequently the requirements for accounting for embedded derivatives are not applicable to financial assets.

## 2.21 Revenue recognition

Revenue is derived substantially from the business of banking and related activities, provision of insurance services and rendering of stock broking services.

From the business of banking and related services; revenue comprises interest income, fees and commission income, net trading income and dividend income.

### 2.21.1 Interest income and interest expense

Interest income and interest expense are recognised in the statement of profit or loss for all interest instruments on an accrual basis using the effective interest method. The effective interest is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Interest income excludes fair value adjustments on interest-bearing financial instruments. Fair value adjustments are reported under other income.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

### 2.21.2 Fee and commission income and expense

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

Other fee and commission income – including retail service fees, credit related fees investment banking fees and brokerage commission – is recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual where revenue is recognised when a performance obligation is satisfied, i.e. when control of the services underlying the particular performance obligation is transferred to the customer.

### 2.21.3 Net trading income

Net trading and dealing income includes gains or losses arising from disposals and changes in fair values of financial assets and liabilities held for trading. Net trading income also includes gains or losses arising from changes in foreign currency exchange rates.

Income from equity investments and other non-fixed income investments is recognised as income on an accrual basis.

### 2.21.4 Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is at the ex-dividend date for equity securities. Dividends are reflected as a component of non-interest income based on the underlying classification of the equity instruments.

### 2.21.5 Sale of goods - property sales

The Group is involved in the construction of houses for sale through a structured mortgage transaction as part of its trading activities. The Group uses the following steps in recognising revenue from sale of houses:


Upon an offer to purchase a property from the Group with the client meeting all the terms and conditions an agreement of sale is signed making the identification of a contract with a customer together with stating the performance obligations in the signed contract. The offer of a structured mortgage facility then determines the transaction price. Revenue is then measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue is recognised when a performance obligation is satisfied and in this case when control and title of the property is transferred to the customer. Revenue on the land portion is recognized in full on execution of the sale agreement.

### 2.21.6 Insurance premiums (including reinsurance premiums)

Premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business. An estimate is made at the statement of financial position date to recognise retrospective adjustments to premiums or commissions.

The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. A portion of outwards reinsurance premiums are treated as prepayments.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

## 2.22 Employee benefits

**(a) Termination benefits**

Termination benefits are benefits payable as a result of the Group's decision to terminate employment before the normal retirement date (or contractual date) or whenever an employee accepts voluntary redundancy in exchange of those benefits. Termination benefits are recognised as an expense at the earlier of the following dates : (a) when the Group can no longer withdraw the offer for these benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 'Provisions, contingent liabilities and contingent assets' and involves the payment of terminal benefits. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

**(b) Short term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render service. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

**(c) Post employment benefits**

Post employment benefits are employee benefits (other than termination benefits) which are payable after completion of employment. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

**Pension obligation**

The Group provides for retirement benefit obligation in respect of its employees as follows;

- FBCH Pension Fund - Defined Contribution Fund,
- National Social Security Authority ("NSSA") - a Statutory Defined Contribution Fund. Contributions to NSSA are made in terms of statutory regulations and are charged against income as incurred.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

**(d) Profit sharing and bonus plans**

The Group recognises a liability and an expense for profit sharing and bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after an independent audit. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**(e) Share-based payment transactions**

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff costs within operating expenses in the statement of profit or loss

**(f) Long service awards**

The net present value of the amount payable to employees in respect of long service awards, which are paid in cash, is recognised as an expense, with a corresponding increase in liabilities. The liability is re-measured at each reporting date and at settlement date. Any changes in the net present value of the liability are recognised as staff costs within operating expenses in the statement of profit or loss.

**(g) Annual leave provision**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

### 2.23 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares during the year excluding ordinary shares purchased by the Company, held as treasury shares.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and then dividing by the weighted average number of outstanding shares during the year excluding ordinary shares purchased by the Company, held as treasury shares but taking into consideration, for the effects of all potential dilutive factors.

### 2.24 Headline earnings per share

The Group presents headline earnings per share ("HEPS") for its ordinary shares. Headline earnings are calculated by excluding the following from the profit or loss attributable to ordinary shareholders of the Company; impairment/ subsequent reversal of impairment of property, plant and equipment and intangible assets; gains or losses on disposal of such assets; any remeasurements of investment property; remeasurement of goodwill impairment; the recognised gain on bargain purchase; gains or losses on disposals of financial assets classified as financial assets at fair value through other comprehensive income or associates and gains or losses in the loss of control or a subsidiary.

These adjusted earnings are then divided by the weighted average number of ordinary shares during the year excluding ordinary shares purchased by the Company and held as treasury shares.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgements, which necessarily have to be made in the course of the preparation of the financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

### 3.1 Impairment of financial assets

The Group adopted the Expected Credit Loss (ECL) model and this applies to financial assets measured at amortised cost (for example mandatory reserve deposits with central banks, reinsurers' share of policyholder liabilities, loans and advances, trade and other receivables, cash and cash equivalents, and corporate debt securities held by the Group) as well as financial assets measured at FVOCI, but not to investments in equity instruments.

The ECL impairment loss allowance is an unbiased, probability - weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions. The ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk occurred since initial recognition, the probability of default (PD), the loss given default (LGD) and the possible exposure at default (EAD).
Of equal importance is sound correlation between these parameters and forward-looking economic conditions.

ECL reflects the Group's own expectations of credit losses. However, when considering all reasonable and supportable information that is available without undue cost or effort in estimating ECL, the Group should also consider observable market information about the credit risk of the financial instrument or similar financial instruments. In the absence of sufficient data, management apply expert judgment within an established governance framework to determine the required parameters. The expert judgement process is based on available internal and external information.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

### 3.2 Insurance claims

The Group's estimates for reported and unreported losses and establishing provisions are continually reviewed and updated, and adjustments resulting from this review are reflected in the statement of comprehensive income. The process is based on the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. Additional information is disclosed in note 16.

### 3.3 Inventory valuation

The process for evaluating inventory obsolescence or market value often requires the Group to make subjective judgments and estimates concerning future sales levels, quantities and prices at which such inventory will be sold in the normal course of business. The Group adjusts the inventory by the difference between the estimated market value and the actual cost of the inventory to arrive at net realizable value. The Group's estimates for market value are reviewed at least annually and updated. Any write down resulting from this review is reflected in the statement of profit or loss in 'cost of sales'.

### 3.4 Investment property and property and equipment valuation

The key inputs and assumptions used in the valuations, such as, rental rates per square meter and capitalisation rates are determined in an environment where there is limited market activity due to illiquidity in the market. Fair valuation of properties is difficult to ascertain as market comparable sales are not as readily available as a result of depressed economic activity which has resulted in a limited number of open market sales. Furthermore, the hyperinflationary environment has made it increasingly difficult to determine the fair value in local currency. The qualified valuers, therefore, determined property values in USD and converted to local currency at the ruling interbank exchange rate as at 31 December 2020. Additional information is disclosed in note 13.

### 3.5 Valuation of unlisted equities

The fair values of unlisted equities are classified and accounted for in accordance with the IFRS 9. Since the prices are not readily determinable, fair value is based either on internal valuation models or management estimates of amounts that could be realized under current market conditions.

The translation of the foreign currency denominated assets and liabilities to local currency is based on the year-end exchange rate while transactions are translated at the average exchange rate for the reporting period.

The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset is not active, or quoted prices cannot be obtained without undue effort, another valuation technique is used. This is after assessing whether instruments are trading with sufficient frequency and volume, that they can be considered liquid.

### 3.6 Suspended shares

On 26 June 2020, the Ministry of Finance and Economic Development banned the trading of shares for three counters on the Zimbabwe Stock Exchange ("ZSE") that have dual listing. These dual-listed shares are Old Mutual Limited ("OML"), Seed Co International Limited ('SCIL") and PPC Cement Limited ("PPC"). The shares are functionally suspended from any trading. The restriction on trade has resulted in the absence of the Zimbabwe market price of the shares which presents valuation challenges at year end for companies which hold OML shares, SCIL shares and PPC shares. The last known trading prices for these shares has been adopted as the fair values for these shares.

### 3.7 The gain or loss on the net monetary position

The gain or loss on the net monetary position can be determined as follows:

1. derived as the difference resulting from the restatement of non-monetary assets, owners' equity and items in the statement of profit or loss and OCI and the adjustment of index linked assets and liabilities (Approach 1); or

2. Estimated by applying the change in the general price index to the weighted average for the period of the net amounts of monetary assets and liabilities (Approach 2). The Group has elected to use Approach 1.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

| | | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|---|
| | | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 |
| **4** | **BALANCES WITH BANKS AND CASH** | ZWL | ZWL | ZWL | ZWL |
| **4.1** | **Balances with Reserve Bank of Zimbabwe ("RBZ")** | | | | |
| | Current account balances | 641 523 415 | 3 420 603 888 | 641 523 415 | 762 530 981 |
| | **Balances with banks and cash** | | | | |
| | Notes and coins | 3 401 869 708 | 1 245 842 552 | 3 401 869 708 | 277 726 850 |
| | Other bank balances | 6 515 981 132 | 3 892 147 468 | 6 515 981 132 | 867 648 849 |
| | | **9 917 850 840** | **5 137 990 020** | **9 917 850 840** | **1 145 375 699** |
| | **Balances with banks and cash (excluding bank overdrafts)** | **10 559 374 255** | **8 558 593 908** | **10 559 374 255** | **1 907 906 680** |
| | Current | 10 559 374 255 | 8 558 593 908 | 10 559 374 255 | 1 907 906 680 |
| | Non-current | - | - | - | - |
| | **Total** | **10 559 374 255** | **8 558 593 908** | **10 559 374 255** | **1 907 906 680** |
| **4.2** | **Cash and cash equivalents** | | | | |
| | Cash and cash equivalents include the following for the purposes of the statement of cash flows; | | | | |
| | Current account balance at Reserve Bank of Zimbabwe ("RBZ") (note 4.1) | 641 523 415 | 3 420 603 888 | 641 523 415 | 762 530 981 |
| | Balances with banks and cash (note 4.1) | 9 917 850 840 | 5 137 990 020 | 9 917 850 840 | 1 145 375 699 |
| | | **10 559 374 255** | **8 558 593 908** | **10 559 374 255** | **1 907 906 680** |
| | **Per cash flow statement** | **10 559 374 255** | **8 558 593 908** | **10 559 374 255** | **1 907 906 680** |
| | There are no restrictions pertaining to the use of cash by the Reserve bank of Zimbabwe | | | | |
| **5** | **FINANCIAL ASSETS** | | | | |
| **5.1** | **Loans and advances to customers** | | | | |
| | **Loans and advance maturities** | | | | |
| | Maturing within 1 year | 6 816 344 808 | 6 203 091 230 | 6 816 226 654 | 1 382 811 163 |
| | Maturing after 1 year | 6 672 080 387 | 5 477 663 735 | 6 672 080 387 | 1 221 072 854 |
| | **Gross carrying amount** | **13 488 425 195** | **11 680 754 965** | **13 488 307 041** | **2 603 884 017** |
| | Impairment allowance | (145 366 369) | (192 729 036) | (145 366 369) | (42 963 718) |
| | | **13 343 058 826** | **11 488 025 929** | **13 342 940 672** | **2 560 920 299** |

The maturity analysis of loans and receivables is based on contractual maturity from year end.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

## INFLATION ADJUSTED

| Reconciliation of impairment allowance by nature of loans and advance | Mortgages ZWL | Personal loans ZWL | Corporate loans ZWL | Total ZWL |
|---|---|---|---|---|
| As at 1 January 2019 | 25 770 276 | 80 874 042 | 240 892 860 | 347 537 178 |
| Effects of IAS29 | (21 621 473) | (67 853 988) | (202 111 100) | (291 586 561) |
| Charge for the year | 23 335 084 | 48 777 799 | 69 280 232 | 141 393 115 |
| Increase in impairment allowances | 23 980 159 | 48 777 799 | 69 280 232 | 142 038 190 |
| Reversal of impairment | (645 075) | - | - | (645 075) |
| Amount written off during the year and uncollectable | - | (4 614 696) | - | (4 614 696) |
| **As at 31 December 2019** | **27 483 887** | **57 183 157** | **108 061 992** | **192 729 036** |
| As at 1 January 2020 | 27 483 887 | 57 183 157 | 108 061 992 | 192 729 036 |
| Effects of IAS29 | (21 357 099) | (44 435 721) | (83 972 498) | (149 765 318) |
| Charge for the year | 16 158 749 | 3 685 930 | 83 174 470 | 103 019 149 |
| Increase in impairment allowances | 16 158 749 | 3 685 930 | 83 174 470 | 103 019 149 |
| Reversal of impairment | - | - | - | - |
| Amount written off during the year and uncollectable | (8 759) | (607 739) | - | (616 498) |
| **As at 31 December 2020** | **22 276 778** | **15 825 627** | **107 263 964** | **145 366 369** |

## HISTORICAL COST

| Reconciliation of impairment allowance by nature of loans and advance | Mortgages ZWL | Personal loans ZWL | Corporate loans ZWL | Total ZWL |
|---|---|---|---|---|
| As at 1 January 2019 | 924 863 | 2 902 468 | 8 645 343 | 12 472 674 |
| Charge for the year | 5 201 925 | 10 873 689 | 15 444 151 | 31 519 765 |
| Increase in impairment allowances | 5 345 727 | 10 873 689 | 15 444 151 | 31 663 567 |
| Reversal of impairment | (143 802) | - | - | (143 802) |
| Amount written off during the year and uncollectable | - | (1 028 721) | - | (1 028 721) |
| **As at 31 December 2019** | **6 126 788** | **12 747 436** | **24 089 494** | **42 963 718** |
| As at 1 January 2020 | 6 126 788 | 12 747 436 | 24 089 494 | 42 963 718 |
| Charge for the year | 16 158 749 | 3 685 930 | 83 174 470 | 103 019 149 |
| Increase in impairment allowances | 16 158 749 | 3 685 930 | 83 174 470 | 103 019 149 |
| Reversal of impairment | - | - | - | - |
| Amount written off during the year and uncollectable | (8 759) | (607 739) | - | (616 498) |
| **As at 31 December 2020** | **22 276 778** | **15 825 627** | **107 263 964** | **145 366 369** |

Loans of ZWL616 498 (2019- ZWL4 614 696) written off during the year are still subject to enforcement activity.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **5.2 Trade and other receivables** | | | | |
| Retail trade and other receivables | 54 690 838 | 118 256 095 | 54 690 838 | 26 361 993 |
| Insurance receivables; | | | | |
| - Due by insurance clients and insurance brokers | 324 522 230 | 314 567 127 | 324 522 230 | 69 598 601 |
| - Due by reinsurers | 161 864 684 | 16 219 006 | 127 920 620 | 4 915 390 |
| - Due by retrocessionaires | 5 273 838 | 30 042 256 | 5 273 838 | 6 697 107 |
| **Gross carrying amount** | **546 351 590** | **479 084 484** | **512 407 526** | **107 573 091** |
| Impairment allowance | (26 787 642) | (15 380 960) | (26 787 642) | (3 428 768) |
| | **519 563 948** | **463 703 524** | **485 619 884** | **104 144 323** |
| Current | 514 857 501 | 309 065 090 | 480 913 436 | 69 671 868 |
| Non-current | 4 706 447 | 154 638 434 | 4 706 448 | 34 472 455 |
| **Total** | **519 563 948** | **463 703 524** | **485 619 884** | **104 144 323** |

## 5.3 Irrevocable commitments

There are no irrevocable commitments to extend credit, which can expose the Group to penalties or disproportionate expense.

## 5.4 Movement in credit impairment losses

| INFLATION ADJUSTED | Bonds and debentures ZWL | Trade and other receivables ZWL | Loans and advances ZWL | Financial assets at at armotised cost ZWL | Undrawn contractual commitments and guarantees ZWL | Total ZWL |
|---|---|---|---|---|---|---|
| Balance at 1 January 2019 | 31 434 701 | 21 263 575 | 347 537 178 | 24 015 382 | 3 832 289 | 428 083 125 |
| Effects of IAS 29 | (26 373 973) | (17 840 314) | (291 586 563) | (20 149 106) | (3 215 322) | (359 165 278) |
| Impairment loss allowance | (2 260 511) | 11 941 001 | 141 393 115 | 526 782 | 94 141 | 151 694 528 |
| Amounts written off /reversals during the year | - | 16 698 | (4 614 694) | (62 675) | - | (4 660 671) |
| **Balance as at 31 December 2019** | **2 800 217** | **15 380 960** | **192 729 036** | **4 330 383** | **711 108** | **215 951 704** |
| Balance at 1 January 2020 | 2 800 217 | 15 380 960 | 192 729 036 | 4 330 383 | 711 108 | 215 951 704 |
| Effects of IAS 29 | (2 175 985) | (11 952 192) | (149 765 318) | (3 365 041) | (552 586) | (167 811 122) |
| Impairment loss allowance | 1 574 425 | 24 509 009 | 103 019 148 | 3 957 391 | 4 400 546 | 137 460 519 |
| Amounts written off /reversals during the year | - | - | (616 497) | - | - | (616 497) |
| Impairment reversal | - | (1 150 135) | - | - | - | (1 150 135) |
| **Balance as at 31 December 2020** | **2 198 657** | **26 787 642** | **145 366 369** | **4 922 733** | **4 559 068** | **183 834 469** |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

## 5.4 Movement in credit impairment losses

| HISTORICAL COST | Bonds and debentures ZWL | Trade and other receivables ZWL | Loans and advances ZWL | Financial assets at at amortised cost ZWL | Undrawn contractual commitments and guarantees ZWL | Total ZWL |
|---|---|---|---|---|---|---|
| Balance at 1 January 2019 | 1 128 152 | 763 123 | 12 472 674 | 861 882 | 137 536 | 15 363 367 |
| Impairment loss allowance | (503 920) | 2 661 923 | 31 519 765 | 117 432 | 20 986 | 33 816 186 |
| Amounts written off /reversals during the year | - | 3 722 | (1 028 721) | (13 972) | - | (1 038 971) |
| **Balance as at 31 December 2019** | **624 232** | **3 428 768** | **42 963 718** | **965 342** | **158 522** | **48 140 582** |
| Balance at 1 January 2020 | 624 232 | 3 428 768 | 42 963 718 | 965 342 | 158 522 | 48 140 582 |
| Impairment loss allowance | 1 574 425 | 24 509 009 | 103 019 148 | 3 957 391 | 4 400 546 | 137 460 519 |
| Amounts written off /reversals during the year | - | - | (616 497) | - | - | (616 497) |
| Impairment reversal | - | (1 150 135) | - | - | - | (1 150 135) |
| **Balance as at 31 December 2020** | **2 198 657** | **26 787 642** | **145 366 369** | **4 922 733** | **4 559 068** | **183 834 469** |

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **5.5 Financial assets at amortised cost** | | | | |
| Maturing within 1 year | 1 070 751 350 | 515 370 929 | 1 070 751 350 | 114 887 989 |
| Maturing after 1 year | 19 632 851 | 344 547 890 | 19 632 851 | 76 807 619 |
| **Gross carrying amount** | **1 090 384 201** | **859 918 819** | **1 090 384 201** | **191 695 608** |
| Impairment allowance | (4 922 733) | (4 330 383) | (4 922 733) | (965 342) |
| **Total** | **1 085 461 468** | **855 588 436** | **1 085 461 468** | **190 730 266** |

Financial assets at amortised cost comprises Treasury bill.

| | INFLATION ADJUSTED 31 Dec 2020 ZWL | INFLATION ADJUSTED 31 Dec 2019 ZWL | HISTORICAL COST 31 Dec 2020 ZWL | HISTORICAL COST 31 Dec 2019 ZWL |
|---|---|---|---|---|
| **6 BONDS AND DEBENTURES** | | | | |
| Maturing within 1 year | 469 344 792 | 448 585 563 | 469 344 792 | 100 000 000 |
| Maturing after 1 year | 6 533 150 | 99 293 815 | 6 533 150 | 22 134 866 |
| **Gross carrying amount** | **475 877 942** | **547 879 378** | **475 877 942** | **122 134 866** |
| Impairment allowance | (2 198 657) | (2 800 217) | (2 198 657) | (624 232) |
| **Total** | **473 679 285** | **545 079 161** | **473 679 285** | **121 510 634** |

Bonds have fixed interest rates of 7% and 10%.
They mature on, 30 June 2021 and
30 September 2021 respectively.

| | INFLATION ADJUSTED 31 Dec 2020 ZWL | INFLATION ADJUSTED 31 Dec 2019 ZWL | HISTORICAL COST 31 Dec 2020 ZWL | HISTORICAL COST 31 Dec 2019 ZWL |
|---|---|---|---|---|
| **7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** | | | | |
| Listed securities at market value | 518 718 731 | 194 615 442 | 555 203 495 | 46 212 263 |
| Unlisted securities | 202 230 454 | 51 804 311 | 202 230 454 | 11 548 368 |
| Suspended securities | 50 798 998 | - | 50 798 998 | - |
| | **771 748 183** | **246 419 753** | **808 232 947** | **57 760 631** |
| Current | 771 748 183 | 246 419 753 | 808 232 947 | 57 760 631 |
| Non-current | - | - | - | - |
| **Total** | **771 748 183** | **246 419 753** | **808 232 947** | **57 760 631** |

Unlisted securities comprises of Afreximbank class B shares and Zimbabwe Stock Exchange shares.
Suspended securities comprises of Old Mutual shares, Seed Co shares and PPC shares.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| | | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|---|
| | | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **8** | **FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME** | | | | |
| | Listed securities at market value | **38 389 849** | **66 704 543** | **38 389 849** | **14 869 971** |
| | Current | 38 389 849 | 66 704 543 | 38 389 849 | 14 869 971 |
| | Non-current | - | - | - | - |
| | **Total** | **38 389 849** | **66 704 543** | **38 389 849** | **14 869 971** |
| **9** | **INVENTORY** | | | | |
| | Raw materials | 20 565 225 | 19 355 538 | 15 486 307 | 957 600 |
| | Work in progress | 277 150 595 | 245 507 268 | 110 826 318 | 11 685 054 |
| | Finished goods | - | 31 036 702 | - | 882 922 |
| | | **297 715 820** | **295 899 508** | **126 312 625** | **13 525 576** |
| | Current | 297 715 820 | 295 899 508 | 126 312 625 | 13 525 576 |
| | Non-current | - | - | - | - |
| | **Total** | **297 715 820** | **295 899 508** | **126 312 625** | **13 525 576** |

Included in work in progress is ZWL277 150 595 (2019: ZWL245 507 268) inflation adjusted and ZWL110 826 318 (2019: ZWL11 685 054) in historical terms relating to residential properties for sale which are under construction. The cost of inventory recognised as an expense and included in the cost of sales amounted to ZWL22 918 271 (2019: ZWL55 888 149) inflation adjusted and in historical terms ZWL6 948 589 (2019:ZWL3 073 238). Raw materials relates to construction materials and finished goods relate to finished residential properties.

| | | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|---|
| | | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **10** | **PREPAYMENTS AND OTHER ASSETS** | | | | |
| | Prepayments | 606 858 421 | 162 000 257 | 515 326 835 | 24 477 293 |
| | Deferred acquisition costs | 55 141 036 | 85 516 683 | 38 894 642 | 5 715 239 |
| | Refundable deposits for Mastercard and Visa transactions | 282 205 384 | 256 248 523 | 282 205 384 | 57 123 667 |
| | Stationery stock and other consumables | 5 007 902 | 47 485 720 | 1 503 300 | 1 704 203 |
| | Time - share asset | 17 030 685 | 15 985 907 | 17 030 685 | 3 563 625 |
| | Legacy debt assets | 1 031 342 044 | 996 217 991 | 1 031 342 044 | 222 079 816 |
| | Zimswitch receivables | 82 957 798 | - | 82 957 798 | - |
| | Bill payments receivables | 19 836 243 | 6 879 477 | 19 836 243 | 1 533 593 |
| | Other | 75 933 974 | 47 671 900 | 53 783 412 | 2 342 617 |
| | | **2 176 313 487** | **1 618 006 458** | **2 042 880 343** | **318 540 053** |
| | Current | 1 210 070 059 | 1 211 350 009 | 1 187 919 497 | 227 887 013 |
| | Non-current | 966 243 428 | 406 656 449 | 854 960 846 | 90 653 040 |
| | **Total** | **2 176 313 487** | **1 618 006 458** | **2 042 880 343** | **318 540 053** |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **11 INVESTMENT PROPERTY** | | | | |
| Balance as at 1 January | 692 089 729 | 246 261 030 | 154 282 658 | 8 838 000 |
| Additions | 116 976 031 | 61 822 039 | 15 342 264 | 1 814 773 |
| Fair value adjustments | 173 660 390 | 385 896 331 | 818 937 884 | 143 905 214 |
| Disposal | (16 029 396) | (1 889 671) | (12 688 182) | (275 329) |
| Transfer from property and equipment | 11 810 760 | - | 2 632 890 | |
| - | | | | |
| **Balance as at 31 December** | **978 507 514** | **692 089 729** | **978 507 514** | **154 282 658** |
| Non-current | 978 507 514 | 692 089 729 | 978 507 514 | 154 282 658 |
| **Total** | **978 507 514** | **692 089 729** | **978 507 514** | **154 282 658** |
| Investment property comprises the following: | | | | |
| Residential houses, Harare | 735 633 181 | 174 294 330 | 735 633 181 | 38 854 200 |
| Residential stands, Harare | 61 788 879 | 242 212 036 | 61 788 879 | 53 994 612 |
| Residential stand, Seke | 2 944 080 | 5 343 758 | 2 944 080 | 1 191 246 |
| Residential houses, out of Harare | 25 417 224 | 20 449 221 | 25 417 224 | 4 558 600 |
| Commercial stands, Harare | 152 724 150 | 249 790 384 | 152 724 150 | 55 684 000 |
| | **978 507 514** | **692 089 729** | **978 507 514** | **154 282 658** |

The fair value of the investment property as at 31 December 2020 was arrived at on the basis of a valuation carried out by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued using the open market value method. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

No liabilities are guaranteed by investment property. Refer to note 35 for fair value disclosures on investment property.

Included in other operating income is rental income of ZWL2 474 058 (2019: ZWL5 486 403) inflation adjusted terms and ZWL1 532 794 (2019: ZWL203 841) in historical cost terms relating to investment property.

**Sensitivity analysis on investment property fair values**

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| If the market prices are to increase by the following percentages, investment property fair values will be as follows | | | | |
| 25% | 1 223 134 393 | 865 112 161 | 1 223 134 393 | 192 853 323 |
| 50% | 1 467 761 271 | 1 038 134 594 | 1 467 761 271 | 231 423 987 |
| 100% | 1 957 015 028 | 1 384 179 458 | 1 957 015 028 | 308 565 316 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

| | | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|---|
| | | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| 12 | **INTANGIBLE ASSETS** | | | | |
| | **Year ended 31 December** | | | | |
| | Opening net book amount | 149 566 590 | 136 539 699 | 8 832 356 | 4 414 256 |
| | Additions | 3 159 152 | 38 541 300 | 2 777 332 | 5 270 623 |
| | Adjustment to cost | 486 | - | (107) | - |
| | Amortisation charge | (56 587 118) | (25 514 409) | (2 535 404) | (852 523) |
| | **Closing net book amount** | **96 139 110** | **149 566 590** | **9 074 177** | **8 832 356** |
| | | | | | |
| | **As at 31 December** | | | | |
| | Cost | 378 470 511 | 375 310 873 | 17 724 649 | 14 947 424 |
| | Accumulated amortisation | (282 331 401) | (225 744 283) | (8 621 245) | (6 085 841) |
| | Accumulated impairment | - | - | (29 227) | (29 227) |
| | **Net book amount** | **96 139 110** | **149 566 590** | **9 074 177** | **8 832 356** |

**Prior period error**

The Group changed its accounting policy on intangible assets to revaluation model in 2019. The intangible assets comprised of computer software. The Group has significant computer software assets that were acquired during the multicurrency period and in the mono currency period. The computer software acquired in the multi-currency period was, through implementation of SI 33 of 2019, converted to local currency at the rate of 1:1 for USD to ZWL currency. The implementation of SI 33 of 2019 coupled with the significant devaluation of the local currency that occurred in the period following currency reforms, which was implemented on 22 February 2019, resulted in significant erosion of carrying value of assets including the computer software. The carrying value of the computer software ceased to provide a fair presentation of the value of the asset in the financial statements.

In the course of preparation of financial statements, management make judgement for certain items that are especially critical for the Group's results and financial situation due to materiality, and a judgement was made to adopt the revaluation model for computer software with a view to provide financial information that is meaningful and reasonable to the users of financial statements. The revaluation exercise was undertaken by an independent external valuer and the necessary adjustments were done to the financial statements for the year ended 31 December 2019.

Further reassessment made on the application of revaluation model on computer software in the current year pointed to a technical difficulty in satisfying the requirement of the existence of an active market "as is required by IAS 38 [Intangible Assets] for adoption of the revaluation model for intangible assets. This was due to the following reasons:

· The pricing information of the computer software is not publicly available as contracts are negotiated between individual buyers and sellers. Computer software was considered a packaged deal designed to meet the specific selection of the buyer.

· The computer software is generally partly customized to satisfy the requirements of the users and this to a limited extent made it a unique product.

The above conditions were deemed present for the financial year ended 31 December 2019 resulting in the adoption of revaluation model being considered inappropriate for computer software. The Group has accordingly reverted to the historical cost model from the 2020 financial year.

The financial statements for the year ended 31 December 2019 have been restated to reverse the revaluation gain adjustment on computer software. The financial statements have also been restated to apply the exchange rate of USD1:ZWL2.5 on the date of change of functional currency (22 February 2019), which was the earliest observable exchange rate per IAS21. The Group has not presented the earliest opening statement of financial position as is required buy IAS 8 due to the impracticability to disclose the same as at 1 January 2019 as the statement of financial position for the year ended 31 December 2018 did not achieve fair presentation due to currency distortions since October 2018. An adverse opinion on the statement of financial position as at 31 December 2018 was issued due to the complexity of determining the exchange rates between October 2018 and February 2019 being unknown.

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| The effect of the adjustment is indicated below: | | | | |
| (Decrease) in the carrying amount of intagible assets (assets) | - | (749 614 655) | - | (191 594 345) |
| Decrease in deferred tax (liabilities) | - | 193 025 774 | - | 49 335 544 |
| (Decrease) in revaluation reserve in equity | - | (573 279 688) | - | (144 162 525) |
| Decerease in profit for year due to increase in amortisation | - | (16 690 806) | - | (1 903 724) |

# Notes to the Consolidated Financial Statements
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(Continued)

## 13 PROPERTY AND EQUIPMENT

| INFLATION ADJUSTED | Land and buildings ZWL | Machinery ZWL | Computer equipment ZWL | Furniture and office equipment ZWL | Motor vehicles ZWL | Total ZWL |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2019** | | | | | | |
| Opening net book amount | 863 483 493 | - | 63 635 016 | 338 792 259 | 71 249 760 | 1 337 160 528 |
| Additions | 17 279 187 | - | 107 475 380 | 20 383 141 | 30 352 564 | 175 490 272 |
| Revaluation of property | 263 021 182 | - | 478 687 547 | (208 206 642) | 127 348 592 | 660 850 679 |
| Disposals | - | - | (236 530) | (744 953) | (328 343) | (1 309 826) |
| Depreciation | (13 654 429) | - | (30 647 343) | (50 138 534) | (22 138 790) | (116 579 096) |
| **Closing net book amount** | **1 130 129 433** | **-** | **618 914 070** | **100 085 271** | **206 483 783** | **2 055 612 557** |
| **As at 31 December 2019** | | | | | | |
| Cost or valuation | 1 164 753 592 | - | 790 143 728 | 435 881 529 | 299 111 286 | 2 689 890 135 |
| Accumulated depreciation | (34 624 159) | - | (171 229 658) | (335 796 258) | (92 627 503) | (634 277 578) |
| Accumulated impairment | - | - | - | - | - | - |
| **Net book amount** | **1 130 129 433** | **-** | **618 914 070** | **100 085 271** | **206 483 783** | **2 055 612 557** |
| **Year ended 31 December 2020** | | | | | | |
| Opening net book amount | 1 130 129 433 | - | 618 914 070 | 100 085 271 | 206 483 783 | 2 055 612 557 |
| Additions | 5 451 656 | 49 180 792 | 46 619 589 | 9 361 468 | 95 135 656 | 205 749 161 |
| Revaluation of property | 90 502 885 | 4 343 000 | (416 115 506) | 129 491 454 | (1 056 445) | (192 834 612) |
| Transfer to investment property | (11 810 764) | - | - | - | - | (11 810 764) |
| Adjustment to cost | - | 14 199 369 | (1 240) | - | (14 199 369) | (1 240) |
| Disposals | - | - | (385 112) | (1 159) | (34 179 114) | (34 565 385) |
| Depreciation | (15 188 355) | (2 696 509) | (69 120 290) | (40 422 683) | (33 479 935) | (160 907 772) |
| **Closing net book amount** | **1 199 084 855** | **65 026 652** | **179 911 511** | **198 514 351** | **218 704 576** | **1 861 241 945** |
| **As at 31 December 2020** | | | | | | |
| Cost or valuation | 1 248 897 369 | 67 723 161 | 420 261 459 | 574 733 292 | 344 812 014 | 2 656 427 295 |
| Accumulated depreciation | (49 812 514) | (2 696 509) | (240 349 948) | (376 218 941) | (126 107 438) | (795 185 350) |
| Accumulated impairment | - | - | - | - | - | - |
| **Net book amount** | **1 199 084 855** | **65 026 652** | **179 911 511** | **198 514 351** | **218 704 576** | **1 861 241 945** |

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For the year ended 31 December 2020
(Continued)

| HISTORICAL COST | Land and buildings ZWL | Machinery ZWL | Computer equipment ZWL | Furniture and office equipment ZWL | Motor vehicles ZWL | Total ZWL |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2019** | | | | | | |
| Opening net book amount | 22 324 186 | - | 1 412 489 | 9 108 589 | 2 029 435 | 34 874 699 |
| Additions | 1 127 617 | - | 12 530 117 | 1 838 188 | 2 439 099 | 17 935 021 |
| Revaluation of property | 229 044 891 | - | 125 306 131 | 12 770 394 | 42 322 303 | 409 443 719 |
| Disposals | - | - | (6 124) | (19 285) | (8 500) | (33 909) |
| Depreciation | (564 950) | - | (1 272 486) | (1 386 585) | (752 371) | (3 976 392) |
| **Closing net book amount** | **251 931 744** | **-** | **137 970 127** | **22 311 301** | **46 029 966** | **458 243 138** |
| **As at 31 December 2019** | | | | | | |
| Cost or valuation | 254 171 716 | - | 143 168 215 | 29 282 972 | 49 060 138 | 475 683 041 |
| Accumulated depreciation | (2 241 601) | - | (5 198 088) | (6 963 789) | (2 778 621) | (17 182 099) |
| Accumulated impairment | 1 629 | - | - | (7 882) | (251 551) | (257 804) |
| **Net book amount** | **251 931 744** | **-** | **137 970 127** | **22 311 301** | **46 029 966** | **458 243 138** |
| **Year ended 31 December 2020** | | | | | | |
| Opening net book amount | 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 of property | 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** | **1 198 905 234** | **65 026 652** | **180 979 508** | **197 613 243** | **218 717 308** | **1 861 241 945** |
| **As at 31 December 2020** | | | | | | |
| Cost or valuation | 1 208 080 958 | 65 026 652 | 215 679 152 | 207 438 394 | 231 799 939 | 1 928 025 095 |
| Accumulated depreciation | (9 177 353) | - | (34 699 644) | (9 817 269) | (12 831 080) | (66 525 346) |
| Accumulated impairment | 1 629 | - | - | (7 882) | (251 551) | (257 804) |
| **Net book amount** | **1 198 905 234** | **65 026 652** | **180 979 508** | **197 613 243** | **218 717 308** | **1 861 241 945** |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

If property and equipment was stated on historical cost basis, the amount would be as follows;

| | Land and buildings ZWL | Machinery ZWL | Computer equipment ZWL | Furniture and office equipment ZWL | Motor vehicles ZWL | Total ZWL |
|---|---|---|---|---|---|---|
| **INFLATION ADJUSTED** | | | | | | |
| **2020** | | | | | | |
| Cost | 884 286 290 | 63 380 161 | 370 534 759 | 656 587 934 | 222 428 967 | 2 197 218 111 |
| Accumulated depreciation | (158 696 925) | - | (171 229 658) | (335 804 141) | (92 879 055) | (758 609 779) |
| **Net book amount** | **725 589 365** | **63 380 161** | **199 305 101** | **320 783 793** | **129 549 912** | **1 438 608 332** |
| **2019** | | | | | | |
| Cost | 890 645 398 | - | 324 301 522 | 647 227 625 | 175 671 794 | 2 037 846 339 |
| Accumulated depreciation | (158 698 554) | - | (171 229 658) | (335 796 259) | (92 627 504) | (758 351 975) |
| **Net book amount** | **731 946 844** | **-** | **153 071 864** | **311 431 366** | **83 044 290** | **1 279 494 364** |
| **HISTORICAL COST** | | | | | | |
| **2020** | | | | | | |
| Cost | 25 502 327 | 53 047 864 | 52 415 224 | 21 451 474 | 77 688 605 | 230 105 494 |
| Accumulated depreciation | (11 609 208) | - | (34 699 644) | (9 817 269) | (12 831 080) | (68 957 201) |
| **Net book amount** | **13 893 119** | **53 047 864** | **17 715 580** | **11 634 205** | **64 857 525** | **161 148 293** |
| **2019** | | | | | | |
| Cost | 23 736 929 | - | 18 194 618 | 16 593 851 | 6 839 031 | 65 364 429 |
| Accumulated depreciation | (4 673 456) | - | (5 198 088) | (6 963 789) | (2 778 621) | (19 613 954) |
| **Net book amount** | **19 063 473** | **-** | **12 996 530** | **9 630 062** | **4 060 410** | **45 750 475** |

**Fair values of property and equipment**

An independent valuation of the Group's property and equipment was performed by valuers to determine the fair value of property and equipment as at 31 December 2020. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'revaluation reserves' in shareholders equity. The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

## INFLATION ADJUSTED

| Fair value measurements at 31 December 2020 using | | | |
|---|---|---|---|
| Recurring fair value measurements of property and equipment | Observable inputs Level 2 ZWL | Significant unobservable inputs Level 3 ZWL | Total ZWL |
| - Office buildings | - | 899 223 234 | 899 223 234 |
| - Land and residential properties | - | 299 682 000 | 299 682 000 |
| - Other property and equipment | - | 662 336 711 | 662 336 711 |
| | **-** | **1 861 241 945** | **1 861 241 945** |

| Fair value measurements at 31 December 2019 using | | | |
|---|---|---|---|
| Recurring fair value measurements for land and buildings | Observable inputs Level 2 ZWL | Significant unobservable inputs Level 3 ZWL | Total ZWL |
| - Office buildings | - | 847 638 840 | 847 638 840 |
| - Land and residential properties | - | 282 490 590 | 282 490 590 |
| - Other property and equipment | - | 925 483 127 | 925 483 127 |
| | **-** | **2 055 612 557** | **2 055 612 557** |

## HISTORICAL COST

| Fair value measurements at 31 December 2020 using | | | |
|---|---|---|---|
| Recurring fair value measurements of property and equipment | Observable inputs Level 2 ZWL | Significant unobservable inputs Level 3 ZWL | Total ZWL |
| - Office buildings | - | 899 223 234 | 899 223 234 |
| - Land and residential properties | - | 299 682 000 | 299 682 000 |
| - Other property and equipment | - | 662 336 711 | 662 336 711 |
| | **-** | **1 861 241 945** | **1 861 241 945** |

| Fair value measurements at 31 December 2019 using | | | |
|---|---|---|---|
| Recurring fair value measurements for land and buildings | Observable inputs Level 2 ZWL | Significant unobservable inputs Level 3 ZWL | Total ZWL |
| - Office buildings | - | 188 958 119 | 188 958 119 |
| - Land and residential properties | - | 62 973 625 | 62 973 625 |
| - Other property and equipment | - | 206 311 394 | 206 311 394 |
| | **-** | **458 243 138** | **458 243 138** |

There were no level 1 assets or transfers between levels 1 and 2 during 2020

**Valuation techniques used to derive fair values**

The valuation technique for office buildings, residential property and land is the investment approach as the highest and best use of these properties was for business operations. The following key inputs were used to determine the fair value;

- Rental rates in price per square metre. These were obtained by comparison of rates for similar properties in similar locations.
- Void rates as a percentage. This is the level of unoccupied space and was based on rates published by listed property companies.
- Capitalisation rate. This is what investors expect to earn as a percentage of their investment on an annual basis. The basis of these rates are actual transactions that transpired during the year.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

The valuation of other property and equipment was derived using the sales comparison approach. Sales prices of comparable property and equipment of a similar nature was adjusted for differences in key attributes such as property size, age and general condition.

**INFLATION ADJUSTED**

| Property and equipment | Level 3 2020 ZWL | Level 3 2019 ZWL | Level 2 2020 ZWL | Level 2 2019 ZWL |
|---|---|---|---|---|
| **Opening balance** | **2 055 612 557** | **647 669 930** | **-** | **215 813 563** |
| Depreciation recognised | (160 907 772) | (116 579 096) | - | - |
| Revaluation gains recognised | (192 834 612) | 660 850 679 | - | - |
| Transfers from/(to) level 2 | - | 215 813 562 | - | (215 813 563) |
| Additions | 205 749 161 | 649 167 302 | - | - |
| Transfers to Investment properties | (11 810 764) | - | - | - |
| Period adjustments | (1 240) | - | - | - |
| Disposals | (34 565 385) | (1 309 820) | - | - |
| **Closing balance** | **1 861 241 945** | **2 055 612 557** | **-** | **-** |

**HISTORICAL COST**

| Property and equipment | Level 3 2020 ZWL | Level 3 2019 ZWL | Level 2 2020 ZWL | Level 2 2019 ZWL |
|---|---|---|---|---|
| **Opening balance** | **59 590 697** | **16 743 964** | **-** | **5 580 221** |
| Depreciation recognised | (48 025 314) | (3 976 392) | - | - |
| Revaluation gains recognised | 1 287 600 989 | 409 443 719 | - | - |
| Transfers from/(to) level 2 | - | 5 580 221 | - | (5 580 221) |
| Additions | 162 835 474 | 30 485 535 | - | - |
| Transfers to Investment properties | (2 632 890) | - | - | - |
| Period adjustments | 15 680 745 | - | - | - |
| Disposals | (894 814) | (33 909) | - | - |
| **Closing balance** | **1 861 241 945** | **458 243 138** | **-** | **-** |

**Valuation processes of the Group**

On a yearly basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's property and equipment. As at 31 December 2020, the fair values of property and equipment was determined by Bard Real Estate (Private) Limited and Dawn properties (Private) Limited. There was a limited number of sales in the market for commercial property and therefore the valuations were performed using unobservable inputs. The external valuers determined these inputs based on the size, age and condition of the property and equipment, the state of the local economy and comparable rental rates.

Refer to note 35 for further fair value disclosures on property and equipment.

**Sensitivity analysis on property and equipment fair values**

If market prices are to gone up by the following percentages, the property and equipment total values will be as follows

| | INFLATION ADJUSTED 31 Dec 2020 ZWL | INFLATION ADJUSTED 31 Dec 2019 ZWL | HISTORICAL COST 31 Dec 2020 ZWL | HISTORICAL COST 31 Dec 2019 ZWL |
|---|---|---|---|---|
| 25% | 2 326 552 431 | 2 569 515 696 | 2 326 552 431 | 572 803 923 |
| 50% | 2 791 862 918 | 3 083 418 836 | 2 791 862 918 | 687 364 707 |
| 100% | 3 722 483 890 | 4 111 225 114 | 3 722 483 890 | 916 486 276 |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **14 DEPOSITS** | | | | |
| **14.1 Deposits from customers** | | | | |
| Demand deposits | 9 067 226 238 | 7 819 215 913 | 9 067 226 238 | 1 743 082 384 |
| Promissory notes | 1 239 944 150 | 988 062 280 | 1 239 944 150 | 220 261 721 |
| Other time deposits | 655 242 270 | 276 016 530 | 655 242 270 | 61 530 409 |
| | **10 962 412 658** | **9 083 294 723** | **10 962 412 658** | **2 024 874 514** |
| Current | 10 920 729 891 | 9 048 856 733 | 10 920 729 891 | 2 017 197 497 |
| Non-current | 41 682 767 | 34 437 990 | 41 682 767 | 7 677 017 |
| **Total** | **10 962 412 658** | **9 083 294 723** | **10 962 412 658** | **2 024 874 514** |
| **14.2 Deposits from other banks** | | | | |
| Money market deposits | 456 948 363 | 875 374 303 | 456 948 363 | 195 140 989 |
| Current | 456 948 363 | 875 374 303 | 456 948 363 | 195 140 989 |
| Non-current | - | - | - | - |
| **Total** | **456 948 363** | **875 374 303** | **456 948 363** | **195 140 989** |

| INFLATION ADJUSTED | 31 Dec 2020 ZWL | % | 31 Dec 2019 ZWL | % |
|---|---|---|---|---|
| **14.3 Deposit concentration** | | | | |
| Agriculture | 954 940 032 | 8% | 485 351 796 | 5% |
| Construction | 524 303 199 | 5% | 293 955 275 | 3% |
| Wholesale and retail trade | 1 102 521 673 | 10% | 2 039 429 967 | 20% |
| Public sector | 2 029 171 306 | 18% | 599 318 175 | 6% |
| Manufacturing | 1 473 531 868 | 13% | 1 067 728 922 | 11% |
| Telecommunication | 988 065 942 | 9% | 584 465 314 | 6% |
| Transport | 673 940 932 | 6% | 485 236 344 | 5% |
| Individuals | 989 632 255 | 9% | 1 414 692 167 | 14% |
| Financial services | 824 367 214 | 7% | 410 484 109 | 4% |
| Mining | 1 192 532 767 | 10% | 1 455 709 036 | 15% |
| Other | 666 353 833 | 5% | 1 122 297 921 | 11% |
| | **11 419 361 021** | **100%** | **9 958 669 026** | **100%** |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| HISTORICAL COST | 31 Dec 2020 ZWL | % | 31 Dec 2019 ZWL | % |
|---|---|---|---|---|
| **Deposit concentration** | | | | |
| Agriculture | 954 940 032 | 8% | 108 196 036 | 5% |
| Construction | 524 303 199 | 5% | 65 529 366 | 3% |
| Wholesale and retail trade | 1 102 521 673 | 10% | 454 635 668 | 20% |
| Public sector | 2 029 171 306 | 18% | 133 601 753 | 6% |
| Manufacturing | 1 473 531 868 | 13% | 238 021 241 | 11% |
| Telecommunication | 988 065 942 | 9% | 130 290 710 | 6% |
| Transport | 673 940 932 | 6% | 108 170 299 | 5% |
| Individuals | 989 632 255 | 9% | 315 367 298 | 14% |
| Financial services | 824 367 214 | 7% | 91 506 313 | 4% |
| Mining | 1 192 532 767 | 10% | 324 510 898 | 15% |
| Other | 666 353 833 | 5% | 250 185 921 | 11% |
| | **11 419 361 021** | **100%** | **2 220 015 503** | **100%** |

Deposits are classified as financial liabilities at amortised cost. Deposits due to customers primarily comprise amounts payable on demand.

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **15 BORROWINGS** | | | | |
| Opening | 7 726 131 726 | 2 909 003 714 | 1 722 331 786 | 104 400 500 |
| Addition | 587 119 115 | - | 250 064 743 | - |
| Repayments | 392 752 185 | (36 865 928) | 610 109 170 | (1 369 710) |
| Non cash movements | 347 614 958 | 4 853 993 940 | 6 471 112 285 | 1 619 300 996 |
| **Closing balance** | **9 053 617 984** | **7 726 131 726** | **9 053 617 984** | **1 722 331 786** |
| Current | 4 066 286 002 | 177 644 274 | 4 066 286 002 | 39 600 979 |
| Non-current | 4 987 331 982 | 7 548 487 452 | 4 987 331 982 | 1 682 730 807 |
| **Total** | **9 053 617 984** | **7 726 131 726** | **9 053 617 984** | **1 722 331 786** |

These loans are analysed as follows:
Shelter Afrique - US$5 000 000 being repaid quarterly over 10 years ending 31 December 2022, 2 years capital repayment grace period and bears interest at a rate of 11% per annum.

Norsad Finance Limited- US$ 10 million facility. The facility was availed from December 2016 and has an effective interest rate of 9.54% per annuam with a tenure of 5 years.

RBZ productive sector facility of ZWL120 million over 2 years with interest of 10% p.a. Effective Date July 2020

African Export-Import Bank- US$8 million. The facility was availed from February 2020 and has an effective interest rate 8.7% per annuam with a tenure of 1 year.

African Export-Import Bank- US$ 30 million. The facility was availed from May 2018 and has an effective interest rate 8.7% per annuam with a tenure of 5 years.

African Export-Import Bank- US$ 60 million. The facility was availed from May 2018 and has an effective interest rate 8.7% per annuam with a tenure of 3 years.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| | | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|---|
| | | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 |
| **16** | **INSURANCE LIABILITIES** | ZWL | ZWL | ZWL | ZWL |
| | Gross outstanding claims | 136 449 200 | 144 921 685 | 113 175 075 | 29 018 115 |
| | Liability for unearned premium | 353 234 026 | 306 499 019 | 289 279 868 | 22 315 117 |
| | | **489 683 226** | **451 420 704** | **402 454 943** | **51 333 232** |
| | Current | 489 683 226 | 451 420 704 | 402 454 943 | 51 333 232 |
| | Non-current | - | - | - | - |
| | **Total** | **489 683 226** | **451 420 704** | **402 454 943** | **51 333 232** |
| **16.1** | **Net gross outstanding claims** | | | | |
| | Gross outstanding claims at the beginning of the year | 128 946 548 | 280 752 276 | 11 976 523 | 5 103 622 |
| | Incured but not reported | 21 579 129 | 20 930 832 | 21 579 129 | 4 665 962 |
| | Reinsurer's share of technical liabilities | (54 896 244) | (174 051 449) | (15 628 928) | (5 818 127) |
| | Net outstanding claims at the beginning of the year | **95 629 433** | **127 631 659** | **17 926 725** | **3 951 457** |
| | Change in liability for claims | (14 076 479) | (4 570 598) | 79 619 423 | 17 502 395 |
| | Reinsurer's share of technical liabilities at the end of the year | 8 837 118 | 21 860 624 | (7 156 077) | 7 564 263 |
| | **Gross outstanding claims at the end of the year** | **90 390 072** | **144 921 685** | **90 390 071** | **29 018 115** |
| **16.2** | **Net liability for unearned premium** | | | | |
| | Gross liability for unearned premium | 353 234 025 | 189 550 858 | 289 279 867 | 3 487 429 |
| | Reinsurer's share of the provision for unearned premium | (106 577 274) | 116 948 161 | (95 907 334) | 18 827 688 |
| | **Balance at end of the year** | **246 656 751** | **306 499 019** | **193 372 533** | **22 315 117** |

**Assumptions and sensitivities for general insurance liabilities**

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The liabilities are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments.

The impact of many of the items affecting the ultimate costs of the loss are difficult to estimate. The provision estimation difficulties also differ by class of business due to a difference in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags. To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which if identified, can be allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development/recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business;
- random fluctuations, including the impact of large losses.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

Gross outstanding claims includes incurred but not yet reported ("IBNR") losses and is provided for at 16% (2019 : 16%) of net written premium for the reinsurance subsidiary and 5% (2019: 5%) of net written premium for the insurance subsidiary. The 16% and 5% were arrived at after consideration of past experience. A separate calculation is carried out to estimate the size of reinsurance recoveries. The Group is covered by a variety of reinsurance programmes with sufficiently high retentions for only relatively few, large claims to be recoverable. The method used by the Group takes historical data, gross IBNR estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries. The Group believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

The below summarises the impact of increases or decreases of percentages used to estimate IBNR on the Group's post-tax profit for the year. The analysis is based on the assumption that the percentages have increased or decreased by 10% based on past experiance with all other variables held constant.

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **Impact of 10% increase in the percentage used to estimate IBNR** | | | | |
| Incurred but not yet reported ("IBNR") losses | 4 357 964 | 9 925 529 | 2 420 821 | 990 461 |

## 17 TRADE AND OTHER PAYABLES

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| Trade and other payables | 873 190 941 | 443 514 877 | 873 190 941 | 97 474 651 |
| Deferred income | 310 742 955 | 111 910 085 | 264 097 525 | 11 578 331 |
| Visa and MasterCard settlement payables | 510 851 586 | 470 315 087 | 510 851 586 | 104 844 009 |
| TT Resdex inwards | 45 675 106 | 644 266 260 | 45 675 106 | 143 621 711 |
| RBZ cash cover | 2 665 456 415 | 1 576 129 233 | 2 665 456 415 | 351 355 319 |
| Zimswitch settlement | 44 069 797 | 40 606 490 | 44 069 797 | 9 052 117 |
| Instant banking balances | 56 079 104 | 25 101 673 | 56 079 104 | 5 595 738 |
| Legacy debt interest payable | 242 579 199 | 148 411 591 | 242 579 199 | 33 084 344 |
| Intermediary tax | 108 960 189 | 93 302 329 | 108 960 189 | 20 799 227 |
| Other liabilities | 543 027 230 | 394 259 203 | 543 027 230 | 87 624 612 |
| | **5 400 632 522** | **3 947 816 828** | **5 353 987 092** | **865 030 059** |
| Current | 5 014 571 355 | 3 675 768 857 | 5 014 571 355 | 819 216 750 |
| Non-current | 386 061 167 | 272 047 971 | 339 415 737 | 45 813 309 |
| **Total** | **5 400 632 522** | **3 947 816 828** | **5 353 987 092** | **865 030 059** |

## 18 DEFERRED INCOME TAX ASSET AND LIABILITY

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority. Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 24.72% (2019: 24.72%).

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| The movement on the deferred income tax account is as follows: | | | | |
| As at 1 January | 1 044 968 234 | (74 048 997) | 242 774 296 | (4 406 076) |
| Statement of profit or loss charge (note 30) | (255 982 095) | 931 991 192 | 96 362 796 | 196 474 418 |
| Tax charge relating to components of other comprehensive income | (64 849 148) | 131 164 345 | 205 238 181 | 50 705 954 |
| Other | 6 018 524 | - | (3 290 767) | - |
| Effects of IAS29 | (51 778 095) | 55 861 694 | - | - |
| **As at 31 December** | **678 377 420** | **1 044 968 234** | **541 084 506** | **242 774 296** |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

| | | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|---|
| | | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **18.1** | **Analysis of charge in the statement of profit or loss** | | | | |
| | The deferred income tax charge in the statement of profit or loss comprises the following temporary differences: | | | | |
| | Allowance for loan impairment | (6 457 094) | (12 572 223) | (6 457 094) | (2 802 637) |
| | Property and equipment allowances | 78 978 225 | 144 090 698 | 70 698 028 | 20 833 345 |
| | Unrealised gains on foreign exchange and equities | 598 134 968 | 683 199 761 | 598 134 968 | 152 300 881 |
| | Financial assets at fair value through other comprehensive income | 49 944 134 | 64 973 655 | 49 944 134 | 14 484 116 |
| | Accrual for leave pay | (44 934 072) | (31 996 778) | (44 934 072) | (7 132 815) |
| | Deferred acquisition costs | 8 596 447 | 5 187 879 | 8 596 447 | 1 156 497 |
| | Unearned premium reserve and deferred income | (1 743 768) | (5 249 185) | (417 672) | (1 170 164) |
| | Prepayments and other assets | (4 969 592) | (18 069 691) | (3 243 681) | (4 028 148) |
| | Other provisions | (933 531 343) | 102 427 076 | (575 958 262) | 22 833 343 |
| | **Total** | **(255 982 095)** | **931 991 192** | **96 362 796** | **196 474 418** |
| **18.2** | **Analysis of charge in the statement of comprehensive income** | | | | |
| | Property and equipment revaluations | (65 589 876) | 131 083 343 | 204 497 453 | 50 687 897 |
| | Investment in securities at FVOCI | 740 728 | 81 002 | 740 728 | 18 057 |
| | | **(64 849 148)** | **131 164 345** | **205 238 181** | **50 705 954** |
| **18.3** | **Deferred income tax assets and liabilities** | | | | |
| | Deferred income tax assets and liabilities are attributable to the following items: | | | | |
| | Allowance for loan impairment | (294 440 964) | (287 983 870) | (19 143 910) | (12 686 816) |
| | Financial assets at fair value through other comprehensive income | 113 865 868 | 63 921 734 | 64 390 498 | 14 446 364 |
| | Property and equipment allowances | 415 921 436 | 336 943 211 | 96 704 058 | 26 006 030 |
| | Unrealised gains on foreign exchange and equities | 1 540 775 201 | 1 007 489 381 | 1 054 414 387 | 251 041 238 |
| | Accrual for leave pay | (86 085 445) | (41 151 373) | (52 395 434) | (7 461 362) |
| | Deferred acquisition costs | 19 756 282 | 11 159 835 | 9 967 270 | 1 370 823 |
| | Unearned premium reserve and deferred income | (29 808 129) | (28 064 361) | (2 406 644) | (1 988 972) |
| | Prepayments and other assets | 24 370 537 | 29 340 129 | (5 570 350) | (2 326 669) |
| | Other provisions | (1 007 800 028) | (28 509 114) | (604 223 008) | (24 973 979) |
| | Net outstanding claims | (18 177 338) | (18 177 338) | (652 361) | (652 361) |
| | | **678 377 420** | **1 044 968 234** | **541 084 506** | **242 774 296** |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **18.4 Timing of reversal temporary differences** | | | | |
| **Deferred income tax assets** | | | | |
| Deferred income tax asset to be recovered after more than 12 months | 100 254 538 | 2 298 759 | 101 657 053 | 59 509 |
| **Total** | **100 254 538** | **2 298 759** | **101 657 053** | **59 509** |
| **Deferred income tax liabilities** | | | | |
| Deferred income tax liability to be recovered after more than 12 months | 778 631 958 | 1 047 266 993 | 642 741 559 | 242 833 805 |
| **Net deferred income tax liability/(asset)** | **678 377 420** | **1 044 968 234** | **541 084 506** | **242 774 296** |

The deferred income tax arising from property and equipment allowances has been determined using income tax values that the Group has ascertained with the aid of guidance issued by the Zimbabwe Revenue Authority ("ZIMRA").

Deferred income tax assets arise from allowances for loan impairments which are disclosed for tax purposes. Deduction for loans written off are allowable for tax purposes.

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **19 SHARE CAPITAL AND SHARE PREMIUM** | | | | |
| **19.1 Authorised** | | | | |
| Number of ordinary shares, with a nominal value of ZWL0,00001 | 800 000 000 | 800 000 000 | 800 000 000 | 800 000 000 |
| **19.2 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 |

| **19.3 Share capital movement** | Number of Shares | Share Capital ZWL | Share Premium ZWL | Total ZWL |
|---|---|---|---|---|
| **INFLATION ADJUSTED** | | | | |
| **As at 31 December 2019** | **671 949 927** | **259 547** | **544 013 348** | **544 272 895** |
| **As at 31 December 2020** | **671 949 927** | **259 547** | **544 013 348** | **544 272 895** |
| **HISTORICAL COST** | | | | |
| **As at 31 December 2019** | **671 949 927** | **6 719** | **14 083 173** | **14 089 892** |
| **As at 31 December 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 and Other Business Entities Act (Chapter 24:31), Zimbabwe Stock Exchange Listing Requirements and the Articles and Memorandum of Association of the Company.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **20 OTHER RESERVES** | | | | |
| Revaluation reserves | 507 690 485 | 616 425 906 | 1 462 097 784 | 363 640 639 |
| Non distributable reserves | 1 445 225 062 | 1 414 757 683 | 50 141 638 | 36 624 611 |
| Regulatory reserves | - | - | - | - |
| Financial assets at fair value through other comprehensive income reserve | 69 990 251 | 36 107 594 | 36 736 543 | 2 853 886 |
| Treasury shares reserves | (436 003 761) | (394 447 246) | (59 994 649) | (18 227 276) |
| Changes in ownership reserve | 64 535 695 | 64 535 695 | 1 670 671 | 1 670 671 |
| | **1 651 437 732** | **1 737 379 632** | **1 490 651 987** | **386 562 531** |

The definitions of the reserves are as follows;
The revaluation reserve consists of increases in the value of property and equipment on revaluation.

Non-distributable reserves are the net result of the restatement of assets and liabilities that could be recovered or settled in a currency other than the Zimbabwe dollar ("ZWL") or could be reasonably translated into a currency other than the ZWL as at 1 January 2009, less deferred income tax and net of amounts subsequently transfered to share capital and share premium.

Regulatory reserves are impairment allowances, the Group is legally required to maintain on its statement of financial position that are over and above those required by IFRS.

Financial assets at fair value reserve comprises the changes in the fair value of financial assets at fair value through other comprehensive income, net of tax.

Treasury share reserve represents shares the Group has issued and subsequently reacquired.

Change in ownership reserve represents the net expense or gain resulting in a step acquisition of a subsidiary.

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **21 INTEREST AND RELATED INCOME** | | | | |
| Cash and cash equivalents | 25 851 441 | 23 885 758 | 21 292 203 | 3 285 192 |
| Loans and advances to other banks | 208 522 786 | 105 626 823 | 142 093 101 | 10 548 883 |
| Loans and advances to customers | 1 936 972 284 | 1 993 014 196 | 1 301 664 012 | 190 573 794 |
| Banker's acceptances and tradable bills | 378 553 775 | 231 930 749 | 258 302 254 | 19 876 933 |
| Other interest income | 56 815 511 | 16 392 842 | 38 914 167 | 220 438 |
| | **2 606 715 797** | **2 370 850 368** | **1 762 265 737** | **224 505 240** |
| Credit related fees that are an intergral part of the effective interest on loans and advances have been classified under interest income. No interest earned was at norminal rates | | | | |
| **21.1 INTEREST AND RELATED EXPENSE** | | | | |
| Deposit from other banks | 99 958 729 | 98 762 871 | 65 753 122 | 9 067 272 |
| Demand deposits | 46 812 468 | 32 696 608 | 32 181 524 | 3 306 963 |
| Lines of credit from financial institutions | 679 050 245 | 649 065 668 | 452 343 586 | 66 093 991 |
| Time deposits | 77 158 743 | 173 841 229 | 55 496 517 | 14 690 139 |
| | **902 980 185** | **954 366 376** | **605 774 749** | **93 158 365** |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| | | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|---|
| | | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **22** | **FEE AND COMMISSION INCOME** | | | | |
| | Retail service fees | 1 100 855 516 | 1 257 360 045 | 740 138 361 | 133 093 984 |
| | Credit related fees | 112 175 926 | 104 719 572 | 92 499 369 | 10 716 377 |
| | Investment banking fees | 5 528 579 | 6 078 110 | 3 845 333 | 657 203 |
| | Brokerage commission | 19 278 143 | 20 860 821 | 12 795 640 | 4 679 122 |
| | | **1 237 838 164** | **1 389 018 548** | **849 278 703** | **149 146 686** |
| **22.1** | **FEE AND COMMISSION EXPENSE** | | | | |
| | Brokerage | **17 217 538** | **9 102 146** | **10 622 685** | **781 832** |
| **23** | **REVENUE FROM PROPERTY SALES** | | | | |
| | Property sales | **27 735 160** | **142 881 212** | **10 812 476** | **16 586 687** |
| **23.1** | **COST OF PROPERTY SALES** | | | | |
| | Property costs | **22 918 271** | **55 888 149** | **6 948 589** | **3 073 238** |
| **24** | **INSURANCE PREMIUM REVENUE** | | | | |
| | Gross premium written | 1 348 964 235 | 1 741 973 787 | 983 441 058 | 173 340 846 |
| | Change in unearned premium reserve (“UPR”) | (139 859 467) | (208 309 843) | (234 158 347) | (18 755 751) |
| | | **1 209 104 768** | **1 533 663 944** | **749 282 711** | **154 585 095** |
| **25** | **NET GAIN FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE** | | | | |
| | Financial assets at fair value through profit or loss (note 7), fair value loss | **716 553 819** | **326 162 453** | **752 575 545** | **72 709 084** |
| **26** | **OTHER OPERATING INCOME** | | | | |
| | Rental income | 18 988 921 | 9 057 373 | 10 827 170 | 550 045 |
| | Profit disposal of property and equipment | (49 427 123) | 12 082 692 | (12 494 316) | 35 901 |
| | Sundry income | 58 553 686 | 564 019 991 | 29 742 221 | 27 833 393 |
| | Bad debts recoveries | 16 052 962 | 96 171 936 | 5 549 444 | 6 280 059 |
| | Fair value adjustment on investment property | 153 486 082 | 385 896 331 | 800 440 066 | 143 905 214 |
| | Legacy debt interest claim | - | 80 841 722 | - | 18 021 472 |
| | | **197 654 528** | **1 148 070 045** | **834 064 585** | **196 626 084** |
| **27** | **NET INSURANCE COMMISSION EXPENSE** | | | | |
| | Commissions paid | 282 615 342 | 266 102 095 | 204 561 116 | 24 658 330 |
| | Change in technical provisions | (4 954 893) | (44 443 274) | (33 179 397) | (5 032 107) |
| | | **277 660 449** | **221 658 821** | **171 381 719** | **19 626 223** |
| | Commission received | (93 611 774) | (60 635 974) | (74 908 190) | (7 876 187) |
| | | **184 048 675** | **161 022 847** | **96 473 529** | **11 750 036** |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

## 28 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

| | INFLATION ADJUSTED | | | HISTORICAL COST | | |
|---|---|---|---|---|---|---|
| | Gross | Reinsurance | Net | Gross | Reinsurance | Net |
| **Year ended 31 December 2020** | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| Claims and loss adjustment expenses | (404 396 800) | 102 859 804 | (301 536 996) | (266 421 613) | 60 776 501 | (205 645 112) |
| Change in technical provisions | (68 973 965) | 2 286 806 | (66 687 159) | (65 944 259) | 11 862 525 | (54 081 734) |
| **Total claims** | **(473 370 765)** | **105 146 610** | **(368 224 155)** | **(332 365 872)** | **72 639 026** | **(259 726 846)** |
| **Year ended 31 December 2019** | | | | | | |
| Claims and loss adjustment expenses | (630 855 302) | 286 165 497 | (344 689 805) | (73 281 692) | 38 054 603 | (35 227 089) |
| Change in technical provisions | (40 932 355) | 9 852 500 | (31 079 855) | (18 368 901) | 921 187 | (17 447 714) |
| **Total claims** | **(671 787 657)** | **296 017 997** | **(375 769 660)** | **(91 650 593)** | **38 975 790** | **(52 674 803)** |

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 |
| | ZWL | ZWL | ZWL | ZWL |
| **29 ADMINISTRATIVE EXPENSES** | | | | |
| Marketing | 39 688 106 | 111 243 012 | 26 650 397 | 12 187 241 |
| Premises | 90 940 952 | 75 468 284 | 45 612 651 | 6 512 586 |
| Computer | 290 273 016 | 212 151 475 | 199 199 988 | 24 495 257 |
| Insurance | 23 289 399 | 251 671 383 | 17 367 965 | 14 971 630 |
| Travel | 28 588 521 | 49 024 894 | 12 501 381 | 5 468 705 |
| Security | 52 921 624 | 42 214 746 | 37 676 008 | 4 802 320 |
| Communication | 86 406 693 | 153 975 449 | 60 553 664 | 6 080 786 |
| Donations | 10 562 618 | 22 027 711 | 6 973 114 | 1 901 609 |
| Subscriptions | 29 266 498 | 86 423 355 | 19 155 799 | 3 716 075 |
| Operational losses | 3 455 238 | 22 456 878 | 2 839 005 | 1 532 632 |
| Mastercard and Visa expenses | 132 437 758 | 436 924 425 | 87 636 752 | 20 633 774 |
| Other administration expenses | 535 414 937 | 168 929 046 | 336 069 485 | 46 307 274 |
| Staff costs (note 29.1) | 2 041 145 262 | 1 658 142 230 | 1 540 908 574 | 192 279 183 |
| Directors' remuneration (note 29.2) | 847 986 248 | 409 961 426 | 603 809 185 | 79 939 232 |
| Audit fees: | | | | |
| - Current year fees | 30 122 139 | 19 277 287 | 20 013 380 | 3 225 311 |
| - Prior year fees | 21 145 079 | 1 000 108 | 11 339 395 | 66 932 |
| - Other services | - | - | - | - |
| Depreciation | 160 907 772 | 116 579 096 | 59 590 697 | 3 976 392 |
| Impairment of property and equipment | - | - | - | - |
| Amortisation and impairment loss (note 12) | 56 587 118 | 25 514 409 | 2 535 404 | 852 523 |
| Short term leases | 21 156 733 | 27 533 617 | 10 355 594 | 3 286 217 |
| | **4 502 295 711** | **3 890 518 831** | **3 100 788 438** | **432 235 679** |
| **29.1 Staff costs** | | | | |
| Salaries and allowances | 2 017 937 346 | 1 583 994 365 | 1 523 591 634 | 189 106 984 |
| Social security | 3 514 083 | 11 428 013 | 2 609 593 | 491 479 |
| Pension contribution | 19 693 833 | 62 719 852 | 14 707 347 | 2 680 720 |
| | **2 041 145 262** | **1 658 142 230** | **1 540 908 574** | **192 279 183** |
| **29.2 Directors' remuneration** | | | | |
| Board fees | 60 304 671 | 46 246 189 | 46 323 697 | 8 652 638 |
| Other emoluments | 8 301 855 | 10 056 947 | 5 528 351 | 764 709 |
| For services as management | 779 379 722 | 320 093 970 | 551 957 137 | 63 039 629 |
| Termination benefits | - | 33 564 320 | - | 7 482 256 |
| | **847 986 248** | **409 961 426** | **603 809 185** | **79 939 232** |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **29.3 Leases as lessee** | | | | |
| **Right-of-use assets** | | | | |
| **Cost** | | | | |
| Balance at 1 January | 111 926 666 | 45 928 497 | 9 034 329 | 1 782 433 |
| Additions | (17 672 467) | 4 370 795 | (7 946 406) | 173 726 |
| Remeasurement adjustments | 14 562 383 | 61 627 374 | 40 003 418 | 7 078 170 |
| **Balance at 31 December** | **108 816 582** | **111 926 666** | **41 091 341** | **9 034 329** |
| **Accumulated depreciation** | | | | |
| Balance at 1 January | 11 637 756 | - | 1 168 776 | - |
| Charge for the year | 5 943 615 | 11 637 756 | 3 173 329 | 1 168 776 |
| **Balance at 31 December** | **17 581 371** | **11 637 756** | **4 342 105** | **1 168 776** |
| **Carrying amount at 31 December** | **91 235 211** | **100 288 910** | **36 749 236** | **7 865 553** |
| **Amounts recognised in profit and loss** | | | | |
| Depreciation expense on right-of-use assets | 5 943 615 | 11 637 756 | 3 173 329 | 1 168 776 |
| Interest expense on lease liabilities | 23 109 155 | 11 284 361 | 12 325 809 | 863 276 |
| Expense relating to short term leases | 3 549 913 | 28 046 472 | 3 163 625 | 3 273 333 |
| Expense relating to leases of low value assets | - | 178 290 | - | 14 740 |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | - | 3 718 974 | - | 288 638 |
| Income from sub-leasing right-of-use assets | 348 967 | - | 79 524 | - |
| The total committed value for short term leases is | 1 410 828 | 1 582 111 | 321 504 | 1 994 119 |
| **The total cash outflow for leases amount to** | **29 638 986** | **28 801 548** | **12 470 852** | **1 923 233** |
| **Lease liabilities** | | | | |
| Analysed as: | | | | |
| Current | 4 694 875 | 7 548 152 | 4 694 875 | 1 682 656 |
| Non current | 29 123 154 | 28 223 728 | 29 123 154 | 6 291 716 |
| | **33 818 029** | **35 771 880** | **33 818 029** | **7 974 372** |

The Group leases some of its banking branches and premises under operating leases. The leases typically run for a period of 1 year, with an option to renew the lease after that date. Lease payments are reviewed in line with prevailing market conditions on an annual basis to align them to market rentals. The leases provide for additional rent payments that are based on changes in the local price index.

The leased properties are all for office use.

| | | | | |
|---|---|---|---|---|
| **Amounts recorded in profit or loss** | | | | |
| Lease expense | 21 156 733 | 27 533 617 | 10 355 594 | 3 286 217 |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| | | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|---|
| | | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **30** | **INCOME TAX EXPENSE:** | | | | |
| **30.1** | **Charge for the year** | | | | |
| | Current income tax on income for the reporting year | 335 692 155 | 1 454 941 538 | 304 524 556 | 37 008 347 |
| | Prior year under provision | (749 319) | - | - | - |
| | Deferred income tax | (255 982 095) | 931 991 192 | 96 362 796 | 196 474 418 |
| | **Income tax expense** | **78 960 741** | **2 386 932 730** | **400 887 352** | **233 482 765** |
| | The income tax rate applicable to the Group`s taxable income for the year ended 31 December 2020 is 24.72% (2019: 25.75%). | | | | |
| **30.2** | **Reconciliation of income tax expense** | | | | |
| | The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the principal tax rate of 24.72% (2019: 25.75%) as follows; | | | | |
| | **Profit before income tax** | **1 595 247 202** | **757 138 892** | **3 614 265 026** | **529 350 452** |
| | Income tax charged based on profit for the year at 24.72% (2019:25.75%) | 394 345 108 | 194 963 265 | 893 446 314 | 136 307 741 |
| | Tax effect of: | | | | |
| | Exempt income | (274 564 467) | (314 980 219) | (230 896 956) | (23 685 517) |
| | Additional/(savings) tax resulting from permanent differences | - | - | - | - |
| | Income subject to tax at lower rates | 15 158 935 | 7 193 763 | 15 158 935 | (1 604 237) |
| | Impairment allowance | 9 533 754 | 40 212 376 | 26 008 676 | 8 964 260 |
| | Expenses not deductible for tax purposes | (286 493 909) | 167 101 954 | (279 265 030) | 16 583 954 |
| | Prior year under provision | 749 319 | - | - | - |
| | Other | 220 232 001 | 2 292 441 591 | (23 564 587) | 96 916 564 |
| | **Income tax expense** | **78 960 741** | **2 386 932 730** | **400 887 352** | **233 482 765** |
| | **Effective rate** | **5%** | **315%** | **11%** | **44%** |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

## 31 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its shareholders who own, directly or indirectly, 10% or more of its share capital or those shareholders who control in any manner, the election of the majority of the Directors of the Company or have the power to exercise controlling influence over the management or financial and operating policies of the Group. The Group carried out banking and investments related transactions with various companies related to its shareholders, all of which were undertaken in compliance with the relevant banking regulations. The following is a list of related parties to the Group and transactions with them:

**Key management**

| Name | Position |
|---|---|
| John Mushayavanhu | Group Chief Executive |
| Trynos Kufazvinei | Group Finance Director |
| Kleto Chiketsani | Managing Director (FBC Reinsurance Limited) |
| Webster Rusere | Managing Director (FBC Bank Limited) |
| Pius Rateiwa | Managing Director (FBC Building Society) |
| Tichaona Mabeza | Group Company Secretary |
| Benson Gasura | Managing Director (FBC Securities (Private) Limited) |
| Musa Bako | Managing Director (FBC Insurance Company (Private) Limited) |
| Patrick Mangwendeza | Managing Director (Microplan Financial Services (Private) Limited) |
| Israel Murefu | Divisional Director Human Resources |
| Barnabas Vera | Divisional Director Internal Audit |
| Alfred Chitanda | Executive Director (FBC Insurance Company (Private) Limited) |
| Agnes Kanhukamwe | Executive Director (FBC Building Society) |
| Abel Magwaza | Executive Director (FBC Bank Limited) |
| Agrippa Mugwagwa | Executive Director (FBC Bank Limited) |
| Martin Makonese | Executive Director (FBC Bank Limited) |
| Patrick Takawira | Executive Director (FBC Bank Limited) |
| Joachim Matsvimbo | Executive Director (FBC Reinsurance Limited) |
| Alice Chiedza | Executive Director (FBC Reinsurance Limited) |
| Patricia Nyazenga | Divisional Director Credit Management |
| Mudzingwa Nhiwatiwa | Divisional Director Risk Management |

The following are companies and a trust related to directors, key management and the Group:
Arena Investments (Private) Limited (owned by FBC Holdings Limited board member)
Cotition Investments (Private) Limited (owned by FBC Bank Limited board member)
Wedgeport Investments (Private) Limited (owned by FBC Holdings Limited board member)
Dinkrain Investments (Private) Limited (owned by FBC Bank Limited board member)
Tirent Investments (Private) Limited (owned by FBC Bank Limited board member)
Rus Enterprises (Private) Limited (owned by FBC Holdings Limited board member)
Defined Wear (PBC) (Private) Limited (owned by FBC Building Society board member)
Altiwave Investments (Private) Limited (related to FBC Bank Limited)
Country Sky Investments (related to FBC Bank Limited board member)
Pachiro Family Trust (related to FBC Bank Limited board member)
Zuva Petroleum (related to FBC Holdings Executive)

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

Below are the companies related to directors, key senior management and Group and their loan balances as at 31 December 2020.

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| Zuva Petroleum | 54 155 592 | - | 54 155 592 | - |
| Country Sky Investments | - | 450 730 | - | 100 478 |
| | **54 155 592** | **450 730** | **54 155 592** | **100 478** |

These transactions are at arms length.

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **Loans and advances to non executive directors** | | | | |
| Balance as at 1 January | 1 260 753 | 3 528 069 | 281 051 | 126 618 |
| Effects of IAS29 | (979 702) | (2 960 079) | - | - |
| Advances during the year | - | 998 013 | - | 222 480 |
| Interest charged and repayments made during the year | (281 051) | (305 250) | (281 051) | (68 047) |
| **Balance as at 31 December** | **-** | **1 260 753** | **-** | **281 051** |
| **Loans and advances to executive directors** | | | | |
| Balance as at 1 January | 27 469 343 | 57 916 566 | 6 123 546 | 2 078 553 |
| Effects of IAS29 | (21 345 797) | (48 592 477) | - | - |
| Advances during the year | 10 897 094 | 33 447 665 | 10 897 094 | 7 456 251 |
| Interest charged and repayments made during the year | (7 247 579) | (15 302 411) | (7 247 579) | (3 411 258) |
| **Balance as at 31 December** | **9 773 061** | **27 469 343** | **9 773 061** | **6 123 546** |

Loans and advances to directors and officers of the Group have, along with other loans and advances, been subjected to impairment procedures. Their terms and conditions are the same as those of ordinary customers.

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **Compensation for executive directors and key management** | | | | |
| Short term employee benefits | 779 379 722 | 455 139 586 | 551 957 137 | 71 568 204 |
| Post- employment benefits | 8 301 855 | 15 952 172 | 5 528 351 | 1 548 932 |
| Long service awards | 206 041 364 | 45 646 344 | 206 041 364 | 10 175 616 |
| Termination benefits | - | 33 564 320 | - | 7 482 256 |
| | **993 722 941** | **550 302 422** | **763 526 852** | **90 775 008** |

| **Group entities** | interest 2020 | interest 2019 |
|---|---|---|
| FBC Bank Limited | 100% | 100% |
| FBC Building Society | 100% | 100% |
| FBC Reinsurance Limited | 100% | 100% |
| FBC Securities (Private) Limited | 100% | 100% |
| Microplan Financial Services (Private) Limited | 100% | 100% |
| FBC Insurance Company (Private) Limited | 95.4% | 95.4% |

**Other related party transactions**

Other related party transactions include contributions to FBC Holdings Limited Pension Fund, a self administered post employment benefit fund and director's remuneration. Details of these transactions are disclosed in note 40 and note 29.1 respectively.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

## 32 PRINCIPAL SUBSIDIARIES
The Group had the following subsidiaries at 31 December 2020

**Group and Company**

| Name | Nature of business | Proportion of ordinary shares directly held by the parent (%) | Proportion of ordinary shares held by the Group (%) | Proportion of ordinary shares held by non-controlling interests (%) |
|---|---|---|---|---|
| FBC Bank Limited | Commercial banking | 100 | 100 | - |
| FBC Building Society | Mortgagefinancing | 100 | 100 | - |
| FBC Reinsurance Limited | Short term reinsurance | 100 | 100 | - |
| FBC Securities (Private) Limited | Stockbroking | 100 | 100 | - |
| FBC Insurance Company (Private) Limited | Short term insurance | 95 | 95 | 5 |
| Microplan Financial Services (Private) Limited | Microlending | 100 | 100 | - |

All subsidiaries were incorporated in Zimbabwe, which is also their place of business.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

**Significant restrictions**
There are no material restrictions with regards to any of the subsidiaries' ability to access or use assets, and settle liabilities of the Group.

## 33 EARNINGS PER SHARE
### 33.1 Basic earnings
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue excluding ordinary shares purchased by the Company and held as treasury shares.

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| Profit/(loss) attributable to equity holders of the parent | 1 514 538 110 | (1 624 927 995) | 3 211 693 386 | 295 598 000 |
| **Total** | **1 514 538 110** | **(1 624 927 995)** | **3 211 693 386** | **295 598 000** |
| **Basic earnings/(loss) per share** | | | | |
| Basic earnings/(loss) per share for continuing operations (ZWL cents) | 243.85 | (263.21) | 517.10 | 47.88 |
| | **243.85** | **(263.21)** | **517.10** | **47.88** |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| Year ended 31 December 2020 | Shares issued | Treasury shares | Shares outstanding | Weighted |
|---|---|---|---|---|
| **Weighted average number of ordinary shares** | | | | |
| Issued ordinary shares as at 1 January 2020 | 671 949 927 | 64 708 627 | 607 241 300 | 607 241 300 |
| Treasury shares purchased | - | 3 483 111 | (3 483 111) | (647 665) |
| Treasury shares sold | - | (23 629 577) | 23 629 577 | 14 501 439 |
| **Weighted average number of ordinary shares as at 31 December 2020** | **671 949 927** | **44 562 161** | **627 387 766** | **621 095 074** |
| **Year ended 31 December 2019** | | | | |
| **Weighted average number of ordinary shares** | | | | |
| Issued ordinary shares as at 1 January 2019 | 671 949 927 | 44 827 282 | 627 122 645 | 627 122 645 |
| Treasury shares purchased | - | 19 881 345 | (19 881 345) | (9 761 017) |
| **Weighted average number of ordinary shares as at 31 December 2019** | **671 949 927** | **64 708 627** | **607 241 300** | **617 361 628** |

## 33.2 Diluted earnings

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.

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| **Earnings** | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| Profit/(loss) attributable to equity holders of the parent | 1 514 538 110 | (1 624 927 995) | 3 211 693 386 | 295 598 000 |
| **Total** | **1 514 538 110** | **(1 624 927 995)** | **3 211 693 386** | **295 598 000** |
| **Weighted average number of ordinary shares at 31 December** | **621 095 074** | **617 361 628** | **621 095 074** | **617 361 628** |
| **Diluted earnings per share** | | | | |
| Diluted earnings per share for continuing operations (ZWL cents) | 243.85 | (263.21) | 517.10 | 47.88 |
| | **243.85** | **(263.21)** | **517.10** | **47.88** |

## 33.3 Headline earnings per share

Headline earnings is calculated by starting with the basic earnings number and then excluding the following re-measurements;

- Gains/losses on the loss of control of a subsidiary
- Impairment/subsequent reversal of impairment of all assets
- Disposal gains/losses of all assets
- Compensation from third parties for assets that were impaired or lost
- The reclassification of all other remeasurements from other comprehensive income to profit or loss
- The reclassification of gains and losses on financial assets at fair value through other comprehensive income upon impairment or disposal and subsequent impairment losses
- The post-tax gain or loss on the disposal of assets or a disposal group constituting discontinued operations

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **Profit/(loss) attributable to equity holders of the parent** | **1 514 538 110** | **(1 624 927 995)** | **3 211 693 386** | **295 598 000** |
| **Adjusted for excluded remeasurements** | | | | |
| Profit from the disposal of property and equipment (note 26) | 49 427 123 | (12 082 692) | 12 494 316 | (35 901) |
| **Headline earnings** | **1 563 965 233** | **(1 637 010 687)** | **3 224 187 702** | **295 562 099** |
| **Weighted average number of ordinary shares at 31 December** | **621 095 074** | **617 361 628** | **621 095 074** | **617 361 628** |
| **Headline earnings per share (ZWL cents)** | **251.81** | **(265.16)** | **519.11** | **47.88** |

## 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) 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.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

## 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 losses are inherent parts of the Group's business.

The Group manages, limits and controls concentrations of credit risk in respect of individual counterparties and groups. The Group structures the levels 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 the Group's policies and procedures to define, measure and monitor the credit and settlement risks arising from the Group's lending and investment activities. Limits are established to control these risks. Any facility exceeding established limits of the subsidiary's Management Credit Committee must then be approved by the subsidiary Board Credit Committee.

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

The Group Credit Division periodically prepares detailed reports on the quality of the customers for review by the Board Loans Review Committees of the subsidiary companies and assess 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.

The Group have assessed the impact of Covid-19 pandemic and there was no material impact as the Group did not change the terms and conditions on its loans and its lending processes and procedures.

**Credit policies, procedures and limits**
The Group has sound and well-defined policies, procedures and limits which are reviewed at least once every year 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 Credit 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 are 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 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's banking subsidiaries in conducting credit stress tests.

**Significant increase in credit risk**
The Group monitors all financial assets that are subject to impairment requirments to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on the lifetime rather than 12-month ECL.

**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.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

**Past due loans**
These are loans in which 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 that 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 categories 8, 9 and 10 under the Basel II ten tier grading system and stage 3 under IFRS 9 staging matrix.

**Provisioning policy and write offs**
The Group has adopted IFRS 9 along side Reserve Bank of Zimbabwe provisioning requirements to determine expected credit losses (ECL).

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

<table>
<tr><th>Rating</th><th>Descriptive classification</th><th>Risk level</th><th>Level of allowance</th><th>2012 Grading and level of allowance</th><th>IFRS 9 grading/tier system</th><th>Type of allowance</th></tr>
<tr><td>1</td><td>Prime grade</td><td>Insignificant</td><td>1%</td><td rowspan="3">A (1%)</td><td rowspan="3">Stage 1</td><td rowspan="3">12 Months ECL</td></tr>
<tr><td>2</td><td>Strong</td><td>Modest</td><td>1%</td></tr>
<tr><td>3</td><td>Satisfactory</td><td>Average</td><td>2%</td></tr>
<tr><td>4</td><td>Moderate</td><td>Acceptable</td><td>3%</td><td rowspan="4">B (3%)</td><td rowspan="4">Stage 2</td><td rowspan="4">Lifetime ECL</td></tr>
<tr><td>5</td><td>Fair</td><td>Acceptable with care</td><td>4%</td></tr>
<tr><td>6</td><td>Speculative</td><td>Management attention</td><td>5%</td></tr>
<tr><td>7</td><td>Speculative</td><td>Special mention</td><td>10%</td></tr>
<tr><td>8</td><td>Substandard</td><td>Vulnerable</td><td>20%</td><td>C (20%)</td><td rowspan="3">Stage 3</td><td rowspan="3">Lifetime ECL</td></tr>
<tr><td>9</td><td>Doubtful</td><td>High default</td><td>50%</td><td>D (50%)</td></tr>
<tr><td>10</td><td>Loss</td><td>Bankrupt</td><td>100%</td><td>E (100%)</td></tr>
</table>

**General allowance for impairment under Reserve Bank of Zimbabwe provisioning requirements**

**Prime to highly speculative grades "1 to 7"**
General allowance for impairment for facilities in this category are maintained at the percentage (detailed in table above) of total customer account outstanding balances and off balance sheet (i.e. contingent) risks.

**Specific allowance for impairment**
**Sub-standard to loss grades "8 to 10" - Timely repayment and/or settlement may be at risk**
Specific allowance for impairment for facilities in this category are currently maintained at the percentages (detailed above) of total customer outstanding balances and off balance sheet (i.e. contingent) risks less the value of tangible security held.

**The basis for writing off assets**
When an advance which has been identified as impaired and subjected to a specific allowance for impairment continues to deteriorate, a point will come when it may be concluded that there is no realistic prospect of recovery. Board approval will be sought by Group Credit Management Division for the exposure to be immediately written off from the Group's books while long term recovery strategies are then pursued.

**Credit risk and Basel II**
The Group applied Credit Risk Basel II standards in line with the regulatory authorities' approach. Internal processes have been revamped to comply with the requirements. Policies and procedure manuals have been realigned to comply with the minimum requirements of Basel II.

**Expected Credit Losses (ECL) under IFRS 9**
In the context of IFRS 9, it 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).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

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.

For detailed information on ECL's under IFRS 9 refer to note 2.5.

**Forward looking expectations**
- The Group Economics Research team determines the macroeconomic outlook for the country and a group view of commodities over a planning horizon of at least 1 year. The outlook is provided to the Group and bank management for review and the Asset and Liability Committee for approval.
- Macroeconomic outlooks take into account various variables such as gross domestic product, central bank policy interest rates, inflation, exchange rates and treasury bill rates.
- Narrative for the country's economic outlook, being bear, base and bull cases, are compiled and typically include consideration of the country's economic background, sovereign risk, foreign exchange risk, financial sector, liquidity and monetary policy stance.
- Probabilities are assigned to each of the bear, base and bull cases based on primary macroeconomic drivers and are reviewed annually.
- The forward looking economic expectations are updated on a bi-annual basis or more regularly when deemed appropriate.

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 |
| **34.1.1 Exposure to credit risk** | ZWL | ZWL | ZWL | ZWL |
| **Loans and advances** | | | | |
| Stage 3/Grade 8 | 11 210 309 | 15 930 162 | 11 210 309 | 3 551 198 |
| Stage 3/Grade 9 | 2 356 550 | 4 211 738 | 2 356 550 | 938 893 |
| Stage 3/Grade 10 | 2 168 425 | 18 634 621 | 2 168 425 | 4 154 084 |
| **Gross amount** | **15 735 284** | **38 776 521** | **15 735 284** | **8 644 175** |
| Impairment allowance | (7 926 784) | (14 757 451) | (7 926 784) | (3 289 774) |
| **Carrying amount** | **7 808 500** | **24 019 070** | **7 808 500** | **5 354 401** |
| Stage 2/Grade 4 - 7: | 1 301 020 512 | 279 179 073 | 1 301 020 512 | 62 235 412 |
| Stage 1/Grade 1 - 3: | 12 171 669 399 | 11 362 799 371 | 12 171 551 245 | 2 533 004 430 |
| **Gross amount** | **13 472 689 911** | **11 641 978 444** | **13 472 571 757** | **2 595 239 842** |
| Impairment allowance | (137 439 585) | (177 971 585) | (137 439 585) | (39 673 944) |
| **Carrying amount** | **13 335 250 326** | **11 464 006 859** | **13 335 132 172** | **2 555 565 898** |
| **Total carrying amount** | **13 343 058 826** | **11 488 025 929** | **13 342 940 672** | **2 560 920 299** |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

## Loans and advances

| INFLATION ADJUSTED | 31 Dec 2020 | | | | 31 Dec 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | ECL staging | | | | ECL staging | | | |
| | Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL | Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL |
| **Credit grade** | | | | | | | | |
| Investment grade | 12 171 669 399 | - | - | 12 171 669 399 | 11 362 799 371 | - | - | 11 362 799 371 |
| Standard monitoring | - | 1 223 362 502 | - | 1 223 362 502 | - | 177 822 695 | - | 177 822 695 |
| Special monitoring | - | 77 658 010 | - | 77 658 010 | - | 101 356 378 | - | 101 356 378 |
| Default | - | - | 15 735 284 | 15 735 284 | - | - | 38 776 521 | 38 776 521 |
| **Gross financial assets at amortised cost** | **12 171 669 399** | **1 301 020 512** | **15 735 284** | **13 488 425 195** | **11 362 799 371** | **279 179 073** | **38 776 521** | **11 680 754 965** |
| Impairment allowance | (114 972 205) | (22 467 380) | (7 926 784) | (145 366 369) | (132 745 646) | (45 225 939) | (14 757 451) | (192 729 036) |
| **Net financial asset at amortised cost** | **12 056 697 194** | **1 278 553 132** | **7 808 500** | **13 343 058 826** | **11 230 053 725** | **233 953 134** | **24 019 070** | **11 488 025 929** |
| | | | | | | | | |
| **Analysis** | | | | | | | | |
| **Gross amount** | | | | | | | | |
| **Balance as at January** | **11 362 799 371** | **279 179 073** | **38 776 521** | **11 680 754 965** | **9 546 450 789** | **1 978 944 265** | **136 263 571** | **11 661 658 625** |
| Effects of IAS29 | (8 829 794 941) | (216 943 661) | (30 132 346) | (9 076 870 948) | (8 011 979 338) | (1 660 350 584) | (114 326 266) | (9 786 656 188) |
| | | | | | | | | |
| Transfers | (15 185 374) | 10 207 836 | 4 977 538 | - | 13 558 853 | (31 169 430) | 17 610 577 | - |
| Stage 1 | (21 536 257) | 18 425 976 | 3 110 281 | | (54 392 547) | 38 916 134 | 15 476 414 | |
| Stage 2 | 6 109 107 | (8 586 741) | 2 477 634 | | 65 511 615 | (71 049 655) | 5 538 044 | |
| Stage 3 | 241 776 | 368 601 | (610 377) | | 2 439 785 | 964 091 | (3 403 881) | |
| | | | | | | | | |
| New issue | 10 443 638 070 | 1 281 973 648 | 9 280 720 | 11 734 892 438 | 10 456 381 194 | 141 207 378 | 4 519 966 | 10 602 108 538 |
| Repayments | (789 787 727) | (53 396 384) | (6 506 638) | (849 690 749) | (641 612 127) | (149 452 556) | (3 268 511) | (794 333 194) |
| Amounts written off during the year as uncollectible | - | - | (660 511) | (660 511) | - | - | (2 022 816) | (2 022 816) |
| | | | | | | | | |
| **Balance as at December** | **12 171 669 399** | **1 301 020 512** | **15 735 284** | **13 488 425 195** | **11 362 799 371** | **279 179 073** | **38 776 521** | **11 680 754 965** |
| | | | | | | | | |
| **Impairment** | | | | | | | | |
| **Balance as at January** | **132 745 646** | **45 225 939** | **14 757 451** | **192 729 036** | **117 222 257** | **160 595 044** | **69 719 877** | **347 537 178** |
| Changes on initial application of IFRS 9 | - | - | - | - | (98 350 442) | (134 740 569) | (58 495 553) | (291 586 564) |
| Effects of IAS 29 | (103 153 600) | (35 144 040) | (11 467 677) | (149 765 317) | - | - | - | - |
| | | | | | | | | |
| Transfers | (548 817) | 635 636 | (86 819) | - | 1 199 213 | (1 456 418) | 257 205 | - |
| Stage 1 | (1 008 480) | 729 126 | 279 355 | | (1 361 964) | 919 529 | 442 435 | |
| Stage 2 | 274 104 | (322 080) | 47 975 | | 2 048 677 | (2 614 186) | 565 509 | |
| Stage 3 | 185 559 | 228 590 | (414 149) | | 512 500 | 238 239 | (750 739) | |
| Net change due to new issues and repayments | 95 862 418 | 9 033 200 | 2 000 342 | 106 895 960 | 127 193 000 | 18 488 418 | (2 018 657) | 143 662 761 |
| Interest in suspense (reclassifaction) | - | - | - | - | - | - | - | - |
| Changes in parameters | (9 933 442) | 2 716 645 | 3 339 985 | (3 876 812) | (14 518 382) | 2 339 464 | 7 317 395 | (4 861 523) |
| Amounts written off during the year as uncollectible | - | - | (616 498) | (616 498) | - | - | (2 022 816) | (2 022 816) |
| | | | | | | | | |
| **Balance as at December** | **114 972 205** | **22 467 380** | **7 926 784** | **145 366 369** | **132 745 646** | **45 225 939** | **14 757 451** | **192 729 036** |

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2020
## (Continued)

| HISTORICAL COST | 31 Dec 2020 | | | | 31 Dec 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | ECL staging | | | | ECL staging | | | |
| | Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL | Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL |
| **Credit grade** | | | | | | | | |
| Investment grade | 12 171 551 245 | - | - | 12 171 551 245 | 2 533 004 430 | - | - | 2 533 004 430 |
| Standard monitoring | - | 1 223 362 502 | - | 1 223 362 502 | - | 39 640 752 | - | 39 640 752 |
| Special monitoring | - | 77 658 010 | - | 77 658 010 | - | 22 594 660 | - | 22 594 660 |
| Default | - | - | 15 735 284 | 15 735 284 | - | - | 8 644 175 | 8 644 175 |
| **Gross financial assets at amortised cost** | **12 171 551 245** | **1 301 020 512** | **15 735 284** | **13 488 307 041** | **2 533 004 430** | **62 235 412** | **8 644 175** | **2 603 884 017** |
| Impairment allowance | (114 972 205) | (22 467 380) | (7 926 784) | (145 366 369) | (29 592 046) | (10 081 898) | (3 289 774) | (42 963 718) |
| **Net financial asset at amortised cost** | **12 056 579 040** | **1 278 553 132** | **7 808 500** | **13 342 940 672** | **2 503 412 384** | **52 153 514** | **5 354 401** | **2 560 920 299** |
| **Analysis** | | | | | | | | |
| **Gross amount** | | | | | | | | |
| **Balance as at January** | **2 533 004 430** | **62 235 412** | **8 644 175** | **2 603 884 017** | **342 068 845** | **71 021 831** | **4 890 329** | **417 981 005** |
| Transfers | (15 185 374) | 10 207 836 | 4 977 538 | - | 3 022 580 | (6 948 380) | 3 925 800 | - |
| Stage 1 | (21 536 257) | 18 425 976 | 3 110 281 | | (12 125 345) | 8 675 298 | 3 450 047 | |
| Stage 2 | 6 109 107 | (8 586 741) | 2 477 634 | | 14 604 040 | (15 838 596) | 1 234 556 | |
| Stage 3 | 241 776 | 368 601 | (610 377) | | 543 885 | 214 918 | (758 803) | |
| New issue | 10 443 519 916 | 1 281 973 648 | 9 280 720 | 11 734 774 284 | 2 331 483 152 | 31 478 362 | 1 007 604 | 2 363 969 118 |
| Repayments | (789 787 727) | (53 396 384) | (6 506 638) | (849 690 749) | (143 570 147) | (33 316 401) | (728 626) | (177 615 174) |
| Amounts written off during the year as uncollectible | - | - | (660 511) | (660 511) | - | - | (450 932) | (450 932) |
| **Balance as at December** | **12 171 551 245** | **1 301 020 512** | **15 735 284** | **13 488 307 041** | **2 533 004 430** | **62 235 412** | **8 644 175** | **2 603 884 017** |
| **Impairment** | | | | | | | | |
| **Balance as at January** | **29 592 046** | **10 081 898** | **3 289 774** | **42 963 718** | **4 206 960** | **5 763 555** | **2 502 159** | **12 472 674** |
| Transfers | (548 817) | 635 636 | (86 819) | - | 267 332 | (324 669) | 57 337 | - |
| Stage 1 | (1 008 480) | 729 126 | 279 355 | | (303 613) | 204 984 | 98 629 | |
| Stage 2 | 274 104 | (322 080) | 47 975 | | 456 697 | (582 762) | 126 065 | |
| Stage 3 | 185 559 | 228 590 | (414 149) | | 114 248 | 53 109 | (167 357) | |
| Net change due to new issues and repayments | 95 862 418 | 9 033 200 | 2 000 342 | 106 895 960 | 28 354 234 | 4 121 492 | (450 005) | 32 025 721 |
| Interest in suspense (reclassifaction) | - | - | - | - | - | - | - | - |
| Changes in parameters | (9 933 442) | 2 716 646 | 3 339 985 | (3 876 811) | (3 236 480) | 521 520 | 1 631 215 | (1 083 745) |
| Amounts written off during the year as uncollectible | - | - | (616 498) | (616 498) | - | - | (450 932) | (450 932) |
| **Balance as at December** | **114 972 205** | **22 467 380** | **7 926 784** | **145 366 369** | **29 592 046** | **10 081 898** | **3 289 774** | **42 963 718** |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

| Sensitivity analysis of ECL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
|---|---|---|
| If all assets move to stage 3 ECL will increase to | 4 855 833 070 | 4 205 071 787 |
| If all assets move to stage 1 ECL will decrease to | 97 116 661 | 84 101 436 |

**Loans and advances in grade 1 to 3**

Loans and advances in grade 1 to 3 and which are not part of renegotiated loans are considered to be within Stage 1. Stage 1 loans and advances are those whose repayments (capital and interests) are outstanding for more than 30 days.

**Loans and advances in grade 4 to 7**

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being in stage 2. Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary.

| | INFLATION ADJUSTED | | | | HISTORICAL COST | | | |
|---|---|---|---|---|---|---|---|---|
| | Personal loans ZWL | Corporate loans ZWL | Mortgages ZWL | Total ZWL | Personal loans ZWL | Corporate loans ZWL | Mortgages ZWL | Total ZWL |
| **As at 31 December 2020** | | | | | | | | |
| Stage 2 over due up to 1 month | 13 204 693 | 1 230 574 823 | 4 595 227 | 1 248 374 743 | 13 204 693 | 1 230 574 823 | 4 595 227 | 1 248 374 743 |
| Stage 2 over due 1-3 months | 11 628 229 | 17 631 481 | 17 946 504 | 47 206 214 | 11 628 229 | 17 631 481 | 17 946 504 | 47 206 214 |
| Stage 2 over due 3-6 months | 509 271 | 1 542 658 | 541 174 | 2 593 103 | 509 271 | 1 542 658 | 541 174 | 2 593 103 |
| Stage 2 over due 6 - 12 months | 641 323 | 72 981 | 104 262 | 818 566 | 641 323 | 72 981 | 104 262 | 818 566 |
| Stage 2 over 12 months | 330 218 | 1 547 821 | 149 847 | 2 027 886 | 330 218 | 1 547 821 | 149 847 | 2 027 886 |
| **Total** | **26 313 734** | **1 251 369 764** | **23 337 014** | **1 301 020 512** | **26 313 734** | **1 251 369 764** | **23 337 014** | **1 301 020 512** |
| **Value of collateral** | **17 890 328** | **1 479 612 317** | **14 896 846** | **1 512 399 491** | **17 890 328** | **1 479 612 317** | **14 896 846** | **1 512 399 491** |
| **Amount of (under)/over collateralisation** | **(8 423 406)** | **228 242 553** | **(8 440 168)** | **211 378 979** | **(8 423 406)** | **228 242 553** | **(8 440 168)** | **211 378 979** |
| **As at 31 December 2019** | | | | | | | | |
| Stage 2 over due up to 1 month | 3 012 342 | 87 397 943 | 128 870 | 90 539 155 | 671 520 | 19 483 004 | 28 728 | 20 183 252 |
| Stage 2 over due 1-3 months | 15 653 039 | 51 956 768 | 28 968 225 | 96 578 032 | 3 489 421 | 11 582 354 | 6 457 681 | 21 529 456 |
| Stage 2 over due 3-6 months | 7 667 606 | 79 263 759 | 2 162 618 | 89 093 983 | 1 709 285 | 17 669 708 | 482 097 | 19 861 090 |
| Stage 2 over due 6 - 12 months | 1 560 436 | 32 002 | 467 704 | 2 060 142 | 347 857 | 7 134 | 104 262 | 459 253 |
| Stage 2 over 12 months | 251 760 | - | 656 003 | 907 763 | 56 123 | - | 146 238 | 202 361 |
| **Total** | **28 145 183** | **218 650 472** | **32 383 420** | **279 179 075** | **6 274 206** | **48 742 200** | **7 219 006** | **62 235 412** |
| **Value of collateral** | **13 048 686** | **990 791 474** | **26 599 289** | **1 030 439 449** | **2 908 851** | **220 870 121** | **5 929 591** | **229 708 563** |
| **Amount of (under)/over collateralisation** | **(15 096 497)** | **772 141 002** | **(5 784 131)** | **751 260 374** | **(3 365 355)** | **172 127 921** | **(1 289 415)** | **167 473 151** |

Collateral is mainly comprised of immovable properties.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

**Loans and advances in grade 8 to 10**

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is ZWL15 735 285 (2019: ZWL38 776 519) in inflation adjusted terms and ZWL15 735 285 (2019: ZWL8 644 175) in historical cost terms. The breakdown of the fair value of related collateral held by the Group as security, are as follows;

| | INFLATION ADJUSTED | | | HISTORICAL COST | | |
|---|---|---|---|---|---|---|
| | Personal loans ZWL | Corporate loans ZWL | Total ZWL | Personal loans ZWL | Corporate loans ZWL | Total ZWL |
| **As at 31 December 2020** | | | | | | |
| Gross carrying amount | 11 453 977 | 4 281 308 | 15 735 285 | 11 453 977 | 4 281 308 | 15 735 285 |
| Less allowance for impairment | (7 354 048) | (572 736) | (7 926 784) | (7 354 048) | (572 736) | (7 926 784) |
| **Net carrying amount** | **4 099 929** | **3 708 572** | **7 808 501** | **4 099 929** | **3 708 572** | **7 808 501** |
| **Value of collateral** | **10 049 957** | **1 958 747** | **12 008 704** | **10 049 957** | **1 958 747** | **12 008 704** |
| **As at 31 December 2019** | | | | | | |
| Gross carrying amount | 26 385 276 | 12 391 243 | 38 776 519 | 5 881 883 | 2 762 292 | 8 644 175 |
| Less allowance for impairment | (12 872 139) | (1 885 312) | (14 757 451) | (2 869 495) | (420 279) | (3 289 774) |
| **Net carrying amount** | **13 513 137** | **10 505 931** | **24 019 068** | **3 012 388** | **2 342 013** | **5 354 401** |
| **Value of collateral** | **13 217 170** | **12 342 383** | **25 559 553** | **2 946 410** | **2 751 400** | **5 697 810** |

**Loans and advances renegotiated**

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. These loans are kept under continuous review.

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| Renegotiated loans and advances to customers - | | | | |
| - Continuing to be impaired after restructuring | - | - | - | - |
| - Non-impaired after restructuring – would otherwise have been impaired | - | 4 015 801 | - | 895 214 |
| - Non-impaired after restructuring – would otherwise not have been impaired | - | - | - | - |
| **Total** | **-** | **4 015 801** | **-** | **895 214** |

**Repossessed collateral**

During the year ended 31 December 2020 the Group repossessed collateral valued at ZWL121 777  (2019 - ZWL173 500).

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2020
## (Continued)

**Sectorial analysis of utilizations of loans and advances to customers**

| | INFLATION ADJUSTED | | | | HISTORICAL COST | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 2020 | | 31 Dec 2019 | | 31 Dec 2020 | | 31 Dec 2019 | |
| | ZWL | % | ZWL | % | ZWL | % | ZWL | % |
| Mining | 2 300 432 842 | 17% | 930 946 989 | 8% | 2 300 432 842 | 17% | 207 529 414 | 8% |
| Manufacturing | 707 327 864 | 5% | 230 090 148 | 2% | 707 327 864 | 5% | 51 292 366 | 2% |
| Mortgages | 363 446 693 | 3% | 453 293 584 | 4% | 363 446 693 | 3% | 101 049 526 | 4% |
| Wholesale | 243 151 146 | 2% | 98 508 856 | 1% | 243 151 146 | 2% | 21 959 881 | 1% |
| Distribution | 691 938 047 | 5% | 306 977 171 | 3% | 691 938 047 | 5% | 68 432 245 | 3% |
| Individuals | 577 388 518 | 4% | 750 328 794 | 6% | 577 388 518 | 4% | 167 265 480 | 6% |
| Agriculture | 1 143 038 131 | 8% | 678 794 227 | 6% | 1 143 038 131 | 8% | 151 318 786 | 6% |
| Communication | - | 0% | 27 115 293 | 0% | - | 0% | 6 044 620 | 0% |
| Construction | 156 222 773 | 1% | 77 325 977 | 1% | 156 222 773 | 1% | 17 237 732 | 1% |
| Local authorities | 18 887 852 | 0% | 40 495 680 | 0% | 18 887 852 | 0% | 9 027 415 | 0% |
| Other services | 7 286 591 329 | 54% | 8 086 878 246 | 69% | 7 286 473 175 | 54% | 1 802 726 552 | 69% |
| | **13 488 425 195** | **100%** | **11 680 754 965** | **100%** | **13 488 307 041** | **100%** | **2 603 884 017** | **100%** |

**Risk concentrations**

There are material concentrations of loans and advances to the following sectors; agriculture 8% (2019: 6%), mining 17% (2019: 8%), other services 54% (2019: 69%) and manufacturing 5% (2019: 2%).

**Analysis of credit quality by sector - loans and advances to customers**

**INFLATION ADJUSTED**

**As at 31 December 2020**

| | Stage 1/ Grades 1 to 3 ZWL | Stage 2/ Grades 4 to 7 ZWL | Stage 3/ Grade 8 ZWL | Stage 3/ Grade 9 ZWL | Stage 3/ Grade 10 ZWL | Total ZWL |
|---|---|---|---|---|---|---|
| **Sector** | | | | | | |
| Manufacturing | 624 313 048 | 82 368 959 | 367 056 | - | 278 801 | 707 327 864 |
| Wholesale | 240 655 488 | 2 209 401 | 124 124 | 15 951 | 146 182 | 243 151 146 |
| Individuals | 552 211 072 | 21 533 833 | 1 280 680 | 1 038 981 | 1 323 952 | 577 388 518 |
| Mortgages | 324 653 809 | 29 464 233 | 8 924 163 | 96 922 | 307 566 | 363 446 693 |
| Agriculture | 927 090 271 | 215 947 860 | - | - | - | 1 143 038 131 |
| Distribution | 607 760 330 | 84 172 567 | 522 | - | 4 628 | 691 938 047 |
| Construction | 155 014 303 | 3 628 | - | 1 204 842 | - | 156 222 773 |
| Local Authorities | 18 118 074 | 148 864 | 620 914 | - | - | 18 887 852 |
| Mining | 1 439 120 012 | 861 312 830 | - | - | - | 2 300 432 842 |
| Other services | 7 282 732 992 | 3 858 337 | - | - | - | 7 286 591 329 |
| | **12 171 669 399** | **1 301 020 512** | **11 317 459** | **2 356 696** | **2 061 129** | **13 488 425 195** |
| Percentage of total loans | 90% | 10% | 0% | 0% | 0% | 100% |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

**As at 31 December 2019**

| Sector | Stage 1/ Grades 1 to 3 ZWL | Stage 2/ Grades 4 to 7 ZWL | Stage 3/ Grade 8 ZWL | Stage 3/ Grade 9 ZWL | Stage 3/ Grade 10 ZWL | Total ZWL |
|---|---|---|---|---|---|---|
| Manufacturing | 182 963 234 | 47 108 091 | - | 2 844 | 15 979 | 230 090 148 |
| Wholesale | 70 917 878 | 17 560 170 | 6 301 564 | 985 529 | 2 743 715 | 98 508 856 |
| Individuals | 707 590 845 | 33 000 399 | 3 451 664 | 1 642 492 | 4 643 394 | 750 328 794 |
| Mortgages | 405 124 529 | 33 330 445 | 2 167 382 | 1 416 512 | 11 254 716 | 453 293 584 |
| Agriculture | 656 180 490 | 19 222 245 | 366 073 | 1 021 524 | 2 003 895 | 678 794 227 |
| Distribution | 273 691 360 | 32 786 240 | 294 550 | 9 429 | 195 592 | 306 977 171 |
| Construction | 59 680 501 | 17 398 045 | 247 431 | - | - | 77 325 977 |
| Communication | 3 580 502 | 23 534 791 | - | - | - | 27 115 293 |
| Local Authorities | 37 005 245 | 3 490 435 | - | - | - | 40 495 680 |
| Mining | 907 347 750 | 23 587 003 | 4 324 | 6 060 | 1 852 | 930 946 989 |
| Other services | 8 058 717 037 | 28 161 209 | - | - | - | 8 086 878 246 |
| | **11 362 799 371** | **279 179 073** | **12 832 988** | **5 084 390** | **20 859 143** | **11 680 754 965** |
| Percentage of total loans | 97% | 2% | 0% | 0% | 0% | 100% |

**HISTORICAL COST**

**As at 31 December 2020**

| Sector | Stage 1/ Grades 1 to 3 ZWL | Stage 2/ Grades 4 to 7 ZWL | Stage 3/ Grade 8 ZWL | Stage 3/ Grade 9 ZWL | Stage 3/ Grade 10 ZWL | Total ZWL |
|---|---|---|---|---|---|---|
| Manufacturing | 624 313 048 | 82 368 959 | 367 056 | - | 278 801 | 707 327 864 |
| Wholesale | 240 655 488 | 2 209 401 | 124 124 | 15 951 | 146 182 | 243 151 146 |
| Individuals | 552 211 072 | 21 533 833 | 1 280 680 | 1 038 981 | 1 323 952 | 577 388 518 |
| Mortgages | 324 653 809 | 29 464 233 | 8 924 163 | 96 922 | 307 566 | 363 446 693 |
| Agriculture | 927 090 271 | 215 947 860 | - | - | - | 1 143 038 131 |
| Distribution | 607 760 330 | 84 172 567 | 522 | - | 4 628 | 691 938 047 |
| Construction | 155 014 304 | 3 628 | - | 1 204 841 | - | 156 222 773 |
| Local Authorities | 18 118 073 | 148 864 | 620 915 | - | - | 18 887 852 |
| Mining | 1 439 120 012 | 861 312 830 | - | - | - | 2 300 432 842 |
| Other services | 7 282 614 838 | 3 858 337 | - | - | - | 7 286 473 175 |
| | **12 171 551 245** | **1 301 020 512** | **11 317 460** | **2 356 695** | **2 061 129** | **13 488 307 041** |
| Percentage of total loans | 90% | 10% | 0% | 0% | 0% | 100% |

**As at 31 December 2019**

| Sector | Stage 1/ Grades 1 to 3 ZWL | Stage 2/ Grades 4 to 7 ZWL | Stage 3/ Grade 8 ZWL | Stage 3/ Grade 9 ZWL | Stage 3/ Grade 10 ZWL | Total ZWL |
|---|---|---|---|---|---|---|
| Manufacturing | 40 786 697 | 10 501 473 | - | 634 | 3 562 | 51 292 366 |
| Wholesale | 15 809 220 | 3 914 564 | 1 404 763 | 219 697 | 611 637 | 21 959 881 |
| Individuals | 157 738 212 | 7 356 545 | 769 455 | 366 149 | 1 035 119 | 167 265 480 |
| Mortgages | 90 311 540 | 7 430 120 | 483 159 | 315 773 | 2 508 934 | 101 049 526 |
| Agriculture | 146 277 666 | 4 285 079 | 81 606 | 227 721 | 446 714 | 151 318 786 |
| Distribution | 61 012 075 | 7 308 804 | 65 662 | 2 102 | 43 602 | 68 432 245 |
| Construction | 13 304 151 | 3 878 423 | 55 158 | - | - | 17 237 732 |
| Communication | 798 176 | 5 246 444 | - | - | - | 6 044 620 |
| Local Authorities | 8 249 317 | 778 098 | - | - | - | 9 027 415 |
| Mining | 202 268 603 | 5 258 083 | 964 | 1 351 | 413 | 207 529 414 |
| Other services | 1 796 448 773 | 6 277 779 | - | - | - | 1 802 726 552 |
| | **2 533 004 430** | **62 235 412** | **2 860 767** | **1 133 427** | **4 649 981** | **2 603 884 017** |
| Percentage of total loans | 97% | 2% | 0% | 0% | 0% | 100% |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

**34.1.1 Exposure to credit risk (continued)**

**Reconciliation of allowance for impairment for loans and advances**

**INFLATION ADJUSTED**

| | 31 Dec 2020 | | | 31 Dec 2019 | | |
|---|---|---|---|---|---|---|
| | Specific allowance / Stage 3 ZWL | Collective allowance / Stage 1-2 ZWL | Total ZWL | Specific allowance / Stage 3 ZWL | Collective allowance / Stage 1-2 ZWL | Total ZWL |
| Balance at 1 January | 14 757 451 | 177 971 585 | 192 729 036 | 69 719 877 | 277 817 301 | 347 537 178 |
| Effects of IAS 29 | (11 467 677) | (138 297 641) | (149 765 318) | (58 495 553) | (233 091 011) | (291 586 564) |
| Increase in impairment allowance | 5 253 507 | 97 765 641 | 103 019 148 | 7 795 942 | 133 597 174 | 141 393 116 |
| Impairment reversal | - | - | - | (2 239 999) | (351 879) | (2 591 878) |
| Write off | (616 497) | - | (616 497) | (2 022 816) | - | (2 022 816) |
| | **7 926 784** | **137 439 585** | **145 366 369** | **14 757 451** | **177 971 585** | **484 315 599** |

**HISTORICAL COST**

| | 31 Dec 2020 | | | 31 Dec 2019 | | |
|---|---|---|---|---|---|---|
| | Specific allowance / Stage 3 ZWL | Collective allowance / Stage 1-2 ZWL | Total ZWL | Specific allowance / Stage 3 ZWL | Collective allowance / Stage 1-2 ZWL | Total ZWL |
| Balance at 1 January | 3 289 774 | 39 673 944 | 42 963 718 | 2 502 159 | 9 970 515 | 12 472 674 |
| Increase in impairment allowance | 5 253 507 | 97 765 641 | 103 019 148 | 1 737 894 | 29 781 871 | 31 519 765 |
| Impairment reversal | - | - | - | (499 347) | (78 442) | (577 789) |
| Write off | (616 497) | - | (616 497) | (450 932) | - | (450 932) |
| | **7 926 784** | **137 439 585** | **145 366 369** | **3 289 774** | **39 673 944** | **42 963 718** |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **34.1.2 Trade and other receivables including insurance receivables** | | | | |
| **Default** | 26 483 900 | 14 833 198 | 26 483 900 | 3 306 659 |
| Allowance for impairment | (26 483 900) | (14 833 198) | (26 483 900) | (3 306 659) |
| **Carrying amount** | - | - | - | - |
| Past due amounts | 28 340 929 | 149 654 005 | 28 340 929 | 33 361 307 |
| Amounts up to date | 491 526 761 | 314 597 281 | 457 582 697 | 70 905 125 |
| **Gross amount, not impaired** | **519 867 690** | **464 251 286** | **485 923 626** | **104 266 432** |
| Allowance for impairment | (303 742) | (547 762) | (303 742) | (122 109) |
| **Carrying amount, not impaired** | **519 563 948** | **463 703 524** | **485 619 884** | **104 144 323** |
| **Total carrying amount** | **519 563 948** | **463 703 524** | **485 619 884** | **104 144 323** |

As at 31 December 2020, trade receivables amounting to ZWL28 340 929 (2019: ZWL149 654 005) in inflation adjusted terms and ZWL28 340 929 (2019: ZWL33 361 307) in historical cost terms were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

As at 31 December 2020 trade receivables amounting to ZWL26 483 900 (2019: ZWL14 833 198) in inflation adjusted terms and ZWL26 483 900 (2019: ZWL3 306 659) in historical cost terms were impaired. The amount of the allowance was ZWL26 483 900 as at 31 December 2020 (2019: ZWL14 833 198) in inflation adjusted terms and ZWL26 483 900 (2019: ZWL3 306 659) in historical cost terms. The individually impaired receivables mainly relate to lapsed insurance policies. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| Over 6 months | **26 483 900** | **14 833 198** | **26 483 900** | **3 306 659** |
| Reconciliation of the allowance for impairment of trade receivables including insurance receivables | | | | |
| **Allowances for impairment** | | | | |
| Balance as at 1 January | 15 380 960 | 21 263 575 | 3 428 768 | 763 123 |
| Effects of IAS29 | (11 952 192) | (17 840 314) | - | - |
| Allowance for trade receivables including insurance receivables' impairment | 24 509 009 | 11 941 001 | 24 509 009 | 2 661 923 |
| Receivables written off during the year as uncollectable | - | 16 698 | - | 3 722 |
| Impairment reversal | (1 150 135) | - | (1 150 135) | - |
| **Balance as at 31 December** | **26 787 642** | **15 380 960** | **26 787 642** | **3 428 768** |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

### 34.1.3 Bonds and Debentures

**INFLATION ADJUSTED**

| | 31 Dec 2020 | | | | 31 Dec 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | ECL staging | | | | ECL staging | | | |
| | Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL | Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL |
| **Credit grade** | | | | | | | | |
| Investment grade | 475 877 942 | - | - | 475 877 942 | 547 879 378 | - | - | 547 879 378 |
| Standard monitoring | - | - | - | - | - | - | - | - |
| Special monitoring | - | - | - | - | - | - | - | - |
| Default | - | - | - | - | - | - | - | - |
| **Gross Bonds and Debentures** | **475 877 942** | **-** | **-** | **475 877 942** | **547 879 378** | **-** | **-** | **547 879 378** |
| Impairment allowance | (2 198 657) | - | - | (2 198 657) | (2 800 217) | - | - | (2 800 217) |
| **Net Bonds and Debentures** | **473 679 285** | **-** | **-** | **473 679 285** | **545 079 161** | **-** | **-** | **545 079 161** |
| | | | | | | | | |
| **Analysis** | | | | | | | | |
| **Gross amount** | | | | | | | | |
| **Balance as at 1 January** | **547 879 378** | **-** | **-** | **547 879 378** | **6 301 527 260** | **-** | **-** | **6 301 527 260** |
| Effects of IAS29 | (425 744 512) | - | - | (425 744 512) | (5 284 610 591) | - | - | (5 284 610 591) |
| | | | | | | | | |
| Transfers | - | - | - | | - | - | - | |
| Stage 1 | - | - | - | | - | - | - | |
| Stage 2 | - | - | - | | - | - | - | |
| Stage 3 | - | - | - | | - | - | - | |
| | | | | | | | | |
| New issue | 1 120 000 000 | - | - | 1 120 000 000 | 115 214 716 | - | - | 115 214 716 |
| Repayments | (766 256 924) | - | - | (766 256 924) | (584 252 007) | - | - | (584 252 007) |
| Amounts written off during the year as uncollectible | - | - | - | - | - | - | - | - |
| | | | | | | | | |
| **Balance as at 31 December** | **475 877 942** | | **-** | **475 877 942** | **547 879 378** | **-** | **-** | **547 879 378** |
| | | | | | | | | |
| **Impairment** | | | | | | | | |
| **Balance as at 1 January** | **2 800 217** | **-** | **-** | **2 800 217** | **31 434 701** | **-** | **-** | **31 434 701** |
| Changes on initial application of IFRS 9 | - | - | - | - | - | - | - | - |
| Effects of IAS29 | (2 175 985) | - | - | (2 175 985) | (26 373 973) | - | - | (26 373 973) |
| | | | | | | | | |
| Transfers | - | - | - | | - | - | - | |
| Stage 1 | - | - | - | | - | - | - | |
| Stage 2 | - | - | - | | - | - | - | |
| Stage 3 | - | - | - | | - | - | - | |
| | | | | | | | | |
| Net change due to new issues and repayments | 1 574 425 | - | - | 1 574 425 | (2 260 511) | - | - | (2 260 511) |
| | | | | | | | | |
| **Balance as at December** | **2 198 657** | | | **2 198 657** | **2 800 217** | **-** | **-** | **2 800 217** |

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2020
## (Continued)

### 34.1.3 Bonds and Debentures (continued)

**HISTORICAL COST**

| | 31 Dec 2020 | | | | 31 Dec 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | ECL staging | | | | ECL staging | | | |
| | Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL | Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL |
| **Credit grade** | | | | | | | | |
| Investment grade | 475 877 942 | - | - | 475 877 942 | 122 134 866 | - | - | 122 134 866 |
| Standard monitoring | - | - | - | - | - | - | - | - |
| Special monitoring | - | - | - | - | - | - | - | - |
| Default | - | - | - | - | - | - | - | - |
| **Gross Bonds and Debentures** | **475 877 942** | **-** | **-** | **475 877 942** | **122 134 866** | **-** | **-** | **122 134 866** |
| Impairment allowance | (2 198 657) | - | - | (2 198 657) | (624 232) | - | - | (624 232) |
| **Net Bonds and Debentures** | **473 679 285** | **-** | **-** | **473 679 285** | **121 510 634** | **-** | **-** | **121 510 634** |
| **Analysis** | | | | | | | | |
| **Gross amount** | | | | | | | | |
| **Balance as at 1 January** | **122 134 866** | **-** | **-** | **122 134 866** | **226 694 025** | **-** | **-** | **226 694 025** |
| Transfers | - | - | - | | - | - | - | |
| Stage 1 | - | - | - | | - | - | - | |
| Stage 2 | - | - | - | | - | - | - | |
| Stage 3 | - | - | - | | - | - | - | |
| New issue | 1 120 000 000 | - | - | 1 120 000 000 | 25 684 000 | - | - | 25 684 000 |
| Repayments | (766 256 924) | - | - | (766 256 924) | (130 243 159) | - | - | (130 243 159) |
| Amounts written off during the year as uncollectible | - | - | - | - | - | - | - | - |
| **Balance as at 31 December** | **475 877 942** | **-** | **-** | **475 877 942** | **122 134 866** | **-** | **-** | **122 134 866** |
| **Impairment** | | | | | | | | |
| **Balance as at 1 January** | **624 232** | **-** | **-** | **624 232** | **1 128 152** | **-** | **-** | **1 128 152** |
| Changes on initial application of IFRS 9 | - | - | - | - | - | - | - | - |
| Transfers | - | - | - | | - | - | - | |
| Stage 1 | - | - | - | | - | - | - | |
| Stage 2 | - | - | - | | - | - | - | |
| Stage 3 | - | - | - | | - | - | - | |
| Net change due to new issues and repayments | 1 574 425 | - | - | 1 574 425 | (503 920) | - | - | (503 920) |
| Interest in suspense (reclassifaction) | - | - | - | - | - | - | - | - |
| Changes in parameters | - | - | - | - | - | - | - | - |
| Amounts written off during the year as uncollectible | - | - | - | - | - | - | - | - |
| **Balance as at December** | **2 198 657** | **-** | **-** | **2 198 657** | **624 232** | **-** | **-** | **624 232** |

**Sensitivity analysis of ECL**

| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
|---|---|---|
| If all assets move to stage 3 ECL will increase to | 171 316 059 | 197 236 576 |
| If all assets move to stage 1 ECL will decrease to | 3 426 321 | 3 944 732 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

### 34.1.4 Financial assets at amortised cost

**INFLATION ADJUSTED**

| | 31 Dec 2020 ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL | 31 Dec 2019 ECL staging Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL |
|---|---|---|---|---|---|---|---|---|
| **Credit grade** | | | | | | | | |
| Investment grade | 1 090 384 201 | - | - | 1 090 384 201 | 859 918 819 | - | - | 859 918 819 |
| Standard monitoring | - | - | - | - | - | - | - | - |
| Special monitoring | - | - | - | - | - | - | - | - |
| Default | - | - | - | - | - | - | - | - |
| **Gross financial assets at amortised cost** | **1 090 384 201** | **-** | **-** | **1 090 384 201** | **859 918 819** | **-** | **-** | **859 918 819** |
| Impairment allowance | (4 922 733) | - | - | (4 922 733) | (4 330 383) | - | - | (4 330 383) |
| **Net financial asset at amortised cost** | **1 085 461 468** | **-** | **-** | **1 085 461 468** | **855 588 436** | **-** | **-** | **855 588 436** |
| **Analysis** | | | | | | | | |
| **Gross amount** | | | | | | | | |
| **Balance as at 1 January** | **859 918 819** | **-** | **-** | **859 918 819** | **5 217 443 077** | **-** | **-** | **5 217 443 077** |
| Effects of IAS29 | (668 223 211) | - | - | (668 223 211) | (4 378 901 287) | - | - | (4 378 901 287) |
| Transfers | - | - | - | | - | - | - | |
| Stage 1 | - | - | - | | - | - | - | |
| Stage 2 | - | - | - | | - | - | - | |
| Stage 3 | - | - | - | | - | - | - | |
| New issue | 1 033 771 961 | - | - | 1 033 771 961 | 1 035 368 469 | - | - | 1 035 368 469 |
| Repayments | (134 912 608) | - | - | (134 912 608) | (1 013 991 440) | - | - | (1 013 991 440) |
| Amounts written off during the year as uncollectible | (170 760) | - | - | (170 760) | - | - | - | - |
| **Balance as at 31 December** | **1 090 384 201** | **-** | **-** | **1 090 384 201** | **859 918 819** | **-** | **-** | **859 918 819** |
| **Impairment** | | | | | | | | |
| Balance as at 1 January | 4 330 383 | - | - | 4 330 383 | 24 015 382 | - | - | 24 015 382 |
| Changes on initial application of IFRS 9 | - | - | - | - | - | - | - | - |
| Effects of IAS29 | (3 365 041) | - | - | (3 365 041) | (20 149 106) | - | - | (20 149 106) |
| Transfers | - | - | - | | - | - | - | |
| Stage 1 | - | - | - | | - | - | - | |
| Stage 2 | - | - | - | | - | - | - | |
| Stage 3 | - | - | - | | - | - | - | |
| Amounts written off during the year as uncollectible | 166 213 | - | - | 166 213 | (62 675) | - | - | (62 675) |
| Net change due to new issues and repayments | 3 791 178 | - | - | 3 791 178 | 526 782 | - | - | 526 782 |
| **Balance as at 31 December** | **4 922 733** | **-** | **-** | **4 922 733** | **4 330 383** | **-** | **-** | **4 330 383** |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

### 34.1.4 Financial assets at amortised cost (continued)

**HISTORICAL COST**

| | 31 Dec 2020 | | | | 31 Dec 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | | ECL staging | | | | ECL staging | | |
| | Stage 1 | Stage 2 | Stage 3 | | Stage 1 | Stage 2 | Stage 3 | |
| | 12-month | Lifetime | Lifetime | | 12-month | Lifetime | Lifetime | |
| | ECL | ECL | ECL | Total | ECL | ECL | ECL | Total |
| | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Credit grade** | | | | | | | | |
| Investment grade | 1 090 384 201 | - | - | 1 090 384 201 | 191 695 608 | - | - | 191 695 608 |
| Standard monitoring | - | - | - | - | - | - | - | - |
| Special monitoring | - | - | - | - | - | - | - | - |
| Default | - | - | - | - | - | - | - | - |
| **Gross financial assets at amortised cost** | **1 090 384 201** | **-** | **-** | **1 090 384 201** | **191 695 608** | **-** | **-** | **191 695 608** |
| Impairment allowance | (4 922 733) | - | - | (4 922 733) | (965 342) | - | - | (965 342) |
| **Net financial asset at amortised cost** | **1 085 461 468** | **-** | **-** | **1 085 461 468** | **190 730 266** | **-** | **-** | **190 730 266** |
| **Analysis** | | | | | | | | |
| **Gross amount** | | | | | | | | |
| **Balance as at 1 January** | **191 695 608** | **-** | **-** | **191 695 608** | **186 930 178** | **-** | **-** | **186 930 178** |
| Transfers | - | - | - | | - | - | - | |
| Stage 1 | - | - | - | | - | - | - | |
| Stage 2 | - | - | - | | - | - | - | |
| Stage 3 | - | - | - | | - | - | - | |
| New issue | 1 033 771 961 | - | - | 1 033 771 961 | 230 807 355 | - | - | 230 807 355 |
| Repayments | (134 912 608) | - | - | (134 912 608) | (226 041 925) | - | - | (226 041 925) |
| Amounts written off during the year as uncollectible | (170 760) | - | - | (170 760) | - | - | - | - |
| **Balance as at 31 December** | **1 090 384 201** | **-** | **-** | **1 090 384 201** | **191 695 608** | **-** | **-** | **191 695 608** |
| **Impairment** | | | | | | | | |
| **Balance as at 1 January** | **965 342** | **-** | **-** | **965 342** | **861 882** | **-** | **-** | **861 882** |
| Changes on initial application of IFRS 9 | - | - | - | - | - | - | - | - |
| Transfers | - | - | - | | - | - | - | |
| Stage 1 | - | - | - | | - | - | - | |
| Stage 2 | - | - | - | | - | - | - | |
| Stage 3 | - | - | - | | - | - | - | |
| Net change due to new issues and repayments | 3 791 178 | - | - | 3 791 178 | 117 432 | - | - | 117 432 |
| Interest in suspense (reclassifaction0 | - | - | - | - | - | - | - | - |
| Changes in parameters | - | - | - | - | - | - | - | - |
| Amounts written off during the year as uncollectible | 166 213 | - | - | 166 213 | (13 972) | - | - | (13 972) |
| **Balance as at 31 December** | **4 922 733** | **-** | **-** | **4 922 733** | **965 342** | **-** | **-** | **965 342** |

| **Sensitivity analysis of ECL** | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| | **ZWL** | **ZWL** |
| If all assets move to stage 3 ECL will increase to | 392 538 312 | 309 570 775 |
| If all assets move to stage 1 ECL will decrease to | 7 850 766 | 6 191 415 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

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

**INFLATION ADJUSTED**

| | 31 Dec 2020 | | | | 31 Dec 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | ECL staging | | | | ECL staging | | | |
| | Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL | Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL |
| **Credit grade** | | | | | | | | |
| Investment grade | 422 745 081 | - | - | 422 745 081 | 2 590 732 602 | - | - | 2 590 732 602 |
| Standard monitoring | - | - | - | - | - | - | - | - |
| Special monitoring | - | - | - | - | - | - | - | - |
| Default | - | - | - | - | - | - | - | - |
| **Gross undrawn loan commitments and guarantees** | **422 745 081** | **-** | **-** | **422 745 081** | **2 590 732 602** | **-** | **-** | **2 590 732 602** |
| Impairment allowance | (4 559 067) | - | - | (4 559 067) | (711 107) | - | - | (711 107) |
| **Net undrawn loan commitments and guarantees** | **418 186 014** | **-** | **-** | **418 186 014** | **2 590 021 495** | **-** | **-** | **2 590 021 495** |
| **Analysis** | | | | | | | | |
| **Gross amount** | | | | | | | | |
| **Balance as at 1 January** | **2 590 732 602** | **-** | **-** | **2 590 732 602** | **1 254 870 955** | **-** | **-** | **1 254 870 955** |
| Effects of IAS29 | (2 013 198 945) | - | - | (2 013 198 945) | (1 052 847 095) | - | - | (1 052 847 095) |
| Transfers | - | - | - | - | - | - | - | |
| Stage 1 | - | - | - | | - | - | - | |
| Stage 2 | - | - | - | | - | - | - | |
| Stage 3 | - | - | - | | - | - | - | |
| New issue | 132 787 135 | - | - | 132 787 135 | 2 643 443 360 | - | - | 2 643 443 360 |
| Repayments | (287 575 711) | - | - | (287 575 711) | (254 734 618) | - | - | (254 734 618) |
| Amounts written off during the year as uncollectible | - | - | - | - | - | - | - | - |
| **Balance as at 31 December** | **422 745 081** | **-** | **-** | **422 745 081** | **2 590 732 602** | **-** | **-** | **2 590 732 602** |
| **Impairment** | | | | | | | | |
| **Balance as at 1 January** | **711 107** | **-** | **-** | **711 107** | **3 832 289** | **-** | **-** | **3 832 289** |
| Changes on initial application of IFRS 9 | - | - | - | - | - | - | - | - |
| Effects of IAS29 | (552 585) | - | - | (552 585) | (3 215 322) | - | - | (3 215 322) |
| Transfers | - | - | - | - | - | - | - | |
| Stage 1 | - | - | - | | - | - | - | |
| Stage 2 | - | - | - | | - | - | - | |
| Stage 3 | - | - | - | | - | - | - | |
| Net change due to new issues and repayments | 4 400 545 | - | - | 4 400 545 | 94 140 | - | - | 94 140 |
| **Balance as at 31 December** | **4 559 067** | **-** | **-** | **4 559 067** | **711 107** | **-** | **-** | **711 107** |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

### 34.1.5 Credit exposure on undrawn loan commitments and guarantees (continued)

**HISTORICAL COST**

| | 31 Dec 2020 | | | | 31 Dec 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | ECL staging | | | | ECL staging | | | |
| | Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL | Stage 1 12-month ECL ZWL | Stage 2 Lifetime ECL ZWL | Stage 3 Lifetime ECL ZWL | Total ZWL |
| **Credit grade** | | | | | | | | |
| Investment grade | 422 745 081 | - | - | 422 745 081 | 577 533 657 | - | - | 577 533 657 |
| Standard monitoring | - | - | - | - | - | - | - | - |
| Special monitoring | - | - | - | - | - | - | - | - |
| Default | - | - | - | - | - | - | - | - |
| **Gross undrawn loan commitments and guarantees** | **422 745 081** | **-** | **-** | **422 745 081** | **577 533 657** | **-** | **-** | **577 533 657** |
| Impairment allowance | (4 559 067) | - | - | (4 559 067) | (158 522) | - | - | (158 522) |
| **Net undrawn loan commitments and guarantees** | **418 186 014** | **-** | **-** | **418 186 014** | **577 375 135** | **-** | **-** | **577 375 135** |
| **Analysis** | | | | | | | | |
| **Gross amount** | | | | | | | | |
| **Balance as at 1 January** | **577 533 657** | **-** | **-** | **577 533 657** | **45 035 747** | **-** | **-** | **45 035 747** |
| Transfers | - | - | - | - | - | - | - | |
| Stage 1 | - | - | - | | - | - | - | |
| Stage 2 | - | - | - | | - | - | - | |
| Stage 3 | - | - | - | | - | - | - | |
| New issue | 132 787 135 | - | - | 132 787 135 | 589 284 093 | - | - | 589 284 093 |
| Repayments | (287 575 711) | - | - | (287 575 711) | (56 786 183) | - | - | (56 786 183) |
| Amounts written off during the year as uncollectible | - | - | - | - | - | - | - | - |
| **Balance as at 31 December** | **422 745 081** | **-** | **-** | **422 745 081** | **577 533 657** | **-** | **-** | **577 533 657** |
| **Impairment** | | | | | | | | |
| Balance as at 1 January | 158 522 | - | - | 158 522 | 137 536 | - | - | 137 536 |
| Changes on initial application of IFRS 9 | - | - | - | - | - | - | - | - |
| Transfers | - | - | - | | - | - | - | |
| Stage 1 | - | - | - | | - | - | - | |
| Stage 2 | - | - | - | | - | - | - | |
| Stage 3 | - | - | - | | - | - | - | |
| Net change due to new issues and repayments | 4 400 545 | - | - | 4 400 545 | 20 986 | - | - | 20 986 |
| **Balance as at 31 December** | **4 559 067** | **-** | **-** | **4 559 067** | **158 522** | **-** | **-** | **158 522** |

**Sensitivity analysis of ECL**

| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
|---|---|---|
| If all assets move to stage 3 ECL will increase to | 152 188 229 | 932 663 737 |
| If all assets move to stage 1 ECL will decrease to | 3 043 765 | 18 653 275 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| **34.1.6 Maximum exposure to credit risk before collateral held or other credit enhancement** | **31 Dec 2020 ZWL** | **31 Dec 2019 ZWL** | **31 Dec 2020 ZWL** | **31 Dec 2019 ZWL** |
| Credit risk exposures relating to on-balance sheet assets are as follows; | | | | |
| **Loans and advances to customers;** | | | | |
| - Individuals | 577 388 518 | 750 328 794 | 577 388 518 | 167 265 480 |
| - Corporates | 12 911 036 677 | 10 930 426 171 | 12 910 918 523 | 2 436 618 537 |
| | **13 488 425 195** | **11 680 754 965** | **13 488 307 041** | **2 603 884 017** |
| Financial assets at amortised cost | 1 090 384 201 | 859 918 819 | 1 090 384 201 | 191 695 608 |
| Balances with banks | 7 157 504 547 | 7 312 751 356 | 7 157 504 547 | 1 630 179 830 |
| Bonds and debentures | 475 877 942 | 547 879 378 | 475 877 942 | 122 134 866 |
| Trade and other receivables including insurance receivables | 546 351 590 | 479 084 484 | 512 407 526 | 107 573 091 |
| **Total on balance sheet** | **22 758 543 475** | **20 880 389 002** | **22 724 481 257** | **4 655 467 412** |
| **Off balance sheet credit exposure** | | | | |
| - Financial guarantees and letters of credit | 966 195 191 | 2 488 475 307 | 966 195 191 | 554 738 163 |
| - Loan commitments | 412 271 355 | 102 257 295 | 412 271 355 | 22 795 494 |
| **Total off balance sheet credit exposure** | **1 378 466 546** | **2 590 732 602** | **1 378 466 546** | **577 533 657** |
| **Total credit exposure** | **24 137 010 021** | **23 471 121 604** | **24 102 947 803** | **5 233 001 069** |

The above table represents a worst case scenario of credit risk exposure to the Group as at 31 December 2020, without taking account of any collateral held or other credit enhancements attached. For on balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

| | | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|---|
| **Credit quality of balances with other banks** | | **31 Dec 2020** | **31 Dec 2019** | **31 Dec 2020** | **31 Dec 2019** |
| **Counterparties with external credit rating** | | **ZWL** | **ZWL** | **ZWL** | **ZWL** |
| **Rating** | **Agency** | | | | |
| Aa3 | Moody's | 5 938 052 971 | 1 314 412 802 | 5 938 052 971 | 293 012 730 |
| Baa3 | Fitch | 168 255 456 | 754 769 683 | 168 255 456 | 168 255 456 |
| Baa1 | Moody's | 244 453 | 1 096 582 | 244 453 | 244 453 |
| BB | S&P | 4 198 851 | 18 835 439 | 4 198 851 | 4 198 851 |
| BBB+ | GCR | 41 928 949 | 173 319 591 | 41 928 949 | 38 636 908 |
| A- | GCR | 363 300 451 | 1 629 713 371 | 363 300 451 | 363 300 451 |
| | | 6 515 981 132 | 3 892 147 468 | 6 515 981 132 | 867 648 849 |

**Balances with the Reserve Bank of Zimbabwe**

Balances with the RBZ represent amounts in current accounts available for daily transactional use. As at the reporting date, the amount has been considered to be recoverable in full.

**Write-off policy**

The Group writes off an irrecoverable debt when the Board Credit Committee of the subsidiary determines that the debt is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balances and standardised loans, write off decisions are generally based on a product specific past due status.

Exposure to credit risk is also managed through regular analysis of the ability of debtors to meet interest and capital payment obligations and by changes to these lending limits where appropriate.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

## 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.

The Group have assessed the impact of Covid-19 pandemic on its liquidity risk and there was no material impact as the Group did not offer any moratorium to its customers in terms of repayments.

**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 their 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.

The table below analyses the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

## 34.2 Liquidity risk (continued)

| INFLATION ADJUSTED<br>Contractual maturity analysis<br>On balance sheet items as at 31 December 2020 | Up to<br>3 months<br>ZWL | 3 months<br>to 1 year<br>ZWL | Over<br>1 year<br>ZWL | Total<br>ZWL |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Deposits from customers | 10 373 275 229 | 547 454 662 | 41 682 767 | 10 962 412 658 |
| Deposits from other banks | 421 832 267 | 35 116 096 | - | 456 948 363 |
| Borrowings | 1 397 423 896 | 2 668 862 106 | 4 987 331 982 | 9 053 617 984 |
| Insurance liabilities | 489 683 226 | - | - | 489 683 226 |
| Trade and other liabilities excluding deferred income | 2 549 379 885 | 2 465 191 470 | 75 318 212 | 5 089 889 567 |
| **Total liabilities - (contractual maturity)** | **15 231 594 503** | **5 716 624 334** | **5 104 332 961** | **26 052 551 798** |
| **Assets held for managing liquidity risk (contractual maturity dates)** | | | | |
| Balances with banks and cash | 10 459 374 255 | 100 000 000 | - | 10 559 374 255 |
| Financial assets at amortised cost | 748 233 821 | 317 594 798 | 19 632 849 | 1 085 461 468 |
| Loans and advances to customers | 2 128 525 741 | 4 542 452 698 | 6 672 080 387 | 13 343 058 826 |
| Bonds and debentures | - | 467 146 135 | 6 533 150 | 473 679 285 |
| Trade and other receivables including insurance receivables | 484 141 572 | 30 715 929 | 4 706 447 | 519 563 948 |
| Financial assets at fair value through profit or loss | 713 326 052 | - | 58 422 131 | 771 748 183 |
| Financial assets at fair value through other comprehensive income | 38 389 849 | - | - | 38 389 849 |
| Other assets excluding time share assets, deferred acquisition costs, stationary and prepayments | 1 210 070 059 | - | 282 205 384 | 1 492 275 443 |
| | **15 782 061 349** | **5 457 909 560** | **7 043 580 348** | **28 283 551 257** |
| **Liquidity gap** | **550 466 846** | **(258 714 774)** | **1 939 247 387** | **2 230 999 459** |
| **Cumulative liquidity gap - on balance sheet** | **550 466 846** | **291 752 072** | **2 230 999 459** | **-** |
| **Off balance sheet items** | | | | |
| **Liabilities** | | | | |
| Guarantees and letters of credit | - | 966 195 191 | - | 966 195 191 |
| Commitments to lend | 412 271 355 | - | - | 412 271 355 |
| **Total liabilities** | **412 271 355** | **966 195 191** | **-** | **1 378 466 546** |
| **Liquidity gap** | **(412 271 355)** | **(966 195 191)** | **-** | **852 532 913** |
| **Cumulative liquidity gap - on and off balance sheet** | **138 195 491** | **(1 086 714 474)** | **852 532 913** | **-** |

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For the year ended 31 December 2020
(Continued)

## 34.2 Liquidity risk (continued)

| INFLATION ADJUSTED<br>Contractual maturity analysis<br>On balance sheet items as at 31 December 2019 | Up to<br>3 months<br>ZWL | 3 months<br>to 1 year<br>ZWL | Over<br>1 year<br>ZWL | Total<br>ZWL |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Deposits from customers | 8 985 772 918 | 63 083 816 | 34 437 990 | 9 083 294 724 |
| Deposits from other banks | 862 478 132 | 12 896 171 | - | 875 374 303 |
| Borrowings | 12 900 172 | 164 744 102 | 7 548 487 452 | 7 726 131 726 |
| Insurance liabilities | 107 010 494 | 94 641 734 | 249 768 476 | 451 420 704 |
| Trade and other liabilities excluding deferred income | 1 823 784 359 | 1 836 070 952 | 272 047 971 | 3 931 903 282 |
| **Total liabilities - (contractual maturity)** | **11 791 946 075** | **2 171 436 775** | **8 104 741 889** | **22 068 124 739** |
| **Assets held for managing liquidity risk (contractual maturity dates)** | | | | |
| Balances with banks and cash | 8 558 593 908 | - | - | 8 558 593 908 |
| Financial assets at amortised cost | 25 244 825 | 490 126 106 | 340 217 505 | 855 588 436 |
| Loans and advances to customers | 1 227 809 363 | 2 570 799 904 | 7 689 416 662 | 11 488 025 929 |
| Bonds and debentures | - | 448 585 563 | 96 493 598 | 545 079 161 |
| Trade and other receivables including insurance receivables | 87 455 008 | 221 610 082 | 154 638 434 | 463 703 524 |
| Financial assets at fair value through profit or loss | 75 474 606 | - | 170 945 147 | 246 419 753 |
| Financial assets at fair value through other comprehensive income | - | - | 66 704 543 | 66 704 543 |
| Other assets excluding time share assets, deferred acquisition costs, stationary and prepayments | 852 716 372 | 63 078 137 | 391 223 383 | 1 307 017 892 |
| | **10 827 294 082** | **3 794 199 792** | **8 909 639 272** | **23 531 133 146** |
| **Liquidity gap** | **(964 651 993)** | **1 622 763 017** | **804 897 383** | **1 463 008 407** |
| **Cumulative liquidity gap - on balance sheet** | **(964 651 993)** | **658 111 024** | **1 463 008 407** | **-** |
| **Off balance sheet items** | | | | |
| **Liabilities** | | | | |
| Guarantees and letters of credit | - | 2 488 475 307 | - | 2 488 475 307 |
| Commitments to lend | 102 257 295 | - | - | 102 257 295 |
| **Total liabilities** | **102 257 295** | **2 488 475 307** | **-** | **2 590 732 602** |
| **Liquidity gap** | **(102 257 295)** | **(2 488 475 307)** | **-** | **(1 127 724 195)** |
| **Cumulative liquidity gap - on and off balance sheet** | **(1 066 909 288)** | **(1 932 621 578)** | **(1 127 724 195)** | **-** |

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For the year ended 31 December 2020
(Continued)

## 34.2 Liquidity risk (continued)

| HISTORICAL COST<br>Contractual maturity analysis<br>On balance sheet items as at 31 December 2020 | Up to 3 months ZWL | 3 months to 1 year ZWL | Over 1 year ZWL | Total ZWL |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Deposits from customers | 10 373 275 229 | 547 454 662 | 41 682 767 | 10 962 412 658 |
| Deposits from other banks | 421 832 267 | 35 116 096 | - | 456 948 363 |
| Borrowings | 1 397 423 896 | 2 668 862 106 | 4 987 331 982 | 9 053 617 984 |
| Insurance liabilities | 402 454 943 | - | - | 402 454 943 |
| Trade and other liabilities excluding deferred income | 2 549 379 885 | 2 465 191 470 | 75 318 212 | 5 089 889 567 |
| **Total liabilities - (contractual maturity)** | **15 144 366 220** | **5 716 624 334** | **5 104 332 961** | **25 965 323 515** |
| **Assets held for managing liquidity risk (contractual maturity dates)** | | | | |
| Balances with banks and cash | 10 459 374 255 | 100 000 000 | - | 10 559 374 255 |
| Financial assets at amortised cost | 748 233 821 | 317 594 798 | 19 632 849 | 1 085 461 468 |
| Loans and advances to customers | 2 128 407 587 | 4 542 452 698 | 6 672 080 387 | 13 342 940 672 |
| Bonds and debentures | - | 467 146 135 | 6 533 150 | 473 679 285 |
| Trade and other receivables including insurance receivables | 450 197 507 | 30 715 929 | 4 706 448 | 485 619 884 |
| Financial assets at fair value through profit or loss | 749 810 816 | - | 58 422 131 | 808 232 947 |
| Financial assets at fair value through other comprehensive income | 38 389 849 | - | - | 38 389 849 |
| Other assets excluding time share assets, deferred acquisition costs, stationary and prepayments | 1 187 919 497 | - | 282 205 384 | 1 470 124 881 |
| | **15 762 333 332** | **5 457 909 560** | **7 043 580 349** | **28 263 823 241** |
| **Liquidity gap** | **617 967 112** | **(258 714 774)** | **1 939 247 388** | **2 298 499 726** |
| **Cumulative liquidity gap - on balance sheet** | **617 967 112** | **359 252 338** | **2 298 499 726** | **-** |
| **Off balance sheet items** | | | | |
| **Liabilities** | | | | |
| Guarantees and letters of credit | - | 966 195 191 | - | 966 195 191 |
| Commitments to lend | 412 271 355 | - | - | 412 271 355 |
| **Total liabilities** | **412 271 355** | **966 195 191** | **-** | **1 378 466 546** |
| **Liquidity gap** | **(412 271 355)** | **(966 195 191)** | **-** | **920 033 180** |
| **Cumulative liquidity gap - on and off balance sheet** | **205 695 757** | **(1 019 214 208)** | **920 033 180** | **-** |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

## 34.2 Liquidity risk (continued)

| HISTORICAL COST<br>Contractual maturity analysis<br>On balance sheet items as at 31 December 2019 | Up to 3 months ZWL | 3 months to 1 year ZWL | Over 1 year ZWL | Total ZWL |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Deposits from customers | 2 003 134 669 | 14 062 828 | 7 677 017 | 2 024 874 514 |
| Deposits from other banks | 192 266 137 | 2 874 852 | - | 195 140 989 |
| Borrowings | 2 875 744 | 36 725 235 | 1 682 730 807 | 1 722 331 786 |
| Insurance liabilities | 7 022 401 | 21 097 811 | 23 213 020 | 51 333 232 |
| Trade and other liabilities excluding deferred income | 406 563 321 | 401 075 098 | 45 813 309 | 853 451 728 |
| **Total liabilities - (contractual maturity)** | **2 611 862 272** | **475 835 824** | **1 759 434 153** | **4 847 132 249** |
| **Assets held for managing liquidity risk (contractual maturity dates)** | | | | |
| Balances with banks and cash | 1 907 906 680 | - | - | 1 907 906 680 |
| Financial assets held to maturity | 5 627 650 | 109 260 339 | 75 842 277 | 190 730 266 |
| Loans and advances to customers | 273 706 839 | 573 090 202 | 1 714 123 258 | 2 560 920 299 |
| Bonds and debentures | - | 100 000 000 | 21 510 634 | 121 510 634 |
| Trade and other receivables including insurance receivables | 20 269 903 | 49 401 965 | 34 472 455 | 104 144 323 |
| Financial assets at fair value through profit or loss | 16 825 019 | - | 40 935 612 | 57 760 631 |
| Financial assets at fair value through other comprehensive income | - | - | 14 869 971 | 14 869 971 |
| Other assets excluding time share assets, deferred acquisition costs, stationary and prepayments | 178 248 631 | 14 178 028 | 90 653 040 | 283 079 699 |
| | **2 402 584 722** | **845 930 534** | **1 992 407 247** | **5 240 922 503** |
| **Liquidity gap** | **(209 277 550)** | **370 094 710** | **232 973 094** | **393 790 254** |
| **Cumulative liquidity gap - on balance sheet** | **(209 277 550)** | **160 817 160** | **393 790 254** | **-** |
| **Off balance sheet items** | | | | |
| **Liabilities** | | | | |
| Guarantees and letters of credit | - | 554 738 163 | - | 554 738 163 |
| Commitments to lend | 22 795 494 | - | - | 22 795 494 |
| **Total liabilities** | **22 795 494** | **554 738 163** | **-** | **577 533 657** |
| **Liquidity gap** | **(22 795 494)** | **(554 738 163)** | **-** | **(183 743 403)** |
| **Cumulative liquidity gap - on and off balance sheet** | **(232 073 043)** | **(416 716 497)** | **(183 743 403)** | **-** |

The Group determines ideal weights for maturity buckets which are used to benchmark the actual maturity profile.

Maturity mismatches across the time buckets are managed through the tenor of new advances and the profile of time deposits.

**Management of liquidity gap on short-term maturities**

The cash flows presented above reflect the cash flows that will be contractually payable over the residual maturity of the instruments. In practice, however, certain liability instruments behave differently from their contractual terms and typically, for short-term customer accounts, extend to a longer period than their contractual maturity. The Group therefore seeks to manage its liabilities both on a contractual and behavioural basis. The Group prescribes various liquidity stress scenarios as part of stress testing that include accelerated withdrawal of deposits over a period of time and prescribed measures are in place to ensure that cash inflows exceed outflows under such scenarios.

# Notes to the Consolidated Financial Statements

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## 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 Group have assessed the impact of Covid-19 pandemic on its market risk and there was no material impact as the market was not negatively affected by the pandemic.

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.

**Scenario analysis of net interest income**

The Group's trading book is affected by interest rate movements on net interest income. The desired interest rate risk profile is achieved through effective management of the statement of financial position composition. When analyzing the impact of a shift in the yield curve on the Group's interest income, the Group recognizes that the sensitivity of changes in the interest rate environment varies by asset and liability class. Scenarios are defined by the magnitude of the yield curve shift assumed. Analysis of the various scenarios is then conducted to give an appreciation of the distribution of future net interest income and economic value of equity as well as their respective expected values.

| Scenario : | INFLATION ADJUSTED | | | | HISTORICAL COST | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2020 | | 2019 | |
| 5% increase in interest rates | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| Assets | 18 840 544 392 | 92 010 727 | 14 727 715 013 | 71 925 085 | 18 840 426 238 | 92 010 150 | 3 283 121 225 | 6 567 327 |
| Liabilities | 12 856 736 552 | (19 020 892) | 9 497 054 266 | (14 050 412) | 12 856 736 552 | (19 020 892) | 2 117 110 996 | (422 500) |
| Net effect | | 72 989 835 | | 57 874 673 | | 72 989 258 | | 6 144 827 |

In calculating the sensitivity, shocks are defined in terms of simple interest rate. The analysis assumes a static portfolio, that there will be no defaults, prepayments or early withdrawals and the analysis is limited to a 30 day period. A 5% increase is based on past experience.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
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## 34.3.1 Interest Rate Risk (continued)

**INFLATION ADJUSTED**

**INTEREST RATE REPRICING AND GAP ANALYSIS**

**Total position as at 31 December 2020**

| | 0 - 30 days ZWL | 31 - 90 days ZWL | 91-180 days ZWL | 181-365 days ZWL | Over 365 days ZWL | Total ZWL |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Balances with other banks and cash | 2 985 347 310 | 852 997 503 | 100 000 000 | - | - | 3 938 344 813 |
| Financial assets at amortised cost | 747 223 321 | 49 958 687 | 137 902 199 | 130 744 412 | 19 632 849 | 1 085 461 468 |
| Loans and advances to customers | 909 659 435 | 1 218 866 305 | 501 259 893 | 4 041 192 806 | 6 672 080 387 | 13 343 058 826 |
| Bonds and debentures | 473 679 285 | - | - | - | - | 473 679 285 |
| **Total assets** | **5 115 909 351** | **2 121 822 495** | **739 162 092** | **4 171 937 218** | **6 691 713 236** | **18 840 544 392** |
| **Liabilities** | | | | | | |
| Deposits from customers | 1 503 495 013 | 1 434 626 867 | 408 048 325 | - | - | 3 346 170 205 |
| Deposits from other banks | 361 611 460 | 90 576 779 | 4 760 124 | - | - | 456 948 363 |
| Borrowings | 885 293 633 | 620 024 531 | - | 2 625 679 579 | 4 922 620 241 | 9 053 617 984 |
| **Total liabilities** | **2 750 400 106** | **2 145 228 177** | **412 808 449** | **2 625 679 579** | **4 922 620 241** | **12 856 736 552** |
| **Interest rate repricing gap** | **2 365 509 245** | **(23 405 682)** | **326 353 643** | **1 546 257 639** | **1 769 092 995** | **5 983 807 840** |
| **Cumulative gap interest rate repricing gap** | **2 365 509 245** | **2 342 103 563** | **2 668 457 206** | **4 214 714 845** | **5 983 807 840** | |

**Total position as at 31 December 2019**

| | 0 - 30 days ZWL | 31 - 90 days ZWL | 91-180 days ZWL | 181-365 days ZWL | Over 365 days ZWL | Total ZWL |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Balances with other banks and cash | 1 337 332 308 | 501 689 179 | - | - | - | 1 839 021 487 |
| Financial assets at amortised cost | 15 700 494 | 9 544 331 | 387 132 126 | 443 211 485 | - | 855 588 436 |
| Loans and advances to customers | 2 889 413 933 | 2 291 510 | 464 500 840 | 705 277 678 | 7 426 541 968 | 11 488 025 929 |
| Bonds and debentures | 545 079 161 | - | - | - | - | 545 079 161 |
| **Total assets** | **4 787 525 896** | **513 525 020** | **851 632 966** | **1 148 489 163** | **7 426 541 968** | **14 727 715 013** |
| **Liabilities** | | | | | | |
| Deposits from customers | 600 931 841 | 251 206 695 | - | 8 971 711 | 34 437 990 | 895 548 237 |
| Deposits from other banks | 652 395 362 | 210 082 770 | 2 018 635 | 10 877 536 | - | 875 374 303 |
| Borrowings | 116 101 528 | 4 903 673 | 5 301 084 | 115 838 842 | 7 483 986 599 | 7 726 131 726 |
| **Total liabilities** | **1 369 428 731** | **466 193 138** | **7 319 719** | **135 688 089** | **7 518 424 589** | **9 497 054 266** |
| **Interest rate repricing gap** | **3 418 097 165** | **47 331 882** | **844 313 247** | **1 012 801 074** | **(91 882 621)** | **5 230 660 747** |
| **Cumulative gap interest rate repricing gap** | **3 418 097 165** | **3 465 429 047** | **4 309 742 294** | **5 322 543 368** | **5 230 660 747** | |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

### 34.3.1 Interest Rate Risk (continued)

**HISTORICAL COST**

**INTEREST RATE REPRICING AND GAP ANALYSIS**

**Total position as at 31 December 2020**

| | 0 - 30 days ZWL | 31 - 90 days ZWL | 91-180 days ZWL | 181-365 days ZWL | Over 365 days ZWL | Total ZWL |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Balances with other banks and cash | 2 985 347 310 | 852 997 503 | 100 000 000 | - | - | 3 938 344 813 |
| Financial assets at amortised cost | 747 223 321 | 49 958 687 | 137 902 199 | 130 744 412 | 19 632 849 | 1 085 461 468 |
| Loans and advances to customers | 909 541 281 | 1 218 866 305 | 501 259 893 | 4 041 192 806 | 6 672 080 387 | 13 342 940 672 |
| Bonds and debentures | 473 679 285 | - | - | - | - | 473 679 285 |
| **Total assets** | **5 115 791 197** | **2 121 822 495** | **739 162 092** | **4 171 937 218** | **6 691 713 236** | **18 840 426 238** |
| **Liabilities** | | | | | | |
| Deposits from customers | 1 503 495 013 | 1 434 626 867 | 408 048 325 | - | - | 3 346 170 205 |
| Deposits from other banks | 361 611 460 | 90 576 779 | 4 760 124 | - | - | 456 948 363 |
| Borrowings | 885 293 633 | 620 024 531 | - | 2 625 679 579 | 4 922 620 241 | 9 053 617 984 |
| **Total liabilities** | **2 750 400 106** | **2 145 228 177** | **412 808 449** | **2 625 679 579** | **4 922 620 241** | **12 856 736 552** |
| **Interest rate repricing gap** | **2 365 391 091** | **(23 405 682)** | **326 353 643** | **1 546 257 639** | **1 769 092 995** | **5 983 689 686** |
| **Cumulative gap interest rate repricing gap** | **2 365 391 091** | **2 341 985 409** | **2 668 339 052** | **4 214 596 691** | **5 983 689 686** | |

**Total position as at 31 December 2019**

| | 0 - 30 days ZWL | 31 - 90 days ZWL | 91-180 days ZWL | 181-365 days ZWL | Over 365 days ZWL | Total ZWL |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Balances with other banks and cash | 298 122 013 | 111 838 013 | - | - | - | 409 960 026 |
| Financial assets at amortised cost | 3 500 000 | 2 127 650 | 86 300 621 | 98 801 995 | - | 190 730 266 |
| Loans and advances to customers | 644 116 569 | 510 830 | 103 547 880 | 157 222 554 | 1 655 522 466 | 2 560 920 299 |
| Bonds and debentures | 121 510 634 | - | - | - | - | 121 510 634 |
| **Total assets** | **1 067 249 216** | **114 476 493** | **189 848 501** | **256 024 549** | **1 655 522 466** | **3 283 121 225** |
| **Liabilities** | | | | | | |
| Deposits from customers | 133 961 476 | 55 999 728 | - | 2 000 000 | 7 677 017 | 199 638 221 |
| Deposits from other banks | 145 433 874 | 46 832 263 | 450 000 | 2 424 852 | - | 195 140 989 |
| Borrowings | 25 881 691 | 1 093 141 | 1 181 733 | 25 823 132 | 1 668 352 089 | 1 722 331 786 |
| **Total liabilities** | **305 277 041** | **103 925 132** | **1 631 733** | **30 247 984** | **1 676 029 106** | **2 117 110 996** |
| **Interest rate repricing gap** | **761 972 175** | **10 551 361** | **188 216 768** | **225 776 565** | **(20 506 640)** | **1 166 010 229** |
| **Cumulative gap interest rate repricing gap** | **761 972 175** | **772 523 536** | **960 740 304** | **1 186 516 869** | **1 166 010 229** | |

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(Continued)

### 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 South African rand, Botswana pula, United States dollar, British pound and the Euro, mainly due to the cash holding and switch transactions in the banking subsidiary.

Foreign exchange risk arises 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.

The table below indicates the extend to which the Group was exposed to currency risk.

**INFLATION ADJUSTED**

**Foreign exchange gap analysis as at 31 December 2020**

| Base currency<br><br>Assets | USD<br>ZWL<br>equivalent | ZAR<br>ZWL<br>equivalent | EUR<br>ZWL<br>equivalent | BWP<br>ZWL<br>equivalent | GBP<br>ZWL<br>equivalent | TOTAL<br>ZWL<br>equivalent |
|---|---|---|---|---|---|---|
| Balances with other banks and cash | 10 000 654 336 | 530 389 897 | 128 026 658 | 4 440 406 | 8 955 194 | 10 672 466 491 |
| Trade and other receivables | 178 110 074 | - | 177 | 135 | - | 178 110 386 |
| Loans and advances to customers | 10 692 376 806 | 654 114 | - | - | - | 10 693 030 920 |
| **Total assets** | **20 871 141 216** | **531 044 011** | **128 026 835** | **4 440 541** | **8 955 194** | **21 543 607 797** |
| **Liabilities** | | | | | | |
| Deposits from customers | 73 097 742 | 262 515 645 | 89 458 067 | 2 464 121 | 2 831 125 | 430 366 700 |
| Trade and other payables | 268 269 803 | 211 189 | 426 581 | - | 272 619 | 269 180 192 |
| **Total liabilities** | **341 367 545** | **262 726 834** | **89 884 648** | **2 464 121** | **3 103 744** | **699 546 892** |
| **Net currency position** | **20 529 773 671** | **268 317 177** | **38 142 187** | **1 976 420** | **5 851 450** | **20 844 060 905** |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

### 34.3.2 Currency risk (continued)

**INFLATION ADJUSTED**
**Foreign exchange gap analysis as at 31 December 2019**

| Base currency<br>Assets | USD<br>ZWL<br>equivalent | ZAR<br>ZWL<br>equivalent | EUR<br>ZWL<br>equivalent | BWP<br>ZWL<br>equivalent | GBP<br>ZWL<br>equivalent | TOTAL<br>ZWL<br>equivalent |
|---|---|---|---|---|---|---|
| Balances with other banks and cash | 4 610 917 285 | 353 707 935 | 58 664 997 | 989 589 | 8 266 557 | 5 032 546 363 |
| Trade and other receivables | 73 359 624 | - | - | - | - | 73 359 624 |
| Loans and advances to customers | 9 890 736 067 | 601 508 | - | - | - | 9 891 337 575 |
| **Total assets** | **14 575 012 976** | **354 309 443** | **58 664 997** | **989 589** | **8 266 557** | **14 997 243 562** |
| **Liabilities** | | | | | | |
| Deposits from customers | 11 891 994 404 | 220 583 118 | 20 158 937 | 1 032 859 | 242 214 | 12 134 011 532 |
| Trade and other payables | 45 392 099 | 3 068 | 3 642 196 | 206 | 18 217 | 49 055 786 |
| **Total liabilities** | **11 937 386 503** | **220 586 186** | **23 801 133** | **1 033 065** | **260 431** | **12 183 067 318** |
| **Net currency position** | **2 637 626 473** | **133 723 257** | **34 863 864** | **(43 476)** | **8 006 126** | **2 814 176 244** |

**HISTORICAL COST**
**Foreign exchange gap analysis as at 31 December 2020**

| Base currency<br>Assets | USD<br>ZWL<br>equivalent | ZAR<br>ZWL<br>equivalent | EUR<br>ZWL<br>equivalent | BWP<br>ZWL<br>equivalent | GBP<br>ZWL<br>equivalent | TOTAL<br>ZWL<br>equivalent |
|---|---|---|---|---|---|---|
| Balances with other banks and cash | 10 000 654 336 | 530 389 897 | 128 026 658 | 4 440 406 | 8 955 194 | 10 672 466 491 |
| Trade and other receivables | 178 110 074 | - | 177 | 135 | - | 178 110 386 |
| Loans and advances to customers | 10 692 376 806 | 654 114 | - | - | - | 10 693 030 920 |
| **Total assets** | **20 871 141 216** | **531 044 011** | **128 026 835** | **4 440 541** | **8 955 194** | **21 543 607 797** |
| **Liabilities** | | | | | | |
| Deposits from customers | 73 097 742 | 262 515 645 | 89 458 067 | 2 464 121 | 2 831 125 | 430 366 700 |
| Trade and other payables | 268 269 803 | 211 189 | 426 581 | - | 272 619 | 269 180 192 |
| **Total liabilities** | **341 367 545** | **262 726 834** | **89 884 648** | **2 464 121** | **3 103 744** | **699 546 892** |
| **Net currency position** | **20 529 773 671** | **268 317 177** | **38 142 187** | **1 976 420** | **5 851 450** | **20 844 060 905** |

# Notes to the Consolidated Financial Statements
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### 34.3.2 Currency risk (continued)

**HISTORICAL COST**
**Foreign exchange gap analysis as at 31 December 2019**

| Base currency<br>Assets | USD<br>ZWL<br>equivalent | ZAR<br>ZWL<br>equivalent | EUR<br>ZWL<br>equivalent | BWP<br>ZWL<br>equivalent | GBP<br>ZWL<br>equivalent | TOTAL<br>ZWL<br>equivalent |
|---|---|---|---|---|---|---|
| Balances with other banks and cash | 1 027 879 110 | 78 849 603 | 13 077 772 | 220 602 | 1 842 805 | 1 121 869 892 |
| Trade and other receivables | 16 353 541 | - | - | - | - | 16 353 541 |
| Loans and advances to customers | 2 204 871 690 | 134 090 | - | - | - | 2 205 005 780 |
| **Total assets** | **3 249 104 341** | **78 983 693** | **13 077 772** | **220 602** | **1 842 805** | **3 343 229 213** |
| **Base currency Liabilities** | | | | | | |
| Deposits from customers | 2 650 998 027 | 49 173 031 | 4 493 889 | 230 248 | 53 995 | 2 704 949 190 |
| Trade and other payables | 10 118 939 | 684 | 811 929 | 46 | 4 061 | 10 935 659 |
| **Total liabilities** | **2 661 116 966** | **49 173 715** | **5 305 818** | **230 294** | **58 056** | **2 715 884 849** |
| **Net currency position** | **587 987 375** | **29 809 978** | **7 771 954** | **(9 692)** | **1 784 749** | **627 344 364** |

Below are major cross rates to the ZWL used by the Group as at 31 December:

| Currency | 31 Dec 2020<br>Cross rate | 31 Dec 2019<br>Cross rate |
|---|---|---|
| British pound ("GBP") | 111.4387 | 21.9992 |
| SA rand ("ZAR") | 0.1790 | 0.8425 |
| Euro ("EUR") | 100.5487 | 18.7964 |
| Pula ("BWP") | 7.5741 | 1.5834 |
| United states dollar ("USD") | 81.7866 | 16.7734 |

The table below summarises the impact of increases or decreases of exchange rates on the Group's post-tax profit for the year. The analysis is based on the assumption that the exchange rates have increased or decreased by 10% based on past experiance with all other variables held constant.

**INFLATION ADJUSTED**

| Impact of 10% increase in exchange rates: | USD<br>ZWL | ZAR<br>ZWL | EUR<br>ZWL | BWP<br>ZWL | GBP<br>ZWL | TOTAL<br>ZWL |
|---|---|---|---|---|---|---|
| **For the year ended 31 December 2020** | | | | | | |
| Assets | 2 087 114 122 | 53 104 401 | 12 802 684 | 444 054 | 895 519 | 2 154 360 780 |
| Liabilities | (34 136 755) | (26 272 683) | (8 988 465) | (246 412) | (310 374) | (69 954 689) |
| **Net impact on profit or loss and equity** | **2 052 977 367** | **26 831 718** | **3 814 219** | **197 642** | **585 145** | **2 084 406 091** |
| **For the year ended 31 December 2019** | | | | | | |
| Assets | 1 457 501 297 | 35 430 943 | 5 866 499 | 98 958 | 826 658 | 1 499 724 355 |
| Liabilities | (1 193 738 652) | (22 058 621) | (2 380 114) | (103 305) | (26 045) | (1 218 306 737) |
| **Net impact on profit or loss and equity** | **263 762 645** | **13 372 322** | **3 486 385** | **(4 347)** | **800 613** | **28 417 618** |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

| HISTORICAL COST Impact of 10% increase in exchange rates: | USD ZWL | ZAR ZWL | EUR ZWL | BWP ZWL | GBP ZWL | TOTAL ZWL |
|---|---|---|---|---|---|---|
| **For the year ended 31 December 2020** | | | | | | |
| Assets | 2 087 114 122 | 53 104 401 | 12 802 684 | 444 054 | 895 519 | 2 154 360 780 |
| Liabilities | (34 136 755) | (26 272 683) | (8 988 465) | (246 412) | (310 374) | (69 954 689) |
| **Net impact on profit or loss and equity** | **2 052 977 367** | **26 831 718** | **3 814 219** | **197 642** | **585 145** | **2 084 406 091** |
| **For the year ended 31 December 2019** | | | | | | |
| Assets | 324 910 434 | 7 898 369 | 1 307 777 | 22 060 | 184 281 | 334 322 921 |
| Liabilities | (266 111 697) | (4 917 372) | (530 582) | (23 029) | (5 806) | (271 588 486) |
| **Net impact on profit or loss and equity** | **58 798 737** | **2 980 997** | **777 195** | **(969)** | **178 475** | **62 734 435** |

### 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 at fair value through profit or loss and fair value through other comprehensive income. 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.

The table below summarises the impact of increases or decreases of the Zimbabwe Stock Exchange ("ZSE") on the Group's total comprehensive income for the year. The analysis is based on the assumption that the equity index has increased or decreased by 25% based on experience with all other variables held constant and the Group's equity instruments moved according to the historical correlation with the index.

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31-Dec-20 ZWL | 31 Dec 2019 ZWL | 31-Dec-20 ZWL | 31 Dec 2019 ZWL |
| **Impact of 25% increase or decrease in the equity index:** | | | | |
| Financial assets at fair value through profit or loss | 192 937 046 | 61 604 938 | 202 058 237 | 14 440 158 |
| Financial assets at fair value through other comprehensive income | 9 597 462 | 16 676 136 | 9 597 462 | 3 717 493 |

### 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.

# Notes to the Consolidated Financial Statements

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(Continued)

## 34.5 Capital risk

### 34.5.1 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 financial assets at fair value through other comprehensive income.
- 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:

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

## 34.5 Capital risk (continued)

| Company | Regulatory Authority | Minimum capital required US$ | Minimum capital required ZWL | Net regulatory capital ZWL | Total equity ZWL |
|---|---|---|---|---|---|
| **As at 31 December 2020** | | | | | |
| FBC Bank Limited | RBZ | 30 000 000 | 2 453 598 000 | 1 998 606 121 | 3 069 555 765 |
| FBC Building Society | RBZ | 20 000 000 | 1 635 732 000 | 368 187 450 | 726 841 681 |
| FBC Reinsurance Limited | IPEC | | 150 000 000 | 503 092 516 | 503 092 516 |
| FBC Securities (Private) Limited | SECZ | | 150 000 | 12 456 815 | 12 456 815 |
| FBC Insurance Company (Private) Limited | IPEC | | 37 500 000 | 211 048 135 | 211 048 135 |
| Microplan Financial Services (Private) Limited | RBZ | | 25 000 | 35 900 135 | 35 900 135 |
| **As at 31 December 2019** | | | | | |
| FBC Bank Limited | RBZ | 30 000 000 | 503 202 000 | 566 671 769 | 627 839 389 |
| FBC Building Society | RBZ | 20 000 000 | 335 468 000 | 142 572 121 | 145 411 819 |
| FBC Reinsurance Limited | IPEC | | 150 000 000 | 95 676 460 | 95 676 460 |
| FBC Securities (Private) Limited | SECZ | | 150 000 | 1 894 851 | 1 894 851 |
| FBC Insurance Company (Private) Limited | IPEC | | 37 500 000 | 46 806 996 | 46 806 996 |
| Microplan Financial Services (Private) Limited | RBZ | | 25 000 | 18 516 902 | 18 516 902 |

On the 22nd of January 2020, the Reserve Bank of Zimbabwe released a statement containing resolutions made by the Monetary Policy Committee (MPC). One of the resolutions concerned revised minimum capital requirements for banking institutions. The MPC noted the need for banks to hold sufficient capital to ensure continued stability and soundness of the financial services sector, as well as ensuring that banks continue to be able to underwrite financial transactions that are necessary for improving production and productivity.

In this regard, minimum capital requirements for banking institutions were reviewed by the Reserve Bank of Zimbabwe to ZWL equivalent of the US$ as shown in the table below.

| Type of Institution | Mininum Capital Requirement in ZWL equivalent to: | Affected FBCH Subsidiary |
|---|---|---|
| **Tier I** - Large Indigenous Commercial banks and all Foreign Banks | US$ 30 million | FBC Bank Limted |
| **Tier II** - Commercial Banks, Merchant Banks, Building Societies Development Banks, Finance and Discount Houses | US$ 20 million | FBC Building Society |
| **Tier III** - Deposit taking Microfinance Banks | US$ 5 million | N/A |
| Credit Only Microfinance Instituions | US$ 25 000 | Microplan Financial Services (Private) Limited |

The capitalisation deadline was initially set for 31 December 2020. This was revised to 31 December 2021 following the negative impact of Covid-19 on banking institutions operations. Banking institution were directed to submit recapitalisation plans half yearly to the RBZ providing update on progress with regards to meeting the new capital requirement.

FBC Holdings banking subsidiaries stated in the above table were impacted by the new capital requirements. A capitalisation plan was drafted detailing FBC Holdings plan to comply with the new requirements.

**Capitalisation plan**

FBC Holdings is committed to inject additional capital into FBC Building Society to close the capitalisation gap by 31 December 2021. The bank is expected to trade itself into complience by 31 December 2021. In the event that the bank fails to trade itself into compliance FBC Holdings will inject additional capital into FBC bank to close the capitalisation gap by 31 December 2021.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

### 34.5.2 Capital allocation

The allocation of capital between specific operations is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each subsidiary is firstly premised on minimum regulatory requirements. The process of allocating capital to specific operations and subsidiaries is undertaken independently of those responsible for the operations. The Assets and Liability Committee ("ALCO") at the banking subsidiaries set the Assets and Liability Management ("ALM") policies which determine the eventual asset allocation dependent on desired risk return profiles based on ALCO forecasts on the different markets the Group participates in and economic fundamentals.

Group Risk monitors and ensures adherence to these policies as well as continuously measure the efficacy of these policies through ALCO and various other credit committees.

Although maximisation of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

**Capital adequacy ratios**

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| **FBC Bank Limited capital adequacy ratio** | **31 Dec 2020 ZWL** | **31 Dec 2019 ZWL** | **31 Dec 2020 ZWL** | **31 Dec 2019 ZWL** |
| Ordinary share capital | 714 718 565 | 714 718 565 | 18 502 313 | 18 502 313 |
| Share premium | 509 808 278 | 509 808 278 | 13 197 687 | 13 197 687 |
| Retained profits | 1 613 089 263 | 704 787 469 | 2 275 235 687 | 224 977 924 |
| General reserve | - | - | - | - |
| Capital allocated for market and operational risk | (968 563 174) | (222 187 080) | (968 563 174) | (49 530 591) |
| Advances to insiders | (308 329 567) | (274 389 122) | (308 329 567) | (61 167 622) |
| **Tier 1 capital** | **1 560 723 366** | **1 432 738 110** | **1 030 042 947** | **145 979 711** |
| Other reserves | 258 379 359 | 1 001 766 346 | 762 620 077 | 371 161 467 |
| **Tier 1 and 2 capital** | **1 819 102 724** | **2 434 504 455** | **1 792 663 024** | **517 141 178** |
| Tier 3 capital allocated for market and operational risk | 968 563 174 | 222 187 080 | 968 563 174 | 49 530 591 |
| | **2 787 665 898** | **2 656 691 535** | **2 761 226 198** | **566 671 769** |
| **Risk weighted assets** | **23 128 055 736** | **7 952 507 449** | **23 128 055 736** | **1 772 796 121** |
| Tier 1 ratio (%) | 7% | 18% | 4% | 8% |
| Tier 2 ratio (%) | 1% | 13% | 3% | 21% |
| Tier 3 ratio (%) | 4% | 3% | 4% | 3% |
| **Capital adequacy ratio (%)** | **12%** | **33%** | **12%** | **32%** |
| **Minimum Statutory Capital adequacy ratio** | **12%** | **12%** | **12%** | **12%** |

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(Continued)

### 34.5.2 Capital allocation (continued)

| FBC Building Society capital adequacy ratio | INFLATION ADJUSTED 31 Dec 2020 ZWL | INFLATION ADJUSTED 31 Dec 2019 ZWL | HISTORICAL COST 31 Dec 2020 ZWL | HISTORICAL COST 31 Dec 2019 ZWL |
|---|---|---|---|---|
| Share capital and share premium | 435 213 015 | 435 213 020 | 11 266 599 | 11 266 599 |
| Accumulated surplus | 338 830 699 | 353 016 203 | 356 920 851 | 66 568 959 |
| Capital allocated for market and operational risk | - | (85 916 072) | - | (3 667 382) |
| Advances to insiders | - | (12 738 471) | - | (2 839 697) |
| **Tier 1 capital** | **774 043 714** | **689 574 680** | **368 187 450** | **71 328 479** |
| Regulatory reserves | - | - | - | - |
| Revaluation reserves | 161 104 735 | 125 270 147 | 358 654 231 | 67 576 260 |
| **Tier 1 and 2 capital** | **935 148 449** | **814 844 827** | **726 841 681** | **138 904 739** |
| Tier 3 capital allocated for market and operational risk | - | 85 916 072 | - | 3 667 382 |
| | **935 148 449** | **900 760 899** | **726 841 681** | **142 572 121** |
| Risk weighted assets | **2 339 723 480** | **1 625 072 735** | **2 100 291 145** | **243 369 725** |
| Tier 1 ratio (%) | 33% | 42% | 18% | 29% |
| Tier 2 ratio (%) | 7% | 8% | 17% | 28% |
| Tier 3 ratio (%) | 0% | 5% | 0% | 2% |
| **Capital adequacy ratio (%)** | **40%** | **55%** | **35%** | **59%** |
| **Minimum Statutory Capital adequacy ratio** | **12%** | **12%** | **12%** | **12%** |

## 35 FAIR VALUE OF ASSETS AND LIABILITIES

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. Fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 of liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

**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 and unobservable 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.

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2020
## (Continued)

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

| | INFLATION ADJUSTED | | | | HISTORICAL COST | | | |
|---|---|---|---|---|---|---|---|---|
| | Valuation technique using | | | | Valuation technique using | | | |
| | Quoted market prices Level 1 | Observable inputs Level 2 | Significant unobservable inputs Level 3 | Total | Quoted market prices Level 1 | Observable inputs Level 2 | Significant unobservable inputs Level 3 | Total |
| **As at 31 December 2020** | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| **Assets** | | | | | | | | |
| Financial assets at fair value through profit or loss | 569 517 729 | - | 202 230 454 | 771 748 183 | 606 002 493 | - | 202 230 454 | 808 232 947 |
| Financial assets at fair value through other comprehensive income | 38 389 849 | - | - | 38 389 849 | 38 389 849 | - | - | 38 389 849 |
| Investment property | - | - | 978 507 514 | 978 507 514 | - | - | 978 507 514 | 978 507 514 |
| Property and equipment | - | - | 1 861 241 945 | 1 861 241 945 | - | - | 1 861 241 945 | 1 861 241 945 |
| Intangible assets | - | - | 96 139 110 | 96 139 110 | - | - | 9 074 177 | 9 074 177 |
| **Liabilities** | - | - | - | - | - | - | - | - |
| **As at 31 December 2019** | | | | | | | | |
| **Assets** | | | | | | | | |
| Financial assets at fair value through profit or loss | 246 419 753 | - | - | 246 419 753 | 57 760 631 | - | - | 57 760 631 |
| Financial assets at fair value through other comprehensive income | 66 704 543 | - | - | 66 704 543 | 14 869 971 | - | - | 14 869 971 |
| Investment property | - | - | 692 089 729 | 692 089 729 | - | - | 154 282 658 | 154 282 658 |
| Property and equipment | - | - | 2 055 612 557 | 2 055 612 557 | - | - | 458 243 138 | 458 243 138 |
| Intangible assets | - | - | 149 566 590 | 149 566 590 | - | - | 8 832 356 | 8 832 356 |
| **Liabilities** | - | - | - | - | - | - | - | - |

**Valuation techniques and sensitivity analysis**

Sensitivity analysis is performed on valuations of assets and liabilities with significant unobservable inputs (level 3) to generate a range of reasonable possible alternative valuations, The sensitivity methodologies applied take account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historical data and the impact of using alternative methods. Land and buildings under level 3 comprises commercial and residential properties. Refer to property and equipment note 13.

**Investment property**

The valuation approach taken for invesment property was a sales comparison approach being the market value of similar properties. In this approach, similar properties that had been recently sold or which are currently on sale and situated in comparable areas were utilised to derive the fair value. Market evidence from other estate agents and local press was also taken into consideration. The significant unobservable inputs were comparable rates per square meter. Refer to investment property note 11.

**Comparison of carrying amounts and fair values for assets and liabilities not held at fair value**

The carrying amounts of financial assets and liabilities held at amortised cost approximate fair values. The following methods and assumptions were used to estimate the fair values;

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

**Loans and advances to customers**
The fair value of loans and advances to customers, for the purposes of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. Gross loan values are discounted at a rate of the Group's contractual margins depending on credit quality and period to maturity. As such Group product margins are deemed significant inputs in the fair value models for the purposes of this disclosure, the related balances are classified as level 3 since the inputs are unobservable.

**Trade and other receivables**
The fair value of trade and other receivables, for the purposes of this disclosure, is calculated by the use of discounted cash flow techniques where the gross receivables are discounted at the Group's borrowing rate. Significant inputs in the valuation model are unobservable and are thus classified as level 3 for purposes of this disclosure.

**Deposits from banks and amounts due to customers**
The fair value disclosed approximates carrying value because the instruments are short term in nature. The deposits from banks and customers are classified as level 2. There are no deposits with long term maturities.

**Borrowings**
The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant due to the market terms (rates and tenor) available. The fair value of the non current portion, for purposes of this disclosure are based on cash flows discounted using a rate based on the contractual borrowing rates which is an observable input. Therefore borrowings are within level 3 of the fair value hierarchy. The carrying amount equals the carrying amounts for borrowings with longer term maturities as the discount rate approximates the liabilities' effective interest rates.

**Insurance liabilities and trade and other payables**
The fair value disclosed approximates carrying value because the instruments are short term in nature.

**Guarantees, acceptances and other financial facilities**
The fair value disclosed approximates carrying value because the instruments are short term in nature.

**Unlisted Equity investments**
Since the prices are not readily determinable, fair value is based on internal valuation models and management estimates of amounts that could be realized under current market conditions. The key unobservable input in determining fair values for these investment has been the net asset value. The translation of part of these investments that are foreign currency denominated is based on the year-end exchange rate while transactions are translated at the average exchange rate for the reporting period. The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset is not active, or quoted prices cannot be obtained without undue effort, the Group uses the next closest available net asset value per share based on the most recent published financial statements of companies we are invested in.

The Group have assessed the impact of Covid-19 pandemic on the determination of fair values and there was no material impact as the pandemic has not been seen to have affected valuation technics in this jurisdiction.

## 36 FINANCIAL INSTRUMENTS

**Financial assets and liabilities**

**Accounting classifications and fair values**
The table below sets out the Group's classification of each class of financial assets and liabilities.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

## 36.1 Position as at 31 December 2020
INFLATION ADJUSTED

| | Amortised cost ZWL | At fair value through profit and loss ZWL | At fair value through other comprehensive income ZWL | Loans and receivables ZWL | Financial liabilities at amortised cost ZWL | Total carrying amount ZWL |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Balances with other banks and cash | - | - | - | 10 559 374 255 | - | 10 559 374 255 |
| Financial assets at amortised cost | 1 085 461 468 | - | - | - | - | 1 085 461 468 |
| Loans and advances to customers | - | - | - | 13 343 058 826 | - | 13 343 058 826 |
| Bonds and debentures | 473 679 285 | - | - | - | - | 473 679 285 |
| Trade and other receivables including insurance receivables | - | - | - | 519 563 948 | - | 519 563 948 |
| Financial assets at fair value through profit or loss | - | 771 748 183 | - | - | - | 771 748 183 |
| Financial assets at fair value through other comprehensive income | - | - | 38 389 849 | - | - | 38 389 849 |
| **Total** | **1 559 140 753** | **771 748 183** | **38 389 849** | **24 421 997 029** | **-** | **26 791 275 814** |
| **Liabilities** | | | | | | |
| Deposits from customers | - | - | - | - | 10 962 412 658 | 10 962 412 658 |
| Deposits from other banks | - | - | - | - | 456 948 363 | 456 948 363 |
| Borrowings | - | - | - | - | 9 053 617 984 | 9 053 617 984 |
| Insurance liabilities | - | - | - | - | 489 683 226 | 489 683 226 |
| Trade and other liabilities | - | - | - | - | 4 546 862 337 | 4 546 862 337 |
| **Total** | **-** | **-** | **-** | **-** | **25 509 524 568** | **25 509 524 568** |

## 36.1 Position as at 31 December 2019
INFLATION ADJUSTED

| | Amortised cost ZWL | At fair value through profit and loss ZWL | At fair value through other comprehensive income ZWL | Loans and receivables ZWL | Financial liabilities at amortised cost ZWL | Total carrying amount ZWL |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Balances with other banks and cash | - | - | - | 8 558 593 908 | - | 8 558 593 908 |
| Financial assets at amortised cost | 855 588 436 | - | - | - | - | 855 588 436 |
| Loans and advances to customers | - | - | - | 11 488 025 929 | - | 11 488 025 929 |
| Bonds and debentures | 545 079 161 | - | - | - | - | 545 079 161 |
| Trade and other receivables including insurance receivables | - | - | - | 463 703 524 | - | 463 703 524 |
| Financial assets at fair value through profit or loss | - | 246 419 753 | - | - | - | 246 419 753 |
| Financial assets at fair value through other comprehensive income | - | - | 66 704 543 | - | - | 66 704 543 |
| **Total** | **1 400 667 597** | **246 419 753** | **66 704 543** | **20 510 323 361** | **-** | **22 224 115 254** |
| **Liabilities** | | | | | | |
| Deposits from customers | - | - | - | - | 9 083 294 723 | 9 083 294 723 |
| Deposits from other banks | - | - | - | - | 875 374 303 | 875 374 303 |
| Borrowings | - | - | - | - | 7 726 131 726 | 7 726 131 726 |
| Insurance liabilities | - | - | - | - | 451 420 704 | 451 420 704 |
| Trade and other liabilities | - | - | - | - | 3 947 816 828 | 3 947 816 828 |
| **Total** | **-** | **-** | **-** | **-** | **22 084 038 284** | **22 084 038 284** |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

**36.2 Position as at 31 December 2020**

**HISTORICAL COST**

| | Amortised cost ZWL | At fair value through pofit and loss ZWL | At fair value through other comprehensive income ZWL | Loans and receivables ZWL | Financial liabilities at amortised cost ZWL | Total carrying amount ZWL |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Balances with other banks and cash | | - | - | 10 559 374 255 | - | 10 559 374 255 |
| Financial assets at amortised cost | 1 085 461 468 | - | - | - | - | 1 085 461 468 |
| Loans and advances to customers | | - | - | 13 342 940 672 | - | 13 342 940 672 |
| Bonds and debentures | 473 679 285 | - | - | - | - | 473 679 285 |
| Trade and other receivables including insurance receivables | - | - | - | 485 619 884 | - | 485 619 884 |
| Financial assets at fair value through profit or loss | - | 808 232 947 | - | - | - | 808 232 947 |
| Financial assets at fair value through other comprehensive income | - | - | 38 389 849 | - | - | 38 389 849 |
| **Total** | **1 559 140 753** | **808 232 947** | **38 389 849** | **24 387 934 811** | **-** | **26 793 698 360** |
| **Liabilities** | | | | | | |
| Deposits from customers | - | - | - | - | 10 962 412 658 | 10 962 412 658 |
| Deposits from other banks | - | - | - | - | 456 948 363 | 456 948 363 |
| Borrowings | - | - | - | - | 9 053 617 984 | 9 053 617 984 |
| Insurance liabilities | - | - | - | - | 402 454 943 | 402 454 943 |
| Trade and other liabilities | - | - | - | - | 4 546 862 337 | 4 546 862 337 |
| **Total** | **-** | **-** | **-** | **-** | **25 422 296 285** | **25 422 296 285** |

**36.2 Position as at 31 December 2019**

**HISTORICAL COST**

| | Amortised cost ZWL | At fair value through pofit and loss ZWL | At fair value through other comprehensive income ZWL | Loans and receivables ZWL | Financial liabilities at amortised cost ZWL | Total carrying amount ZWL |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Balances with other banks and cash | - | - | - | 1 907 906 680 | - | 1 907 906 680 |
| Financial assets at amortised cost | 190 730 266 | - | - | - | - | 190 730 266 |
| Loans and advances to customers | - | - | - | 2 560 920 299 | - | 2 560 920 299 |
| Bonds and debentures | 121 510 634 | | | | | 121 510 634 |
| Trade and other receivables | | | | | | - |
| including insurance receivables | - | - | - | 104 144 323 | - | 104 144 323 |
| Financial assets at fair value | | | | | | - |
| through profit or loss | - | 57 760 631 | - | - | - | 57 760 631 |
| Financial assets at fair value through | | | | | | - |
| other comprehensive income | - | - | 14 869 971 | - | - | 14 869 971 |
| **Total** | **312 240 900** | **57 760 631** | **14 869 971** | **4 572 971 302** | **-** | **4 957 842 804** |
| **Liabilities** | | | | | | |
| Deposits from other banks | - | - | - | - | 2 024 874 514 | 2 024 874 514 |
| Deposits from customers | - | - | - | - | 195 140 989 | 195 140 989 |
| Borrowings | - | - | - | - | 1 722 331 786 | 1 722 331 786 |
| Insurance liabilities | - | - | - | - | 51 333 232 | 51 333 232 |
| Trade and other liabilities | - | - | - | - | 865 030 059 | 865 030 059 |
| **Total** | **-** | **-** | **-** | **-** | **4 858 710 580** | **4 858 710 580** |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

## 37 INSURANCE RISK MANAGEMENT

Insurance risk management specifically applies to the two subsidiaries; FBC Reinsurance Limited and FBC Insurance (Private) Company.

### 37.1 Risk management objectives and policies for mitigating risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The reinsurers and retrocessionaires that the Group transacted with for the year had the following ratings;

**Year ended 31 December**

| | Number of reinsurers and retrocessionaires | |
|---|---|---|
| **Ratings** | **2020** | **2019** |
| AA+ | 0 | 0 |
| AA- | 1 | 1 |
| A+ | 2 | 2 |
| A- | 4 | 4 |
| B | 1 | 1 |
| B++ | 0 | 0 |
| B+ | 5 | 5 |
| BB+ | 0 | 0 |
| BBB | 0 | 0 |
| BBB- | 1 | 1 |
| Non rated | 0 | 0 |
| **Total** | **14** | **14** |

### 37.2 Underwriting strategy

The Group's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a geographical area, as such; it is believed that this reduces the variability of the outcome. The underwriting strategy is set out in an annual business plan that sets out the classes of business to be written, the regions in which business is to be written and the industry sectors to which the Group is prepared to expose itself. This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by the size, and class of business in order to enforce appropriate risk selection within the portfolio. The underwriters have the right to refuse renewal or to change the terms and conditions of the contract with 60 days notice, as well as the right to reject the payment of a fraudulent claim.

Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (i.e., subrogation). Adherence to the underwriting authorities is measured through a series of exception reports that are run on a regular basis covering size of risk, class and industry.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

## 37.3 Reinsurance strategy

The short-term insurance company reinsures all business in excess of its underwriting capacity as determined by the statement of financial position. The short-term insurance company utilises quota share, surplus, excess of loss and facultative reinsurance programmes with reputable reinsurers.

The treaties are a combination of proportional and non proportional in order to minimise the net exposure to the Group. The Group also participates in the facultative reinsurance in certain specified circumstances.

## 37.4 Retrocession strategy

The reinsurance company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The main classes covered include fire and engineering classes. The Group utilises international reinsurance brokers for the arrangement and placement of retrocession programmes with reputable reinsurers. This is led by Aon Sub Sahara Africa in South Africa and J B Boda Reinsurance Brokers (Pvt) Ltd of India. The treaties are a combination of proportional and non proportional treaties in order to minimise the net exposure to the company.

## 37.5 Terms and conditions of short- term insurance contracts

The terms and conditions of insurance contracts that are underwritten by the Group that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below:

i) The premium must be paid to the insurer before cover commences on direct clients and in the case of clients through intermediaries, payment should be made within a stipulated credit period;
ii) The Group shall not be liable under the contract for any claims which are notified after the expiry of three months from the date of loss; and
iii) Both parties to the contract shall give 30 days notice of cancellation of the policy.

### Nature of risks covered

The following gives an assessment of the Group's main products and the ways in which it manages the associated risks and the concentrations of these risks. The Group through its subsidiary, FBC Insurance Company Limited, writes the following types of business within its Commercial and Personal Lines;

| Products | Commercial | Personal Lines |
|---|---|---|
| **Fire** | | |
| Assets all risks | * | * |
| House owners | * | * |
| Fire combined | * | * |
| **Accident** | | |
| Money | * | x |
| Glass | * | x |
| Goods in transit | * | * |
| Theft | * | * |
| Personal all risks | * | * |
| Business all risks | * | x |
| Fidelity guarantee | * | x |
| Householders | * | * |
| **Personal accident** | | |
| Group personal accident | * | x |
| Personal accident | * | * |
| **Motor** | | |
| Private motor | * | * |
| Commercial motor | * | * |
| Motor cycle | * | * |
| Trailer | * | * |
| Motor fleet | * | * |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| Products | Commercial | Personal Lines |
|---|---|---|
| **Engineering** | | |
| Electronic equipment | * | x |
| Machinery breakdown | * | x |
| Machinery breakdown loss of profits | * | x |
| Contractors all risks | * | x |
| Erection all risks | * | x |
| Civil engineering completed risks | * | x |
| Plant all risks | * | x |
| **Marine** | | |
| Marine cargo | * | * |
| Marine hull | * | * |
| **Liability** | | |
| Public liability | * | * |
| Employers liability | * | x |
| Professional indemnity | * | x |
| Products liability | * | x |
| Directors and officer liability | * | x |
| **Bonds and guarantees** | | |
| Court bond | * | x |
| Performance bond | * | x |
| Bid bond | * | x |
| Advance payment bond | * | x |
| Government/customs bonds | * | x |

**Legend**
* class of business underwritten
x class of business not underwritten

Commercial department underwrites small to large business from companies. Personal department provides insurance to the general public in their personal capacities.

The following perils are covered under the different types of business:
- Fire – fire, storm, explosions, malicious and earthquake
- Accident – all risks of accidental loss or damage to property
- Personal accident – death, permanent disablement, total disablement and medical expenses
- Motor – private and commercial (comprehensive, full third party, fire and theft)
- Engineering – accidental physical loss or damage to machinery on an all risks basis
- Marine – loss or damage to cargo in transit or vessel
- Liability – legal liability following death or injury to third parties or damage to third party property
- Bonds and guarantees – guarantees that contractual obligations will be met in case of default

The return to shareholders arises from the total premiums charged to policyholders and investment returns less the amounts paid to cover claims and administrative expenses incurred by the Group.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

## 37.6 Terms and conditions of short- term reinsurance contracts

**Nature of risks covered**

The following gives an assessment of the Group's main products and the ways in which it manages the associated risks and the concentrations of these risks:

The Group, through its subsidiary, FBC Reinsurance Limited writes the following types of business within its Treaty and Facultative Departments;

| Products | Treaty | Facultative |
|---|---|---|
| Fire | * | * |
| Miscellaneous accident | * | * |
| Motor | * | * |
| Engineering | * | * |
| Marine - hull and cargo | * | * |
| Aviation | * | * |
| Credit | * | * |

* class of business underwritten
x class of business not underwritten

Both Treaty and Facultative Departments provide cover on commercial and personal lines basis. Commercial policies cover small to large business from companies. Personal lines policies cover the general public in their personal capacities.

The following perils are covered under the different types of business;
- Fire - fire, storm, explosions, riot, malicious and earthquake.
- Accident - all risks of accidental loss or damage to property.
- Personal accident - death, permanent disablement, total disablement and medical expenses.
- Motor - private and commercial (comprehensive, full third party, fire and theft).
- Engineering - accidental physical loss or damage to machinery on an all risks basis.
- Marine - loss or damage to cargo in transit or vessel.
- Liability - legal liability following death or injury to third parties or damage to third party property.
- Bonds and guarantees - guarantees that contractual obligations will be met in case of default.

The return to shareholders under these products arises from the total premiums charged to policyholders and investment returns less the amounts paid to cover commissions, retrocessions, claims and operating expenses incurred by the Group.

There is scope for the Group to earn investment income owing to the time delay between the receipt of premiums and the payment of claims.

The event giving rise to a claim usually occurs suddenly (such as a fire) and the cause is easily determinable. The claim will thus be notified promptly and can be settled without delay.

The key risks associated with these products for the Group are underwriting risk, competitive risk, and claims experience risk (including the variable incidence of natural disasters), as well as fraud risk.

Underwriting risk is the risk that the Group does not charge premiums appropriate for the risk that they accept. The risk on any policy will vary according to factors such as location, safety measures in place, age of property etc. Calculating a premium commensurate with the risk for these policies will be subjective and risky. The risk is managed through pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Group monitors and reacts to changes in the environment in which they operate.

The Group is also exposed to the risk of false or invalid claims from the policyholders. External control systems and fraud detection measurements are in place to improve the Group's ability to proactively detect fraudulent claims.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Continued)

### 37.7 Concentration of insurance risk

With the insurance process, concentration of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Such concentration may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

Property is subject to a number of risks, including theft, fire, business interruption and weather. For property business there is risk that external factors such as adverse weather conditions may adversely impact upon a large proportion of a particular geographical portion of the property risks. Claim inducing perils such as storms, floods, subsidence, fires, explosions, and rising crime levels will occur on a regional basis, meaning that the Group has to manage its geographical risk dispersion very carefully.

For motor business the main risks relates mainly to losses arising from theft, fire, third party losses and accident. Claims including perils such as increase in crime levels, adverse weather and bad road networks will occur meaning that the Group has to ensure that all products are adequately priced and that salvage recovery is pursued in order to mitigate losses.

### 37.8 Claims development

The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the contract term, subject to pre-determined time scales dependent on the nature of the insurance contract. The Group takes all reasonable steps to ensure that they have appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The claims liability comprises a provision for outstanding claims and a provision for claims incurred but not yet reported ("IBNR") at statement of financial position date.

In calculating the estimated cost of outstanding claims, the Group uses the estimates determined by external assessors who would have calculated the total estimated cost of the claim. The Group provides for IBNR at 14% (2019 - 8.4%) of net premium written for the reinsurance subsidiary and 5% (2019 - 5%) of net premium written for the short term insurance subsidiary based on past experience.

### 37.9 Management of risk relating to changes in underwriting variables

Profit or loss and equity are sensitive to changes in variables that have a material effect on them. These variables are mainly significant classes of transactions and their corresponding balances. These variables are gross premium written, commissions, IBNR and outstanding claims. The Group has put in place procedures to identify and control the impact of these variables on the profit or loss and equity through financial analysis which entails scrutiny of key performance indicators (includes ratio analysis) on a regular basis. The results of the financial information are taken into account when budgets are made and when pricing decisions for different types of policies is done to ensure that the companies are adequately pricing their insurance products to avoid future losses.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

## 38 SEGMENT REPORTING

Segment information is presented in respect of business segments.

Segment revenue, expenses, liabilities 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 of 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

| 31 December 2020 | Commercial banking ZWL | Microlending ZWL | Mortgage financing ZWL | Short term reinsurance ZWL | Short term insurance ZWL | Stockbroking ZWL | Consolidated ZWL |
|---|---|---|---|---|---|---|---|
| **Total segment net income** | | | | | | | |
| Interest income | 2 413 537 429 | 87 282 608 | 142 535 683 | 2 365 477 | 1 784 217 | 136 173 | 2 647 641 587 |
| Interest expense | (745 684 101) | (16 219 906) | (106 814 248) | (1 353 398) | - | - | (870 071 653) |
| Net interest income | 1 667 853 328 | 71 062 702 | 35 721 435 | 1 012 079 | 1 784 217 | 136 173 | 1 777 569 934 |
| Sales | - | - | 27 735 160 | - | - | - | 27 735 160 |
| Cost of sales | - | - | (22 918 271) | - | - | - | (22 918 271) |
| Gross profit | - | - | 4 816 889 | - | - | - | 4 816 889 |
| Net earned insurance premium | - | - | - | 678 787 025 | 187 414 391 | - | 866 201 416 |
| Net fee and commission income | 1 041 575 679 | 7 188 689 | 101 301 448 | (2 807 494) | - | 17 594 374 | 1 164 852 696 |
| Net trading income and other income | 2 910 905 838 | 669 647 | 290 813 604 | 827 453 106 | 126 029 325 | 14 114 746 | 4 169 986 266 |
| Total net income for reported segments | 5 620 334 845 | 78 921 038 | 432 653 376 | 1 504 444 716 | 315 227 933 | 31 845 293 | 7 983 427 201 |
| Intersegment revenue | (50 749 882) | (539 912) | (18 067 504) | (114 048 954) | (67 128 806) | (136 173) | (250 671 231) |
| Intersegment interest expense and commission | 14 552 581 | 13 545 185 | 24 852 865 | 5 419 918 | 141 090 632 | 283 251 | 199 744 432 |
| **Net income from external customers** | **5 584 137 544** | **91 926 311** | **439 438 737** | **1 395 815 680** | **389 189 759** | **31 992 371** | **7 932 500 402** |
| **Segment profit/(loss) before income tax** | **1 387 650 475** | **(49 282 127)** | **(14 659 269)** | **203 548 463** | **42 369 456** | **(2 690 513)** | **1 566 936 485** |
| Impairment allowances on financial assets | 102 909 315 | 2 303 778 | 8 906 917 | 19 229 221 | 4 112 761 | (1 473) | 137 460 519 |
| Depreciation | 120 646 991 | 8 681 324 | 16 724 664 | 5 287 182 | 8 940 498 | 359 937 | 160 640 596 |
| Amortisation | 48 078 740 | 5 893 986 | 108 612 | 2 258 476 | 247 304 | - | 56 587 118 |
| **Segment assets** | **27 465 503 697** | **167 167 756** | **2 680 800 814** | **1 075 991 824** | **581 695 729** | **27 130 133** | **31 998 289 953** |
| Total assets include : | | | | | | | |
| Additions to non-current assets | 145 972 005 | 578 304 | 54 519 071 | 812 238 | 4 975 533 | 448 108 | 207 305 259 |
| **Segment liabilities** | **24 369 508 232** | **96 156 470** | **1 745 652 365** | **650 557 724** | **373 316 461** | **15 027 288** | **27 250 218 540** |
| Type of revenue generating activity | Commercial and retail banking | Microlending | Mortgage financing | Underwriting general classes of short term re-insurance | Underwriting general classes of short term insurance | Equity market dealing | |

# Notes to the Consolidated Financial Statements

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(Continued)

## 38 SEGMENT REPORTING (CONTINUED)

### INFLATION ADJUSTED

| 31 December 2019 | Commercial banking ZWL | Microlending ZWL | Mortgage financing ZWL | Short term reinsurance ZWL | Short term insurance ZWL | Stockbroking ZWL | Consolidated ZWL |
|---|---|---|---|---|---|---|---|
| **Total segment net income** | | | | | | | |
| Interest income | 1 924 268 149 | 167 995 912 | 273 691 929 | 5 611 321 | 4 658 467 | 3 165 018 | 2 379 390 796 |
| Interest expense | (761 531 267) | (27 361 328) | (107 405 165) | - | - | - | (896 297 760) |
| Net interest income | 1 162 736 882 | 140 634 584 | 166 286 764 | 5 611 321 | 4 658 467 | 3 165 018 | 1 483 093 036 |
| Sales | - | - | 142 881 212 | - | - | - | 142 881 212 |
| Cost of sales | - | - | (55 888 149) | - | - | - | (55 888 149) |
| Gross profit | - | - | 86 993 063 | - | - | - | 86 993 063 |
| Net earned insurance premium | - | - | - | 617 716 477 | 255 499 717 | - | 873 216 194 |
| Net fee and commission income | 1 197 098 580 | 23 934 947 | 137 823 917 | - | - | 18 904 208 | 1 377 761 652 |
| Net trading income and other income | 2 499 812 052 | 26 345 385 | 144 448 167 | 295 293 177 | 90 402 497 | 3 993 744 | 3 060 295 022 |
| Total net income for reported segments | 4 859 647 514 | 190 914 916 | 535 551 911 | 918 620 975 | 350 560 681 | 26 062 970 | 6 881 358 967 |
| Intersegment revenue | (13 463 259) | (13 198 917) | (4 960 262) | (161 534 454) | 135 009 738 | (39 327) | (58 186 481) |
| Intersegment interest expense and commission | 35 206 946 | (14 175 465) | 23 178 721 | 966 859 | 14 624 737 | (75 241) | 59 726 557 |
| **Net income from external customers** | **4 881 391 201** | **163 540 534** | **553 770 370** | **758 053 380** | **500 195 156** | **25 948 402** | **6 882 899 043** |
| **Segment profit/(loss) before income tax** | **1 284 280 821** | **(170 451 573)** | **(691 186 318)** | **(120 135 596)** | **(121 000 851)** | **(19 960 160)** | **161 546 323** |
| Impairment allowances on financial assets | 115 878 878 | 1 397 752 | 22 996 685 | 8 971 711 | 2 458 622 | (9 120) | 151 694 528 |
| Depreciation | 94 396 229 | 2 879 372 | 14 219 027 | 2 252 698 | 2 644 840 | 186 930 | 116 579 096 |
| Amortisation | 19 677 327 | 1 428 261 | 651 683 | 905 326 | 2 851 812 | - | 25 514 409 |
| **Segment assets** | **23 291 097 158** | **263 030 096** | **2 008 289 194** | **899 792 448** | **535 852 707** | **20 728 847** | **27 018 790 450** |
| Total assets include : | | | | | | | |
| Additions to non-current assets | 178 210 516 | 13 180 683 | 15 434 527 | 3 121 720 | 4 084 126 | - | 214 031 572 |
| **Segment liabilities** | **20 933 296 188** | **147 396 249** | **1 094 789 833** | **561 195 422** | **368 536 222** | **12 228 819** | **23 117 442 733** |
| Type of revenue generating activity | Commercial and retail banking | Microlending | Mortgage financing | Underwriting general classes of short term re-insurance | Underwriting general classes of short term insurance | Equity market dealing | |

# Notes to the Consolidated Financial Statements

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(Continued)

## 38 SEGMENT REPORTING (CONTINUED)

### HISTORICAL COST

| 31 December 2020 | Commercial banking ZWL | Microlending ZWL | Mortgage financing ZWL | Short term reinsurance ZWL | Short term insurance ZWL | Stockbroking ZWL | Consolidated ZWL |
|---|---|---|---|---|---|---|---|
| **Total segment net income** | | | | | | | |
| Interest income | 1 644 650 082 | 53 426 453 | 93 580 723 | 1 155 554 | 1 402 275 | 81 030 | 1 794 296 117 |
| Interest expense | (499 821 060) | (10 407 362) | (74 613 399) | (1 298 556) | - | - | (586 140 377) |
| Net interest income | 1 144 829 022 | 43 019 091 | 18 967 324 | (143 002) | 1 402 275 | 81 030 | 1 208 155 740 |
| Sales | - | - | 10 812 476 | - | - | - | 10 812 476 |
| Cost of sales | - | - | (6 948 589) | - | - | - | (6 948 589) |
| Gross profit | - | - | 3 863 887 | - | - | - | 3 863 887 |
| Net earned insurance premium | - | - | - | 358 697 601 | 130 613 014 | - | 489 310 615 |
| Net fee and commission income | 694 880 140 | 4 377 947 | 69 194 562 | - | - | 11 727 299 | 780 179 948 |
| Net trading income and other income | 3 261 719 194 | 272 977 | 514 587 618 | 345 358 754 | 64 705 127 | 10 436 746 | 4 197 080 416 |
| Total net income for reported segments | 5 101 428 356 | 47 670 015 | 606 613 391 | 703 913 353 | 196 720 416 | 22 245 075 | 6 678 590 606 |
| Intersegment revenue | (33 713 754) | (292 844) | (16 334 321) | (48 121 720) | (43 865 593) | (72 939) | (142 401 171) |
| Intersegment interest expense and commission | 14 286 551 | 8 447 128 | 17 061 178 | 6 510 260 | 63 786 555 | 200 578 | 110 292 250 |
| **Net income from external customers** | **5 082 001 153** | **55 824 299** | **607 340 248** | **662 301 893** | **216 641 378** | **22 372 714** | **6 646 481 685** |
| **Segment profit before income tax** | **2 803 998 024** | **(4 450 285)** | **290 351 694** | **483 829 442** | **43 925 112** | **1 370 853** | **3 619 024 840** |
| Impairment allowances on financial assets | 102 909 315 | 2 303 778 | 8 906 917 | 19 229 221 | 4 112 761 | (1 473) | 137 460 519 |
| Depreciation | 45 692 064 | 1 335 882 | 10 247 450 | 751 813 | 1 382 727 | 93 261 | 59 503 197 |
| Amortisation | 2 184 990 | 152 581 | 2 812 | 140 000 | 55 021 | - | 2 535 404 |
| **Segment assets** | **27 304 166 574** | **131 516 569** | **2 472 494 046** | **1 058 918 165** | **579 068 058** | **27 130 133** | **31 573 293 545** |
| Total assets include : | | | | | | | |
| Additions to non-current assets | 125 264 130 | 464 710 | 35 080 825 | 495 320 | 3 375 755 | 407 066 | 165 087 806 |
| Investment in associates | - | - | - | - | - | - | - |
| **Segment liabilities** | **24 234 610 808** | **95 616 434** | **1 745 652 365** | **555 825 650** | **368 019 921** | **14 673 318** | **27 014 398 496** |
| Type of revenue generating activity | Commercial and retail banking | Microlending | Mortgage financing | Underwriting general classes of short term re-insurance | Underwriting general classes of short term insurance | Equity market dealing | |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

## 38 SEGMENT REPORTING (CONTINUED)

| HISTORICAL COST<br>31 December 2019 | Commercial banking ZWL | Microlending ZWL | Mortgage financing ZWL | Short term reinsurance ZWL | Short term Insurance ZWL | Stockbroking ZWL | Consolidated ZWL |
|---|---|---|---|---|---|---|---|
| **Total segment net income** | | | | | | | |
| Interest income | 193 359 765 | 13 218 010 | 21 733 243 | 356 642 | 196 121 | 168 684 | 229 032 465 |
| Interest expense | (78 397 877) | (2 407 117) | (9 407 526) | - | - | - | (90 212 520) |
| Net interest income | 114 961 888 | 10 810 893 | 12 325 717 | 356 642 | 196 121 | 168 684 | 138 819 945 |
| Sales | - | - | 16 586 687 | - | - | - | 16 586 687 |
| Cost of sales | - | - | (3 073 238) | - | - | - | (3 073 238) |
| Gross profit | - | - | 13 513 449 | - | - | - | 13 513 449 |
| Net earned insurance premium | - | - | - | 61 858 749 | 24 887 753 | - | 86 746 502 |
| Net fee and commission income | 128 422 414 | 4 749 924 | 13 020 098 | - | - | 1 692 076 | 147 884 512 |
| Net trading income and other income | 529 011 049 | 1 985 633 | 44 017 483 | 71 519 008 | 18 385 603 | 890 117 | 665 808 893 |
| Total net income for reported segments | 772 395 351 | 17 546 450 | 82 876 747 | 133 734 399 | 43 469 477 | 2 750 877 | 1 052 773 301 |
| Intersegment revenue | (3 001 269) | (2 942 341) | (1 105 756) | (36 009 731) | 30 096 764 | (8 767) | (12 971 100) |
| Intersegment interest expense and commission | 7 848 435 | (3 160 036) | 5 167 068 | 215 535 | 3 260 189 | (16 773) | 13 314 418 |
| **Net income from external customers** | **777 242 517** | **11 444 073** | **86 938 059** | **97 940 203** | **76 826 430** | **2 725 337** | **1 053 116 619** |
| **Segment profit before income tax** | **400 931 739** | **2 570 090** | **32 478 756** | **55 345 922** | **6 904 783** | **510 389** | **498 741 679** |
| Impairment allowances on financial assets | 25 832 057 | 311 591 | 5 126 488 | 2 000 000 | 548 082 | (2 032) | 33 816 186 |
| Depreciation | 3 059 818 | 170 803 | 441 972 | 76 692 | 221 265 | 5 842 | 3 976 392 |
| Amortisation | 676 959 | 61 032 | 16 869 | 23 443 | 74 220 | - | 852 523 |
| **Segment assets** | **5 151 356 302** | **51 374 903** | **389 465 557** | **191 272 092** | **112 129 474** | **4 620 935** | **5 900 219 263** |
| Total assets include : | | | | | | | |
| Additions to non-current assets | 19 946 178 | 1 170 492 | 1 622 358 | 221 481 | 245 135 | - | 23 205 644 |
| **Segment liabilities** | **4 667 679 435** | **32 858 001** | **244 053 738** | **95 595 632** | **65 322 478** | **2 726 083** | **5 108 235 367** |
| Type of revenue generating activity | Commercial and retail banking | Microlending | Mortgage financing | Underwriting general classes of short term re-insurance | Underwriting general classes of short term insurance | Equity market Dealing | |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 |
| **38 SEGMENT REPORTING (CONTINUED)** | **ZWL** | **ZWL** | **ZWL** | **ZWL** |
| **Operating segments reconciliations** | | | | |
| **Net income** | | | | |
| Total net income for reportable segments | 7 932 500 402 | 6 882 899 041 | 6 646 481 685 | 1 053 116 619 |
| Total net income for non reportable segments | 1 444 646 624 | 1 032 423 747 | 1 127 884 625 | 112 712 183 |
| Elimination of intersegment revenue received from the holding company | (83 953) | - | (75 637) | - |
| Intersegment eliminations | (1 229 511 702) | (745 040 708) | (565 576 315) | (106 001 646) |
| **Group total net income** | **8 147 551 371** | **7 170 282 080** | **7 208 714 358** | **1 059 827 156** |
| **Group profit before tax** | | | | |
| Total profit before income tax for reportable segments | 1 566 936 485 | 161 546 324 | 3 619 024 840 | 498 741 679 |
| Intersegment eliminations | 28 310 717 | 595 592 568 | (4 759 814) | 30 608 773 |
| **Profit before income tax** | **1 595 247 202** | **757 138 892** | **3 614 265 026** | **529 350 452** |
| **Group assets** | | | | |
| Total assets for reportable segments | 31 998 289 953 | 27 018 790 450 | 31 573 293 545 | 5 900 219 263 |
| Other group assets | 4 465 020 914 | 4 002 176 450 | 2 038 849 645 | 425 345 534 |
| Deferred tax asset allocated to the holding company | 101 667 451 | - | 106 001 415 | - |
| Intersegment eliminations | (4 163 141 871) | (3 882 909 517) | (1 758 870 345) | (406 333 109) |
| **Group total assets** | **32 401 836 446** | **27 138 057 383** | **31 959 274 260** | **5 919 231 688** |
| **Group liabilities** | | | | |
| Total liabilities for reportable segments | 27 250 218 540 | 23 117 442 733 | 27 014 398 496 | 5 108 235 367 |
| Other group liabilities and elimination of intersegment payables | 62 116 405 | 66 312 347 | 28 172 337 | 4 689 375 |
| **Group total liabilities** | **27 312 334 945** | **23 183 755 080** | **27 042 570 833** | **5 112 924 742** |

In the normal course of business, group companies trade with one another and the material intergroup transactions include:
1) Underwriting of insurance risk by the insurance subsidiary;
2) Reinsurance of the insurance subsidiary's insurance risk by the reinsurance subsidiary;
3) Borrowings from the banking subsidiary by group companies and placement of funds and operating of current accounts; and
4) Placement of funds with the Bank and the Building Society by Group companies.

These transactions result in income, expenses, assets and liabilities that are eliminated on consolidation.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(Continued)

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **Entity wide information** | | | | |
| Breakdown of total net income from all services is as follows; | | | | |
| **Analysis of net income by category:** | | | | |
| - Gross profit from residential properties | 4 816 889 | 86 993 063 | 3 863 887 | 13 513 449 |
| Revenue | 27 735 160 | 142 881 212 | 10 812 476 | 16 586 687 |
| Cost of sales | (22 918 271) | (55 888 149) | (6 948 589) | (3 073 238) |
| - Net income from services | 8 142 734 482 | 7 083 289 017 | 7 204 850 471 | 1 046 313 707 |
| **Total** | **8 147 551 371** | **7 170 282 080** | **7 208 714 358** | **1 059 827 156** |

The Group is domiciled in Zimbabwe. All revenue was earned from external customers in Zimbabwe.
All assets of the Group are located in Zimbabwe.
Total net income was earned by a variety of customers with no significant concentration on one customer.

## 39 BORROWING POWERS

The Directors may exercise all the powers of the Group to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, stock and other securities whether outright or as security for any debt, liability or obligation of the Group or of any third party.

## 40 POST EMPLOYMENT BENEFITS

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| Contributions made during the year are as follows: | | | | |
| Self administered pension fund | 19 693 833 | 62 719 852 | 14 707 347 | 2 680 720 |
| National Social Security Authority ("NSSA") Scheme | 3 514 083 | 11 428 013 | 2 609 593 | 491 479 |
| | **23 207 916** | **74 147 865** | **17 316 940** | **3 172 199** |

The Group operates a defined contribution pension scheme whose assets are held independently of the Group's assets in separate trustee administered funds. All permanent employees are members of this fund.

The NSSA Scheme was promulgated under the National Social Security Authority Act (Chapter 17:04). The Group contributions under the scheme are limited to specific contributions as legislated from time to time and are presently 3.5% (2019 : 3.5%) of pensionable salary to a maximum as set from time to time.

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2020
(Continued)

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **41 CAPITAL COMMITMENTS** | | | | |
| Capital expenditure authorised but not yet contracted | 3 297 832 693 | 2 931 843 088 | 3 297 832 693 | 653 575 000 |
| Capital commitments will be funded from the Group's own resources | | | | |
| **42 CONTINGENT LIABILITIES** | | | | |
| **(a) Letters of credit** | | | | |
| The contingent liabilities relate to guarantees and letters of credit undertaken on behalf of various customers. | 966 195 191 | 2 488 475 307 | 966 195 191 | 554 738 163 |

**(b) Legal proceedings**

The Group had no other material contingent liabilities as at 31 December 2020 (2019 - ZWL nil).

**(c) Potential tax obligations**

The Group is regularly subject to evaluations by tax authorities on its direct and indirect tax filings. The consequence of such reviews is that disagreements can arise with tax authorities over the interpretation or application of certain tax rules relating to the Group's business. Such disagreements may not necessarily be resolved in a manner that is favourable to the Group and additional tax obligations could arise upon the resolution of the disputes.

## 43 DIVIDEND

Final dividend of 44.65 ZWL cents per share was declared by the Board on 671 949 927 ordinary shares in issue on 5 May 2021 in respect of the year ended 31 December 2020. The dividend was payable to Shareholders registered in the books of Company at the close of business on Friday 28 May 2021. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 24 May 2021 and ex-dividend as from 26 May 2021. Dividend payment will be made to Shareholders on or about 7 June 2021.

## 44 SUBSEQUENT EVENTS

There are no adjusting subsequent events.

# Company
# Financial Statements

# Company Statement of Financial Position

## As at 31 December 2020

| | | INFLATION ADJUSTED | | HISTORICAL COST* | |
|---|---|---|---|---|---|
| | | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 |
| | Note | ZWL | ZWL | ZWL | ZWL |
| **ASSETS** | | | | | |
| Balances with banks and cash | | 205 119 833 | 68 187 957 | 205 119 833 | 15 200 658 |
| Amounts due from related parties | 2 | 128 605 145 | 100 694 544 | 128 605 145 | 22 447 121 |
| Financial assets at fair value through other comprehensive income | 3 | 28 360 179 | 14 900 227 | 28 360 179 | 3 321 602 |
| Financial assets at fair value through profit or loss | 4 | 350 582 882 | 99 189 212 | 350 582 882 | 22 111 548 |
| Investments in subsidiaries | 5 | 2 511 634 794 | 2 511 634 794 | 102 995 741 | 102 995 741 |
| Time - share asset | 6 | 17 030 685 | 15 985 907 | 17 030 685 | 3 563 625 |
| Other assets | 7 | 1 091 402 433 | 1 035 791 187 | 1 073 870 217 | 230 901 588 |
| Current income tax asset | | 8 568 179 | - | 8 568 179 | - |
| Deferred tax asset | | 101 667 451 | 43 646 231 | 106 001 415 | 9 729 745 |
| Property and equipment | 8 | 123 716 784 | 112 146 391 | 123 716 784 | 25 000 000 |
| **Total assets** | | **4 566 688 365** | **4 002 176 450** | **2 144 851 060** | **435 271 628** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Liabilities** | | | | | |
| Amounts due to related parties | 9 | 140 542 182 | 262 056 315 | 140 542 182 | 58 418 357 |
| Borrowings | | 817 866 000 | 752 430 507 | 817 866 000 | 167 734 000 |
| Other liabilities | 10 | 625 323 726 | 336 160 492 | 625 323 726 | 74 937 876 |
| Current income tax liability | | - | 11 730 898 | - | 2 615 086 |
| Deferred tax liability | | - | - | - | - |
| **Total liabilities** | | **1 583 731 908** | **1 362 378 212** | **1 583 731 908** | **303 705 319** |
| **Equity** | | | | | |
| Share capital and premium | | 544 272 878 | 544 272 878 | 14 089 892 | 14 089 892 |
| Other reserves | | 1 002 825 427 | 1 065 414 548 | 86 360 481 | 56 560 910 |
| Retained profits | | 1 435 858 152 | 1 030 110 812 | 460 668 779 | 60 915 507 |
| **Total equity** | | **2 982 956 457** | **2 639 798 238** | **561 119 152** | **131 566 309** |
| **Total equity and liabilities** | | **4 566 688 365** | **4 002 176 450** | **2 144 851 060** | **435 271 628** |

The Company financial statements on pages 186 to 200 were authorised for issue by the board of directors on 10 May 2021 and were signed on its behalf.

**Herbert Nkala**
**(Group Chairman)**

**John Mushayavanhu**
**(Group Chief Executive)**

**Tichaona K. Mabeza**
**(Group Company Secretary)**

*The historical 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 an opinion on this historical financial information.

# Company Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

| | Note | INFLATION ADJUSTED 31 Dec 2020 ZWL | INFLATION ADJUSTED 31 Dec 2019 ZWL | HISTORICAL COST* 31 Dec 2020 ZWL | HISTORICAL COST* 31 Dec 2019 ZWL |
|---|---|---|---|---|---|
| Revenue | 11 | 1 444 646 624 | 1 032 423 748 | 1 127 884 625 | 112 712 183 |
| Operating expenditure | 12 | (624 708 759) | (157 373 749) | (557 514 882) | (29 364 157) |
| Monetary (loss)/ gain | | (118 399 725) | 226 655 866 | - | - |
| **Operating profit** | | **701 538 140** | **1 101 705 865** | **570 369 743** | **83 348 026** |
| Taxation | 13 | (504 866) | 4 285 115 | 42 324 982 | (1 927 270) |
| **Profit for the year after taxation** | | **701 033 274** | **1 105 990 980** | **612 694 725** | **81 420 756** |
| **Other comprehensive income:** | | | | | |
| **Items that may be subsequently reclassified to profit or loss:** | | | | | |
| Gain on financial assets at fair value through other comprehensive income | | 24 761 035 | 8 100 307 | 24 761 035 | 1 805 744 |
| Tax | | (247 610) | (81 001) | (247 610) | (18 057) |
| **Items that will not be reclassified to profit or loss:** | | | | | |
| Gain/(loss) on property and equipment revaluation | | 27 265 200 | (53 841 371) | 115 309 969 | 22 928 405 |
| Tax | | (4 729 210) | 865 830 | (9 308 608) | (1 655 472) |
| **Other comprehensive income, net income tax** | | **47 049 415** | **(44 956 235)** | **130 514 786** | **23 060 620** |
| **Total comprehensive income for the year** | | **748 082 689** | **1 061 034 745** | **743 209 511** | **104 481 376** |
| **Profit for the year attributable to:** | | | | | |
| Equity holders of parent | | 701 033 274 | 1 105 990 980 | 612 694 725 | 81 420 756 |
| **Total profit for the year** | | **701 033 274** | **1 105 990 980** | **612 694 725** | **81 420 756** |
| **Total comprehensive income attributable to:** | | | | | |
| Equity holders of parent | | 748 082 689 | 1 061 034 745 | 743 209 511 | 104 481 376 |
| **Total comprehensive income for the year** | | **748 082 689** | **1 061 034 745** | **743 209 511** | **104 481 376** |
| **Earnings per share (ZWL cents)** | | | | | |
| Basic | 14.1 | 112.87 | 179.15 | 98.65 | 13.19 |
| Diluted | 14.2 | 112.87 | 179.15 | 98.65 | 13.19 |
| Headline | 14.3 | 112.87 | 179.15 | 98.65 | 13.19 |

*The historical 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 an opinion on this historical financial information.

# Company Statement of Changes in Equity

## For the year ended 31 December 2020

### INFLATION ADJUSTED

| | Share capital ZWL | Share premium ZWL | Revaluation reserves ZWL | Non distributable reserves ZWL | Treasury share reserves ZWL | Financial assets at fair value reserves ZWL | Retained profits ZWL | Total ZWL |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2019** | **259 546** | **544 013 332** | **-** | **1 401 102 200** | **(224 093 871)** | **28 088 326** | **186 178 848** | **1 935 548 381** |
| AFS revaluation loss | - | - | - | - | - | 8 100 307 | - | 8 100 307 |
| Deferred tax on AFS | - | - | - | - | - | (81 001) | - | (81 001) |
| Profit for the year | - | - | - | - | - | - | 1 105 990 980 | 1 105 990 980 |
| Gain on revaluation of property and equipment, net of tax | - | - | (52 975 541) | - | - | - | - | (52 975 541) |
| Increase in ownership interest | - | - | - | 36 036 299 | 26 490 305 | - | - | 62 526 604 |
| Purchase of treasury shares | - | - | - | - | (157 252 476) | - | - | (157 252 476) |
| Dividend declared and paid | - | - | - | - | - | - | (262 059 016) | (262 059 016) |
| **Balance at 31 December 2019** | **259 546** | **544 013 332** | **(52 975 541)** | **1 437 138 499** | **(354 856 042)** | **36 107 632** | **1 030 110 812** | **2 639 798 238** |
| AFS revaluation gain | - | - | - | - | - | 24 761 035 | - | 24 761 035 |
| Deferred tax on AFS | - | - | - | - | - | (247 610) | - | (247 610) |
| Profit for the year | - | - | - | - | - | - | 701 033 273 | 701 033 273 |
| Gain on revaluation of property | | | | | | | | - |
| and equipment, net of tax | - | - | 22 535 990 | - | - | - | - | 22 535 990 |
| Purchase of treasury shares | - | - | - | - | (109 638 536) | - | - | (109 638 536) |
| Dividend declared and paid | - | - | - | - | - | - | (295 285 933) | (295 285 933) |
| **Balance at 31 December 2020** | **259 546** | **544 013 332** | **(30 439 551)** | **1 437 138 499** | **(464 494 578)** | **60 621 057** | **1 435 858 152** | **2 982 956 457** |

### HISTORICAL COST*

| | Share capital ZWL | Share premium ZWL | Revaluation reserves ZWL | Non distributable reserves ZWL | Treasury share reserves ZWL | Financial assets at fair value reserves ZWL | Retained profits ZWL | Total ZWL |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2019** | **6 719** | **14 083 173** | **112 500** | **36 271 104** | **(6 789 226)** | **1 066 199** | **471 597** | **45 222 066** |
| AFS revaluation loss | - | - | - | - | - | 1 805 744 | - | 1 805 744 |
| Deferred tax on AFS | - | - | - | - | - | (18 057) | - | (18 057) |
| Profit for the year | - | - | - | - | - | - | 81 420 756 | 81 420 756 |
| Gain on revaluation of property and equipment, net of tax | - | - | 21 272 933 | - | - | - | - | 21 272 933 |
| Increase in ownership interest | - | - | - | 8 033 317 | 5 905 296 | - | - | 13 938 613 |
| Purchase of treasury shares | - | - | - | - | (11 098 900) | - | - | (11 098 900) |
| Dividend declared and paid | - | - | - | - | - | - | (20 976 846) | (20 976 846) |
| **Balance at 31 December 2019** | **6 719** | **14 083 173** | **21 385 433** | **44 304 421** | **(11 982 830)** | **2 853 886** | **60 915 507** | **131 566 309** |
| AFS revaluation gain | - | - | - | - | - | 24 761 035 | - | 24 761 035 |
| Deferred tax on AFS | - | - | - | - | - | (247 610) | - | (247 610) |
| Profit for the year | - | - | - | - | - | - | 612 694 725 | 612 694 725 |
| Gain on revaluation of property and equipment, net of tax | - | - | 106 001 361 | - | - | - | - | 106 001 361 |
| Purchase of treasury shares | - | - | - | - | (100 715 215) | - | - | (100 715 215) |
| Dividend declared and paid | - | - | - | - | - | - | (212 941 453) | (212 941 453) |
| **Balance at 31 December 2020** | **6 719** | **14 083 173** | **127 386 794** | **44 304 421** | **(112 698 045)** | **27 367 311** | **460 668 779** | **561 119 152** |

*The historical 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 an opinion on this historical financial information.

# Company's Statement of Cash Flows

For the year ended 31 December 2020

| | INFLATION ADJUSTED | | HISTORICAL COST* | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit before tax | 701 538 140 | 1 101 705 865 | 570 369 743 | 83 348 026 |
| **Non cash items:** | | | | |
| Depreciation | 16 253 083 | 2 122 118 | 3 651 125 | 286 028 |
| Provisions | 435 721 388 | 83 927 325 | 435 721 388 | 18 709 324 |
| Fair value adjustment on financial assets at fair value through profit or loss | (301 476 223) | (9 279 297) | (301 476 223) | (2 068 568) |
| Net unrealised exchange gains and losses | (31 371 491) | (14 731 710) | (31 371 491) | (6 494 657) |
| **Net cash generated before changes in operating assets and liabilities** | **820 664 897** | **1 163 744 301** | **676 894 542** | **93 780 153** |
| **Changes in operating assets and liabilities** | | | | |
| (Increase)/decrease in amounts due from related parties | (27 910 601) | 163 567 088 | (106 158 024) | (12 963 102) |
| Decrease in available for sale assets | 11 301 083 | - | (277 542) | - |
| Increase in other assets | (41 839 562) | (80 240 082) | (244 500 438) | (21 389 725) |
| Decrease in amounts due to related parties | (121 514 133) | (427 561 937) | 82 123 825 | 31 713 095 |
| Decrease in other liabilities | (149 055 169) | (89 508 991) | 112 167 447 | (1 733 623) |
| Increase/(decrease) in financial assets at fair value through profit or loss | 50 082 553 | (78 929 563) | (26 995 111) | (27 222 217) |
| | **(278 935 829)** | **(512 673 485)** | **(183 639 843)** | **(31 595 572)** |
| Income tax paid | (83 801 983) | (230 618 801) | (74 686 170) | (10 204 144) |
| **Net cash generated in operating activities** | **457 927 087** | **420 452 015** | **418 568 529** | **51 980 437** |
| **Cash flows from investing activities** | | | | |
| Change in subsidiary investments | - | (89 717 112) | - | (20 000 000) |
| Purchase of property and equipment | (1 603 054) | (8 437 732) | (525 000) | (1 373 891) |
| **Cash used in investing activities** | **(1 603 054)** | **(98 154 844)** | **(525 000)** | **(21 373 891)** |
| **Cash flows from financing activities** | | | | |
| Purchase of treasury shares | (57 974 728) | (39 021 453) | (49 051 407) | (4 900 010) |
| Dividend paid | (295 285 933) | (262 059 016) | (212 941 453) | (20 976 846) |
| Proceeds from borrowings | - | - | - | - |
| **Net cash used in financing activities** | **(353 260 661)** | **(301 080 469)** | **(261 992 860)** | **(25 876 856)** |
| **Net increase/(decrease) in cash and cash equivalents cash** | **103 063 370** | **21 216 702** | **156 050 669** | **4 729 690** |
| **Cash and cash equivalents at beginning of the year** | **68 187 957** | **17 165 965** | **15 200 658** | **616 065** |
| Net exchange gains and losses on cash and cash equivalents | 33 868 506 | 29 805 290 | 33 868 506 | 9 854 903 |
| **Cash and cash equivalents at the end of year** | **205 119 833** | **68 187 957** | **205 119 833** | **15 200 658** |

*The historical 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 an opinion on this historical financial information.

# Notes to the Company Financial Statements

For the year ended 31 December 2020

## 1 COMPANY ACCOUNTING POLICIES

The financial statements of the Company for the year ended 31 December 2020 are prepared in accordance with the same principles used in preparing consolidated financial statements of the Group. For detailed accounting policies refer to the Group's financial statements.

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **2 AMOUNTS DUE FROM RELATED PARTIES** | | | | |
| Share option balances due from subsidiaries | - | - | - | - |
| Other intercompany receivables: | | | | |
| FBC Bank Limited | 40 860 295 | 38 066 361 | 40 860 295 | 8 485 864 |
| FBC Building Society | 5 902 299 | - | 5 902 299 | - |
| FBC Reinsurance Limited | 9 459 791 | - | 9 459 791 | - |
| FBC Securities (Private) Limited | 1 315 114 | 3 204 978 | 1 315 114 | 714 463 |
| FBC Insurance Company (Private) Limited | 23 661 316 | 100 887 | 23 661 316 | 22 490 |
| Microplan Financial Services (Private) Limited | 47 406 330 | 59 322 318 | 47 406 330 | 13 224 304 |
| | **128 605 145** | **100 694 544** | **128 605 145** | **22 447 121** |
| Current | 128 605 145 | 100 694 544 | 128 605 145 | 22 447 121 |
| Non-current | - | - | - | - |
| **Total** | **128 605 145** | **100 694 544** | **128 605 145** | **22 447 121** |
| Amounts receivable from group companies were not considered impaired at year end. These transactions are at arm's length | | | | |
| **3 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME** | | | | |
| As at 1 January | 14 900 227 | 42 237 696 | 3 321 602 | 1 515 858 |
| Acquisition | - | - | 277 542 | - |
| Net fair value gain/(loss) transfer to equity | 24 761 035 | 8 100 307 | 24 761 035 | 1 805 744 |
| Impairment | - | - | - | - |
| Effects of IAS 29 application | (11 301 083) | (35 437 776) | - | - |
| **As at 31 December** | **28 360 179** | **14 900 227** | **28 360 179** | **3 321 602** |

The financial assets at fair value through other comprehensive income include Zimbabwe Stock Exchange listed shares.

During the year 31 December 2014, a dividend in specie was declared by one of the Company's subsidiary consisting of their entire holding in Turnall Holdings Limited. In turn, the Company disposed of a portion of the shares through a dividend in specie. The intercompany transaction was fully eliminated in the consolidated financial statements. An unrealised gain was recognised on the remaining shares.

The remaining interest represents 5% of Turnall Holdings Limited. The fair value was ZWL 28 082 637 for these shares for the year.

# Notes to the Company Financial Statements

For the year ended 31 December 2020
(Continued)

| | | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|---|
| | | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **4** | **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** | | | | |
| | As at 1 January | 99 189 212 | 51 471 927 | 22 111 548 | 1 847 263 |
| | Acquisitions | 49 053 215 | 149 798 225 | 27 314 332 | 27 899 263 |
| | Disposals | (546 574) | (5 769 297) | (319 221) | (677 046) |
| | Transfers | - | (40 491 576) | - | (9 026 500) |
| | Net fair value gain/(loss) transfer to profit or loss | 301 476 223 | 9 279 297 | 301 476 223 | 2 068 568 |
| | Effects of IAS 29 application | (98 589 194) | (65 099 364) | - | - |
| | **As at 31 December** | **350 582 882** | **99 189 212** | **350 582 882** | **22 111 548** |
| | Listed Securities | 204 246 372 | 99 189 212 | 204 246 372 | 22 111 548 |
| | Unlisted securities | 146 336 510 | - | 146 336 510 | - |
| | | **350 582 882** | **99 189 212** | **350 582 882** | **22 111 548** |

Unlisted securities comprises of Afreximbank class B shares.

| | | Equity interest 2020 | Equity interest 2019 | INFLATION ADJUSTED 31 Dec 2020 ZWL | INFLATION ADJUSTED 31 Dec 2019 ZWL | HISTORICAL COST 31 Dec 2020 ZWL | HISTORICAL COST 31 Dec 2019 ZWL |
|---|---|---|---|---|---|---|---|
| **5** | **INVESTMENT IN SUBSIDIARIES** | | | | | | |
| **5.1** | **Investment in subsidiaries** | | | | | | |
| | FBC Bank Limited | 100% | 100% | 1 526 883 008 | 1 526 883 008 | 39 527 261 | 39 527 261 |
| | FBC Building Society | 100% | 100% | 502 047 693 | 502 047 693 | 12 996 785 | 12 996 785 |
| | FBC Reinsurance Limited | 100% | 100% | 402 053 773 | 402 053 773 | 43 995 330 | 43 995 330 |
| | FBC Securities (Private) Limited | 100% | 100% | 14 650 477 | 14 650 477 | 379 265 | 379 265 |
| | FBC Insurance Company (Private) Limited | 95.4% | 95.4% | 65 806 699 | 65 806 699 | 6 092 100 | 6 092 100 |
| | Microplan Financial Services (Private) Limited | 100% | 100% | 193 144 | 193 144 | 5 000 | 5 000 |
| | | | | **2 511 634 794** | **2 511 634 7934** | **102 995 741** | **102 995 741** |
| **5.2** | **Movement analysis - investment in subsidiaries** | | | | | | |
| | As at 1 January | | | 2 511 634 794 | 2 318 899 500 | 102 995 741 | 60 030 628 |
| | Recapitalisation of FBC Reinsurance Limited | | | - | 170 462 514 | - | 38 000 000 |
| | Additional investment in FBC Insurance Company (Private) Limited | | | - | 22 272 780 | - | 4 965 113 |
| | **As at 31 December** | | | **2 511 634 794** | **2 511 634 794** | **102 995 741** | **102 995 741** |

**6 TIME - SHARE ASSET**

The Company owns 85% share in a houseboat for use by the Company's employees. The value stated is the value of the share held according to a professional valuation performed as at the reporting date.

| | INFLATION ADJUSTED 31 Dec 2020 ZWL | INFLATION ADJUSTED 31 Dec 2019 ZWL | HISTORICAL COST 31 Dec 2020 ZWL | HISTORICAL COST 31 Dec 2019 ZWL |
|---|---|---|---|---|
| Balance at 1 January | 15 985 907 | 869 143 | 3 563 625 | 22 500 |
| Acquisition | - | 8 437 732 | - | 1 373 891 |
| Depreciation | (15 985 907) | (2 122 118) | (3 563 625) | (286 028) |
| Revaluation gain | 17 030 685 | 8 801 150 | 17 030 685 | 2 453 262 |
| **Balance as at 31 December** | **17 030 685** | **15 985 907** | **17 030 685** | **3 563 625** |

The time - share asset is included in prepayments and other assets in the consolidated statement of financial position.

# Notes to the Company Financial Statements

For the year ended 31 December 2020
(Continued)

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **7 OTHER ASSETS** | | | | |
| ShoreCap blocked funds registration | 5 000 000 | 22 429 278 | 5 000 000 | 5 000 000 |
| Norsad interest claim legacy debt | 208 476 044 | 243 787 484 | 208 476 044 | 54 345 816 |
| Legacy Debt asset | 817 866 000 | 752 430 507 | 817 866 000 | 167 734 000 |
| Other | 60 060 389 | 17 143 918 | 42 528 173 | 3 821 772 |
| | **1 091 402 433** | **1 035 791 187** | **1 073 870 217** | **230 901 588** |

## 8 Property and equipment

| | INFLATION ADJUSTED | | | HISTORICAL COST | | |
|---|---|---|---|---|---|---|
| | Land ZWL | Computer equipment ZWL | Total ZWL | Land ZWL | Computer equipment ZWL | Total ZWL |
| **Year ended 31 December 2019** | | | | | | |
| Opening net book amount | 174 788 912 | - | 174 788 912 | 4 524 857 | - | 4 524 857 |
| Additions | - | - | - | - | - | - |
| Revaluation of property | (62 642 521) | - | (62 642 521) | 20 475 143 | - | 20 475 143 |
| Depreciation | - | - | - | - | - | - |
| **Closing net book amount** | **112 146 391** | **-** | **112 146 391** | **25 000 000** | **-** | **25 000 000** |
| **As at 31 December 2019** | | | | | | |
| Cost or valuation | 112 146 391 | - | 112 146 391 | 25 000 000 | - | 25 000 000 |
| Accumulated depreciation | - | - | - | - | - | - |
| Accumulated impairment | - | - | - | - | - | - |
| **Net book amount** | **112 146 391** | **-** | **112 146 391** | **25 000 000** | **-** | **25 000 000** |
| **Year ended 31 December 2020** | | | | | | |
| Opening net book amount | 112 146 391 | - | 112 146 391 | 25 000 000 | - | 25 000 000 |
| Additions | - | 1 603 054 | 1 603 054 | - | 525 000 | 525 000 |
| Revaluation of property | 10 196 489 | 38 026 | 10 234 515 | 97 342 880 | 936 404 | 98 279 284 |
| Depreciation | - | (267 176) | (267 176) | - | (87 500) | (87 500) |
| **Closing net book amount** | **122 342 880** | **1 373 904** | **123 716 784** | **122 342 880** | **1 373 904** | **123 716 784** |
| **As at 31 December 2020** | | | | | | |
| Cost or valuation | 122 342 880 | 1 641 080 | 123 983 960 | 122 342 880 | 1 461 404 | 123 804 284 |
| Accumulated depreciation | - | (267 176) | (267 176) | - | (87 500) | (87 500) |
| Accumulated impairment | - | - | - | - | - | - |
| **Net book amount** | **122 342 880** | **1 373 904** | **123 716 784** | **122 342 880** | **1 373 904** | **123 716 784** |

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| If land was stated on historical cost basis, the amount would be as follows; | | | | |
| Land | 174 788 912 | 174 788 912 | 4 524 857 | 4 524 857 |
| Computer equipment | 898 912 | - | 525 000 | - |
| | **175 687 824** | **174 788 912** | **5 049 857** | **4 524 857** |

For fair value techniques used to derive fair values please refer to Note 13 in the consolidate financial statements of the Group.

# Notes to the Company Financial Statements
For the year ended 31 December 2020
(Continued)

| | | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|---|
| | | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **9** | **AMOUNTS DUE TO RELATED PARTIES** | | | | |
| | **Other intercompany payables** | | | | |
| | FBC Bank Limited | 135 746 084 | 204 206 280 | 135 746 084 | 45 522 259 |
| | FBC Building Society | - | 36 335 431 | - | 8 100 000 |
| | FBC Reinsurance Limited | 4 627 032 | 20 756 198 | 4 627 032 | 4 627 032 |
| | FBC Securities (Private) Limited | 17 250 | 77 381 | 17 250 | 17 250 |
| | FBC Insurance Company (Private) Limited | 151 816 | 681 025 | 151 816 | 151 816 |
| | Microplan Financial Services (Private) Limited | - | - | - | - |
| | | **140 542 182** | **262 056 315** | **140 542 182** | **58 418 357** |
| | These transactions are at arm's length | | | | |
| **10** | **OTHER LIABILITIES** | | | | |
| | Provisions | 364 132 547 | 97 217 542 | 364 132 547 | 21 672 018 |
| | Norsad legacy debt future interest payable | 242 579 199 | 148 411 590 | 242 579 199 | 33 084 344 |
| | Unearned premium reserves | - | 89 806 830 | - | 20 020 000 |
| | Other | 18 611 980 | 724 530 | 18 611 980 | 161 514 |
| | | **625 323 726** | **336 160 492** | **625 323 726** | **74 937 876** |
| **11** | **REVENUE** | | | | |
| | Net interest expense | (73 834 322) | (66 609 039) | (51 664 750) | (7 473 071) |
| | Dividend income | 545 159 326 | 518 892 664 | 418 851 651 | 48 332 879 |
| | Management fees | 522 926 827 | 327 503 982 | 334 323 320 | 34 722 348 |
| | Net earned insurance premium revenue | 40 935 947 | 72 585 445 | 20 020 000 | 7 500 000 |
| | Net gain/(loss) on financial assets at fair value through profit or loss | 301 476 223 | 9 279 297 | 301 476 223 | 2 068 568 |
| | Exchange gains | 31 371 491 | 29 134 093 | 31 371 491 | 6 494 657 |
| | Legacy debt interest claim | - | 80 841 722 | - | 18 021 472 |
| | Other | 76 611 132 | 60 795 584 | 73 506 690 | 3 045 330 |
| | | **1 444 646 624** | **1 032 423 748** | **1 127 884 625** | **112 712 183** |
| **12** | **OPERATING EXPENDITURE** | | | | |
| | Staff costs | 520 202 438 | 119 533 002 | 480 164 707 | 22 388 145 |
| | Administration expenses | 81 681 043 | 31 468 993 | 69 030 713 | 5 894 041 |
| | Audit fees | 6 572 195 | 4 249 636 | 4 668 337 | 795 943 |
| | Depreciation | 16 253 083 | 2 122 118 | 3 651 125 | 286 028 |
| | | **624 708 759** | **157 373 749** | **557 514 882** | **29 364 157** |

# Notes to the Company Financial Statements

For the year ended 31 December 2020
(Continued)

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **13 TAXATION** | | | | |
| The following constitute the major components of income tax expense recognised in the statement of comprehensive income | | | | |
| **Analysis of tax charge in respect of the profit for the year** | | | | |
| Current income tax charge | (63 502 906) | (44 007 159) | (63 502 906) | (12 819 231) |
| Deferred income tax | 62 998 040 | 48 292 274 | 105 827 888 | 10 891 961 |
| Prior year under provision | - | - | - | - |
| **Income tax expense** | **(504 866)** | **4 285 115** | **42 324 982** | **(1 927 270)** |
| The income tax rate applicable to the Group`s taxable income for the year ended 31 December 2020 is 24.72% (2019: 25.75%). | | | | |
| **13.1 Reconciliation of income tax expense** | | | | |
| The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the principal tax rate of 24.72% (2019: 25.75%) as follows; | | | | |
| **Profit before income tax** | **701 538 140** | **1 101 705 865** | **570 369 743** | **83 348 026** |
| Income tax charged based on profit for the year at 24.72% (2019:25.75%) | (173 420 228) | (283 689 260) | (140 995 400) | (21 462 117) |
| **Tax effect of:** | | | | |
| Exempt income | 217 043 340 | (2 389 418) | 185 820 083 | 532 656 |
| Additional/(savings) tax resulting from permanent differences | - | - | - | - |
| Income subject to tax at lower rates | (15 073 811) | (9 576 795) | (15 073 811) | 2 134 887 |
| Impairment allowance | - | - | - | - |
| Expenses not deductible for tax purposes | (32 643 988) | 21 941 679 | (29 528 784) | (4 891 303) |
| Assessed losses | - | - | - | - |
| Prior year under provision | - | - | - | - |
| Other | 3 589 821 | 277 998 909 | 42 102 894 | 21 758 607 |
| **Income tax expense** | **(504 866)** | **4 285 115** | **42 324 982** | **(1 927 270)** |
| **Effective rate** | **-0.1%** | **0.4%** | **7.4%** | **-2.3%** |

# Notes to the Company Financial Statements

For the year ended 31 December 2020
(Continued)

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **14 EARNINGS PER SHARE** | | | | |
| **14.1 Basic earnings per share** | | | | |
| Profit attributable to equity holders of the parent | 701 033 274 | 1 105 990 980 | 612 694 725 | 81 420 756 |
| **Total** | **701 033 274** | **1 105 990 980** | **612 694 725** | **81 420 756** |
| **Basic earnings per share (ZWL cents)** | **112.87** | **179.15** | **98.65** | **13.19** |

| | Shares issued | Treasury shares | Shares outstanding | Weighted |
|---|---|---|---|---|
| **Year ended 31 December 2020** | | | | |
| Issued ordinary shares as at 1 January | 671 949 927 | 64 708 627 | 607 241 300 | 607 241 300 |
| Treasury shares purchased | - | 3 483 111 | (3 483 111) | (647 665) |
| Treasury shares sold | - | (23 629 577) | 23 629 577 | 14 501 439 |
| **Weighted average number of ordinary shares as at 31 December** | **671 949 927** | **44 562 161** | **627 387 766** | **621 095 074** |

| | Shares issued | Treasury shares | Shares outstanding | Weighted |
|---|---|---|---|---|
| **Year ended 31 December 2019** | | | | |
| Issued ordinary shares as at 1 January | 671 949 927 | 44 827 282 | 627 122 645 | 627 122 645 |
| Treasury shares purchased | - | 19 881 345 | (19 881 345) | (9 761 017) |
| **Weighted average number of ordinary shares as at 31 December** | **671 949 927** | **64 708 627** | **607 241 300** | **617 361 628** |

### 14.2 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.

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **Earnings** | | | | |
| Profit attributable to equity holders of the parent | 701 033 274 | 1 105 990 980 | 612 694 725 | 81 420 756 |
| **Total** | **701 033 274** | **1 105 990 980** | **612 694 725** | **81 420 756** |
| **Weighted average number of ordinary shares at 31 December** | **621 095 074** | **617 361 628** | **621 095 074** | **617 361 628** |
| **Diluted earnings per share (ZWL cents)** | **112.87** | **179.15** | **98.65** | **13.19** |
| **14.3 Headline earnings per share** | | | | |
| Profit attributable to equity holders of the parent | 701 033 274 | 1 105 990 980 | 612 694 725 | 81 420 756 |
| Adjusted for excluded remeasurements | - | - | - | - |
| **Headline earnings** | **701 033 274** | **1 105 990 980** | **612 694 725** | **81 420 756** |
| **Weighted average number of ordinary shares at 31 December** | **621 095 074** | **617 361 628** | **621 095 074** | **617 361 628** |
| **Headline earnings per share (ZWL cents)** | **112.87** | **179.15** | **98.65** | **13.19** |

# Notes to the Company Financial Statements
For the year ended 31 December 2020
(Continued)

## 15 FINANCIAL RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:
- Credit risk, interest rate risk, price risk, liquidity risk and foreign exchange risk.

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments.

This note describes the Company's objectives, policies and processes for managing those risks and methods used to measure them. Further quantitative information in respect of these risks is presented throughout these inflation adjusted financial statement

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates financial risk in close cooperation with the operating units. The Board provides written principles for overall risk management.

**Principal financial instruments**

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:
a) Amounts due from related parties
b) Balances with bank and cash
c) Amounts due to related parties
d) Borrowings
e) Financial assets at fair value through profit or loss
f) Financial assets at fair value through other comprehensive income
g) Other liabilities

**General objectives, policies and processes**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

**Financial instruments by category**

A summary of the financial instruments held by category is provided below:

| | INFLATION ADJUSTED | | HISTORICAL COST | |
|---|---|---|---|---|
| | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL | 31 Dec 2020 ZWL | 31 Dec 2019 ZWL |
| **Financial assets** | | | | |
| **At amortised cost** | | | | |
| Balances with bank and cash | 205 119 833 | 68 187 957 | 205 119 833 | 15 200 658 |
| Amounts due from related parties | 128 605 145 | 100 694 544 | 128 605 145 | 22 447 121 |
| At fair value through profit or loss | | | | |
| Financial assets at fair value through profit or loss | 350 582 882 | 99 189 212 | 350 582 882 | 22 111 548 |
| Financial assets at fair value through other comprehensive income | 28 360 179 | 14 900 227 | 28 360 179 | 3 321 602 |
| | **712 668 039** | **282 971 940** | **712 668 039** | **63 080 929** |
| **Financial liabilities** | | | | |
| **At amortised cost** | | | | |
| Borrowings | 817 866 000 | 752 430 507 | 817 866 000 | 167 734 000 |
| Amounts due to related parties | 140 542 182 | 262 056 315 | 140 542 182 | 58 418 357 |
| Other liabilities | 625 323 726 | 336 160 492 | 625 323 726 | 74 937 876 |
| | **1 583 731 908** | **1 350 647 314** | **1 583 731 908** | **301 090 233** |

# Notes to the Company Financial Statements

For the year ended 31 December 2020
(Continued)

**Financial instruments not measured at fair value**

Financial instruments not measured at fair value include balances with bank and cash, amounts due from related parties, amounts due to related parties, borrowings, and other liabilities. The carrying value of these instruments approximates their fair value.

## 15.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from amounts due from related parties. The credit risk with respect to amounts due from related parties is limited to intercompany balances and shareholder loans to subsidiaries. Further disclosures regarding amounts due from related parties are provided in note 2.

The carrying amounts of financial assets represent the maximum credit exposure.

The Company does not require collateral in respect of amounts due from related parties. The Company does not have amounts due from related parties for which loss allowance has been recognised. Credit on assets at amortised cost is insignificant.

## 15.2 Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its obligations promptly in respect of all maturing liabilities, increase in financing assets, including commitments and any other financial obligations, or will only able to do so at materially disadvantageous terms. Day-to-day liquidity management is performed by management within Board approved credit limits, such that there is sufficient liquidity to fund probable operational cash flow requirements on a monthly basis. The maturity structure of financial instruments is shown below:

### Inflation Adjusted

| | Up to 3 months ZWL | Between 3 and 12 months ZWL | Between 1 and 2 years ZWL | Over 2 years ZWL | Total ZWL |
|---|---|---|---|---|---|
| **As at 31 December 2020** | | | | | |
| **Liabilities** | | | | | |
| Borrowings | - | 817 866 000 | - | - | 817 866 000 |
| Amounts due to related parties | 140 542 182 | - | - | - | 140 542 182 |
| Other liabilities | 625 323 726 | - | - | - | 625 323 726 |
| | **765 865 908** | **817 866 000** | **-** | **-** | **1 583 731 908** |
| **Assets** | | | | | |
| Balances with banks and cash | 205 119 833 | - | - | - | 205 119 833 |
| Amounts due from related parties | 128 605 145 | - | - | - | 128 605 145 |
| Financial assets at fair value through other comprehensive income | 28 360 179 | - | - | - | 28 360 179 |
| Financial assets at fair value through profit or loss | 350 582 882 | - | - | - | 350 582 882 |
| Other assets | 196 350 | 1 031 342 044 | - | - | 1 031 538 394 |
| | **712 864 389** | **1 031 342 044** | **-** | **-** | **1 744 206 433** |
| **Liquidity gap** | **(53 001 519)** | **213 476 044** | **-** | **-** | **160 474 525** |
| **Cumulative liquidity gap-on balance sheet** | **(53 001 519)** | **160 474 525** | **160 474 525** | **160 474 525** | **-** |

# Notes to the Company Financial Statements

For the year ended 31 December 2020
(Continued)

**Inflation Adjusted**

| | Up to 3 months ZWL | Between 3 and 12 months ZWL | Between 1 and 2 years ZWL | Over 2 years ZWL | Total ZWL |
|---|---|---|---|---|---|
| **As at 31 December 2019** | | | | | |
| **Liabilities** | | | | | |
| Borrowings | - | - | 752 430 507 | - | 752 430 507 |
| Amounts due to related parties | 262 056 315 | - | - | - | 262 056 315 |
| Other liabilities | - | - | 336 160 492 | - | 336 160 492 |
| | **262 056 315** | **-** | **1 088 590 999** | **-** | **1 350 647 314** |
| **Assets** | | | | | |
| Balances with banks and cash | 68 187 957 | - | - | - | 68 187 957 |
| Amounts due from related parties | 100 694 544 | - | - | - | 100 694 544 |
| Financial assets at fair value through other comprehensive income | 14 900 227 | - | - | - | 14 900 227 |
| Financial assets at fair value through profit or loss | 99 189 212 | - | - | - | 99 189 212 |
| Other assets | - | - | 1 035 791 187 | - | 1 035 791 187 |
| | **282 971 940** | **-** | **1 035 791 187** | **-** | **1 318 763 127** |
| **Liquidity gap** | **20 915 625** | **-** | **(52 799 812)** | **-** | **(31 884 187)** |
| **Cumulative liquidity gap-on balance sheet** | **20 915 625** | **20 915 625** | **(31 884 187)** | **(31 884 187)** | **-** |

**Historical Cost**

| | Up to 3 months ZWL | Between 3 and 12 months ZWL | Between 1 and 2 years ZWL | Over 2 years ZWL | Total ZWL |
|---|---|---|---|---|---|
| **As at 31 December 2020** | | | | | |
| **Liabilities** | | | | | |
| Borrowings | - | 817 866 000 | - | - | 817 866 000 |
| Amounts due to related parties | 140 542 182 | - | - | - | 140 542 182 |
| Other liabilities | 625 323 726 | - | - | - | 625 323 726 |
| | **765 865 908** | **817 866 000** | **-** | **-** | **1 583 731 908** |
| **Assets** | | | | | |
| Balances with banks and cash | 205 119 833 | - | - | - | 205 119 833 |
| Amounts due from related parties | 128 605 145 | - | - | - | 128 605 145 |
| Financial assets at fair value through other comprehensive income | 28 360 179 | - | - | - | 28 360 179 |
| Financial assets at fair value through profit or loss | 350 582 882 | - | - | - | 350 582 882 |
| Other assets | 196 350 | 1 031 342 044 | - | - | 1 031 538 394 |
| | **712 864 389** | **1 031 342 044** | **-** | **-** | **1 744 206 433** |
| **Liquidity gap** | **(53 001 519)** | **213 476 044** | **-** | **-** | **160 474 525** |
| **Cumulative liquidity gap-on balance sheet** | **(53 001 519)** | **160 474 525** | **160 474 525** | **160 474 525** | **-** |

# Notes to the Company Financial Statements
For the year ended 31 December 2020
(Continued)

**Historical Cost**

| | Up to 3 months ZWL | Between 3 and 12 months ZWL | Between 1 and 2 years ZWL | Over 2 years ZWL | Total ZWL |
|---|---|---|---|---|---|
| **As at 31 December 2019** | | | | | |
| **Liabilities** | | | | | |
| Borrowings | - | - | 167 734 000 | - | 167 734 000 |
| Amounts due to related parties | 58 418 357 | - | - | - | 58 418 357 |
| Other liabilities | - | - | 74 937 876 | - | 74 937 876 |
| | **58 418 357** | **-** | **242 671 876** | **-** | **301 090 233** |
| **Assets** | | | | | |
| Balances with banks and cash | 15 200 658 | - | - | - | 15 200 658 |
| Amounts due from related parties | 22 447 121 | - | - | - | 22 447 121 |
| Financial assets at fair value through other comprehensive income | 3 321 602 | - | - | - | 3 321 602 |
| Financial assets at fair value through profit or loss | 22 111 548 | - | - | - | 22 111 548 |
| Other assets | - | - | 230 901 588 | - | 230 901 588 |
| | **63 080 929** | **-** | **230 901 588** | **-** | **293 982 517** |
| **Liquidity gap** | **4 662 572** | **-** | **(11 770 288)** | **-** | **(7 107 716)** |
| **Cumulative liquidity gap-on balance sheet** | **4 662 572** | **4 662 572** | **(7 107 716)** | **(7 107 716)** | **-** |

## 15.3 Market risk

Market risk is the risk that the value of a financial position or portfolio will decline due to adverse movements in market rates.

a) Price - The Company does trade in equities therefore, is significantly exposed to price risk fluctuations. The price risk exposures on equities is material as the equities are listed on the Zimbabwe Stock Exchange. The Company is not exposed to commodity price risk.

A 5% positive or negative change in stock market prices would affect the Company's profit before tax and equity as follows:

| | 31-Dec-20 | | |
|---|---|---|---|
| Financial assets at fair value through profit or loss | **ZWL** | **Change** | **Effect on profit before tax ZWL** |
| | 301 476 223 | 5% | 15 073 811 |

# Notes to the Company Financial Statements

For the year ended 31 December 2020
(Continued)

b) Foreign exchange risk - Emanating from transactions with regional and international financiers, the foreign exchange risk arises from fluctuations in foreign exchange rates on assets and liabilities denominated in a currency other than the ZWL. As at 31 December 2020, the company held both receivables and liabilities and is, therefore, exposed to foreign exchange risk. Included in the financial statements are liabilities relating to legacy debt owed to foreign suppliers at a US$/ZWL closing rate of ZWL81.7866: US$ 1.

| | 31-Dec-20 | | |
|---|---|---|---|
| | Foreign currency amount (US$) | Rate of exchange | |
| Norsad legacy debt liability | 10 000 000 | 81.7866 | 817 866 000 |
| Norsad legacy debt future interest payable | 2 549 027 | 81.7866 | 208 476 252 |
| Norsad legacy debt asset | 10 000 000 | 81.7866 | 817 866 000 |
| USD nostro balance | 958 724 | 81.7866 | 78 410 775 |

A 5% positive or negative change in foreign currency would affect the Company's profit before tax and equity as follows:

| | 31-Dec-20 | | |
|---|---|---|---|
| | ZWL | Change | Effect on profit before tax ZWL |
| Exchange gains or losses | 31 371 491 | 5% | 1 568 575 |

### 15.4 Interest rate risk

Interest rate risk is the risk that fluctuating interest rates will unfavourably affect the Company's earnings and the value of its assets, liabilities and capital. The Company held interest bearing liabilities as at 31 December 2020.

The following table demonstrates the sensitivity to a change in interest bearing debts. With all other variables held constant, the Company's profit before tax and equity are affected as follows:

| | Profit or loss ZWL | |
|---|---|---|
| **Interest rate repricing** | **Increase** | **Decrease** |
| **2020** | | |
| 5% Interest rate movement | (4 312 854) | 4 312 854 |
| **2019** | | |
| 5% Interest rate movement | (4 164 220) | 4 164 220 |

# Shareholding Information

## For the year ended 31 December 2020

### Spread of shareholding

| Range | Shareholders Number | % of Holders | Shares held Number('000) | % of Shares |
|---|---|---|---|---|
| 0 - 500 | 5383 | 64.79 | 1 199 | 0.18 |
| 501 - 1 000 | 960 | 11.55 | 675 | 0.10 |
| 1 001 - 10 000 | 1497 | 18.02 | 4 654 | 0.69 |
| 10 001 - 50 000 | 271 | 3.26 | 5 679 | 0.85 |
| 50 001 - 100 000 | 64 | 0.77 | 4 809 | 0.72 |
| 100 001 - 500 000 | 70 | 0.84 | 16 377 | 2.44 |
| 500 001 - 1 000 000 | 16 | 0.19 | 12 254 | 1.82 |
| 1 000 001 - 10 000 000 | 35 | 0.42 | 142 727 | 21.24 |
| 10 000 001 - | 13 | 0.16 | 483 577 | 71.97 |
| **Total** | **8 309** | **100.00** | **671 950** | **100.00** |

### Analysis of shareholding

| Industry | Shares held Number('000) | % |
|---|---|---|
| Banks | 55 | 0.01 |
| Companies | 254 302 | 37.85 |
| Employee | 1 081 | 0.16 |
| Deacesed Estate | 13 | 0.00 |
| External Companies | 49 359 | 7.35 |
| Fund Managers | 44 | 0.01 |
| Insurance Companies | 7 425 | 1.10 |
| Investment Trusts And Property | 504 | 0.08 |
| Local Resident | 25 455 | 3.79 |
| Nominees Local | 8 823 | 1.31 |
| Non Residents | 22 016 | 3.28 |
| Non Resident Individual | 9 297 | 1.38 |
| Other Corporate Holdings | 39 | 0.01 |
| Pension Fund | 293 537 | 43.68 |
| **Total** | **671 950** | **100.00** |

### Top ten shareholders

| Institution | Shares held Number('000) | % |
|---|---|---|
| NATIONAL PENSION SCHEME | 236 037 | 35.13 |
| SHORECAP II LIMITED NNR | 47 950 | 7.14 |
| TIRENT INVESTMENTS (PRIVATE) LIMITED | 43 556 | 6.48 |
| FBC HOLDINGS LIMITED | 37 650 | 5.60 |
| STANBIC NOMINEES (PRIVATE) LIMITED | 32 150 | 4.78 |
| CASHGRANT INVESTMENTS (PVT) LTD | 27 620 | 4.11 |
| STANBIC NOMINEES (PRIVATE) LIMITED (NNR) | 21 014 | 3.13 |
| STRAUSS ZIMBABWE (PVT) LTD | 17 026 | 2.53 |
| VIDRYL INTERNATIONAL (PVT) LTD | 11 408 | 1.70 |
| KETAN JOSHI | 10 914 | 1.62 |
| **Total** | **485 325** | **72.23** |

### Performance on the Zimbabwe Stock Exchange

| | 2020 | 2019 |
|---|---|---|
| Number of shares in issue | 671 949 927 | 671 949 927 |
| Market prices (ZWL cents per share) | | |
| Closing | 1 501.35 | 65.25 |
| High | 1 604.55 | 65.25 |
| Low | 65.25 | 29.00 |
| **Market Capitalisation (ZWL)** | **10 088 320 229** | **438 447 327** |

# Notice of Annual General Meeting

Notice is hereby given that the Seventeenth Annual General Meeting of Shareholders of FBC Holdings Limited will be held on virtual platform on Wednesday, 30 June 2021 at 1500 hours.

**Agenda**

**1.** To receive, consider and adopt the financial statements and the reports of the directors and auditors of the Company for the financial year ended 31 December 2020.

**2.** To sanction the dividend paid.

**3.** To elect Directors of the Company.

3.1 In terms of Article 95 of the Company's Articles of Association, Mrs Gertrude Chikwava, Mr. Aeneas Chuma and Mr. Charles Msipa retire by rotation. Mrs. Chikwava is not offering herself for re-election. Being eligible, Messrs. Chuma and Msipa are offering themselves for re-election. The Directors offering themselves for re-election will be re-elected separately.

3.2. To confirm the appointment of Messrs. David Makwara and Sifiso Ndlovu to the Board. The Directors will be confirmed separately.

**4.** To approve the remuneration of the Directors for the past financial year.

**5.** To approve the remuneration of the auditor for the past audit and to re-appoint Messrs. KPMG Chartered Accountants as auditor of the Company. KPMG Chartered Accountants have been auditors for the FBC Group for one year.

**6. Special business**

**Share buy-back as special resolutions**
To consider, and if deemed fit, to resolve by way of special resolution with or without modification the following:-

**6.1 Purchase of own shares**
That the Directors be and hereby authorized in terms of section 50 of the Company's Articles of Association and Section 128(1) of the Companies and Other Business Entities Act (Chapter 24:31) to purchase the Company's own shares subject to the following terms and conditions: The purchase price shall not be lower than the nominal value of the Company's shares and not greater than 5% (five percent) nor 5% (five percent) below the weighted average trading price for such ordinary shares traded over (5) business days immediately preceding the date of purchase of such shares by the Company.

6.2 The shares to be acquired under this resolution shall be ordinary shares in the Company and the maximum number of shares which may be acquired under this resolution shall be 10% (ten percent) of the ordinary shares of the Company in issue prior to the date of this resolution.

6.3 This authority shall expire on the date of the Company's next Annual General Meeting.

6.4 That the shares purchased according to this resolution shall be utilized for treasury purposes and are not for cancellation.

**Directors statement**
In relation to the aforesaid proposed resolution, the Directors of the Company state that:-
(i) The Company is in a strong financial position and will, in the ordinary course of business, be able to pay its debts for a period of 12 months after the Annual General Meeting.
(ii) The assets of the Company will be in excess of its liabilities for a period of 12 months after the Annual General Meeting.
(iii) The ordinary capital and reserves of the Company will be adequate for a period of 12 months after the Annual General Meeting.
(iv) The working capital of the Company will be adequate for a period of 12 months after the Annual General Meeting.

**7.** To transact all such other business as may be transacted at an Annual General Meeting.

**By Order of the Board**

**Tichaona Mabeza**
**Company Secretary**

6th Floor, FBC Centre
45 Nelson Mandela Avenue
HARARE
8 June 2021

# Proxy Form

## For the year ended 31 December 2020

I/We ……………………………………………………………………………………………………………….................……………………..........……………
Names( in block letters)

of ………………………………………………………………………………………………………………................…………………..........……………….
(address in block letters)

Being (a) member(s) of the Company and entitled to vote, do hereby appoint…………………….......................................................

.............................................................................................................................................................................................

Or, failing him/her ……………………………………………………………………….................……………………………………..........…...…

Or, failing him/her, the Chairman of the meeting as my/our proxy to attend and speak and vote for me/us and on my/our behalf at the Annual General Meeting of members of the Company to be held on Wednesday, 30 June 2021 at 1500 hours and at any adjournment thereof, as follows:

| | | | | In favour of | Against | Abstain |
|---|---|---|---|---|---|---|
| 1 | Resolution to adopt the company annual financial statements. | | | | | |
| 2 | Resolution to sanction payment of dividend. | | | | | |
| 3 | 3.1. | Resolution to re-elect retiring directors. | | | | |
| | | 3.1.1 | Resolution to elect Aeneas Chuma. | | | |
| | | 3.1.2 | Resolution to elect Charles Msipa. | | | |
| | 3.2. | Resolution to confirm the appointment of new directors to the Board. | | | | |
| | | 3.2.1 | Resolution to confirm the appointment of David Makwara. | | | |
| | | 3.2.2 | Resolution to confirm the appointment of Sifiso Ndlovu. | | | |
| 4 | Resolution to approve the remuneration of the directors. | | | | | |
| 5 | Resolution to approve the remuneration of auditors, KPMG Chartered Accountants and to re-appoint them. | | | | | |
| 6 | Resolution to purchase the company's own shares. | | | | | |

Please indicate with an 'X' in the appropriate spaces provided how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she thinks fit.

A member of the company entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

Signed at……………………………………….............………on………………....………………………..........………………………2021

Full name(s) ……………………………………………………………….................……………………………….........………………………
(in block letters)

Signature(s) ………………………………………………………………...............………………………………….........………………………

**Notes:**
In order to be effective, proxy forms must be delivered or posted to the Transfer Secretaries, First Transfer Secretaries (Private) Limited, 1 Armagh Avenue, Eastlea, P O Box 11, Harare or to the Company Secretary, 6th Floor, FBC Centre, 45 Nelson Mandela, Harare so as to reach this address not later than 1200 hours on Monday, 28 June 2021.

# Notes

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# Notes

FBC Holdings Limited