see money differently

5TH Year Anniversary

Annual Report 2022

Nedbank Zimbabwe Limited

NEDBANK

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BANK PROFILE

our vision

To be Zimbabwe's most admired financial services provider by our staff, clients, shareholders, regulators and society.

our purpose

To use our financial expertise to do good for individuals, families, businesses and society.

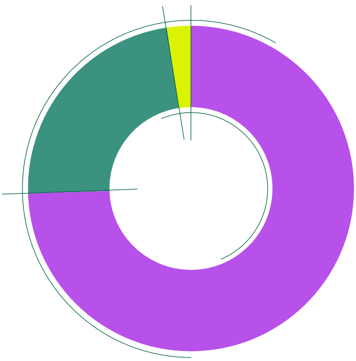
our mission

To be the leading financial services to all in Zimbabwe, by providing focused and customised products and services tailored to meet our clients' diverse needs.

Nedbank Zimbabwe Limited ("Nedbank or "the Bank") offers a full range of commercial and consumer banking products and services. These services are offered under dedicated functional areas namely Corporate and Institutional Banking, Treasury, Sales and Origination.

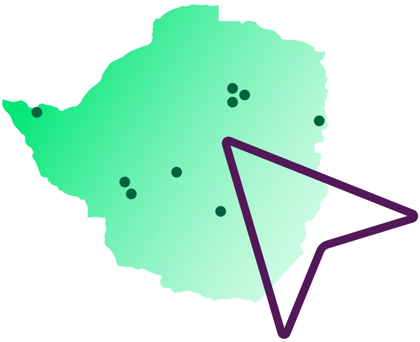
Nedbank Zimbabwe

Shareholding



Old Mutual Zimbabwe Limited	23.10%
Others Zimbabwe and foreign	2.38%

Nedbank Group Limited, a South African registered company ("Nedbank Group"), directly holds a 74.52% shareholding in the Bank with the balance of 25.48% shared among other shareholders. Included among other shareholders are



Footprint

Nedbank Zimbabwe Limited operates 9 physical distribution points i.e. 8 branches and a service centre. These are located as follows: 3 in Harare, 2 in Bulawayo (1 branch and a service centre), 1 each in Mutare, Gweru, Zvishavane and Victoria Falls. In addition, the Bank has 19 Automated Teller Machines ("ATMs"). These branches, service centre and ATMs are in strategic locations countrywide and are complemented by electronic delivery channels like Point of Sale ("POS") machines, mobile and electronic banking platforms that allow the Bank to provide innovative financial products throughout the country.

Corporate and Institutional Banking

The Corporate and Institutional Banking Department has longstanding expertise in financing Zimbabwe's imports and exports, as well as working capital requirements for the productive sectors. A variety of products have been developed over the years in line with the requirements of a dynamic economic environment. The division provides the following range of products:

- Inventory, debtor and order financing through acceptance credit and other short-term facilities.
- Structured trade finance.
- Short and medium term loan facilities, including bridging finance.
- Asset based finance.
- Documentary letters of credit, documentary collections, open account payments, and provision of guarantees.
- Current and savings accounts for corporates.
- Nedinsure - short term insurance product [underwritten by Old Mutual Insurance Company (Private) Limited] to cover equipment, vehicle insurance and crops.
- Overdraft facilities.

Bank Profile (continued)

Treasury

A fully-fledged Treasury Department provides solutions to meet the short to medium term financing, investing and hedging needs of corporates, institutional investors and individuals. The Department's product and service offering includes:

- Money market products including investments in fixed deposits.
- Spot cross currency trades competitively priced.
- Global and local markets trend advice.
- Economic forecasting and analysis.

Treasury also manages the Bank's cash flows, monetary assets and liabilities in the context of liquidity risk, interest rate risk, foreign currency risk and other market-related risks. This is implemented in line with best practice as guided by the Assets and Liabilities Committee ("ALCO") framework.

Origination and Sales

The Origination and Sales Department is comprised of:

- Consumer Banking.
- Small to Medium Enterprises Banking ("SME Banking").
- Transactional Banking (Incorporating Digital Banking).
- Marketing, Public Relations and Communications (including Contact Centre).
- New Business Development.

The five pillars within the department meet the organisation's objectives to achieve brand equity, optimal relational value and client centricity. The division is anchored on the value chain principle, which seeks to create a financial ecosystem by offering end to end financial solutions for the corporate relationship, its distributors and its suppliers who range from other large businesses to SMEs and employees.

The Bank leverages its digital innovation, robust regional network and parentage to grow its market share across the entire value chain.

Products and Services

Consumer Banking

- Nedbank@work accounts – being current and savings accounts for employees of the Bank's corporate and business banking clients. The unit also offers KYC-lite accounts for previously unbanked demographic segments of the economy.
- Digital banking solutions which carry online account opening, bill payment, query logging, zero-rated, DSTV payment, real-time funds transfer and instant Proof of Payment ("POP") generating capabilities.
- Lending products ranging from personal to vehicle and mortgage financing solutions.
- Prepaid cards for international payments and travel.
- Private banking solutions for high-net-worth clients.

SME Banking

This unit is pillared on the value chain principle, where we seek to adopt the follow-the-money approach, by offering banking solutions to our anchor relationships' suppliers and distributors. Salient products are:

- Digital payments (internet banking) and collections as well as mobile portable point of sale ("MPOS") solutions.
- Trade finance solutions (discounting and order/contract finance solutions).
- The SME app which allows Zipit transfers, bank to Ecocash, query logging and instant POP generating capabilities.
- Vehicle Asset Finance ("VAF") and business assets finance.
- Dedicated relationship management and advisory services.

Transactional Banking

The department focusses on product performance or sales by all business segments covering the full suite of transaction banking products and channels with a non-interest revenue focus. These include but are not limited to:

- Cutting edge integrated collection solutions using Integrated Point of Sale ("IPOS").
- Stand-alone and MPOS solutions for the smaller entities.
- Application Programming Interface ("API") integration for large corporates.
- Cash management services.
- Internet banking including bulk payment solutions.
- Other digital banking initiatives.

Marketing, PR and Communication (including Contact Centre)

- New-to-the-market 24 hour enquiry and query management services for clients.
- Brand management through Corporate Social Investment ("CSI") and other strategic brand partnerships.
- Dedicated product-push campaigns.
- Marketing intelligence generation.
- Price monitoring and recommendations.
- Performance and image (market and client) benchmarking.

New Business Development

The department's main mandate is to pursue opportunities in mining, quasi-government collections, services and other sectors working closely with Corporate and Institutional Banking and SME Banking.

Chairman's **Statement**

Economic Overview

Global supply chain disruptions, tight monetary policies across the world and energy price spikes brought on by the Russia/Ukraine geopolitical tensions have resulted in the global economy facing economic headwinds once more. The global economy experienced significantly higher inflation than in more than two decades, which saw Central Banks raising interest rates to control the unprecedented inflation out turn.

Chairman's Statement (continued)

The Zimbabwean economy faced destabilising shocks in 2022, with high inflation resurgence and exchange rate volatility, which resulted in GDP growth rate declining from 8.5% in 2021 to an estimated 4% in 2022. Despite these challenges, the year closed on a positive note with the Central Bank efforts to control inflation bearing fruits, with monthly inflation declining to 2.4% in December 2022 from a high of 30.7% in June 2022. Year-on-year inflation also slowed from 285% recorded in August 2022 to 243.8% in December.

The successful slowdown in inflation is attributed to the Central Bank's tight monetary policy stance coupled with the 'value for money' principle adopted by the Government to curb speculative pricing of goods and services by service providers. The Central Bank sought to foster macroeconomic stability, which included increasing interest rates and Zimbabwean Dollar ("ZWL") statutory reserve requirements as well as introduction of statutory reserve requirements on foreign currency deposits.

Developments in the Banking Sector

The banking industry has proven resilient, as evidenced by positive financial soundness indicators, which have been strengthened by complementary monetary and fiscal policy initiatives designed to ensure stability in the financial sector. The strong performance recorded during the year under review was spurred by strong capitalisation of the banking sector. All banks remained profitable, confirming sound regulatory supervision. Confidence in the banking sector continued to increase and was evidenced by growth in foreign currency ("FCA") deposits, which constituted 64.2% of the total deposits as of 31 December 2022.

The Central Bank continued to support the economy through the auction system, which saw a total of US$1.11 billion being allotted in the year 2022. The auction system remained key in providing import requirements to industry, evidenced by the estimated industry capacity utilisation of 56%. Whilst funding delays were experienced in the auction system, the Central Bank continued to make concerted efforts to provide support to the market. The tight policy on ZWL liquidity resulted in auction bids reducing to 30% of the volume traded at the beginning of the year. The Willing Buyer Willing Seller ("WBWS") market continued to trade within range of the auction rate. There remains scope to further liberalise this rate for it to play an effective price discovery role.

Capitalisation

The board is grateful to all shareholders who participated in the successful Rights Offer that was concluded in February 2022. The Bank raised an equivalent of USD8 million to ensure compliance with the minimum capital requirement of US$30 million equivalent. Management continues to implement strategies to protect and organically grow the capital.

Corporate Governance and Board Changes

The Bank subscribes to the principles of international best practice in Corporate Governance as guided by, among others, the Banking Act (Chapter 24:20), the Banking Amendment Act (Chapter 24:20), the Banking Amendment Act No.12 of 2015, the Banking Supervision Division Corporate Governance Guideline BSD 01/2004, the National Code on Corporate Governance, and the King IV report on Corporate Governance.

To ensure that Nedbank Group Limited is always represented on the board, Ms Vern Yolyn Solomon was appointed to the board as an alternate non-executive director to Dr Terence Gugulethu Sibiya. The appointment was informed by the board's evaluation practices carried out in terms of the board charter. We look forward to her valuable insights and contribution to the performance of the board.

Outlook

The February 2023 Monetary Policy Statement ("MPS") which was pro-business predicted a 3.8% GDP growth for Zimbabwe for 2023 which will be sustained mainly by mining, construction, and agriculture. The MPS also increased the retention thresholds for exporters to 75% from 60% and 85% from 80% for domestic sales in foreign currency which was a welcome move to spur export growth. However, the removal of the dispensation for companies with loans to retain 100% of foreign currency domestic receipts may impact negatively on the foreign currency deposits into the banking system weighing on the intermediary role of banks and increasing the level of informalisation in the market. The downward review of the minimum lending rate and the productive sector lending rate is likely to result in an increase in the demand for ZWL loans. The positive effects of the tight monetary policy stance taken by the Central Bank in the second half of 2022 has so far led to the realisation of relative price and exchange rate stability.

The ability of the Government to control inflation and foreign exchange market distortions during an election year, as well as the global slowdown in growth, volatile commodity prices and climate change, all provide significant downside risks to the forecast. However, efforts by Government to support the economy continue to provide impetus to the growing economy, presenting numerous investment opportunities for business.

Chairman's Statement (continued)

Appreciation

I would like to thank the entire board of directors for its wise counsel and guidance to the business. Unequivocal appreciation goes to all our valued clients for their continuing support and loyalty as well as Nedbank staff for their unwavering commitment to serving our clients diligently under very challenging conditions. The board is also grateful for the support it received from regulators and shareholders especially during the capital raising exercise, and the Reserve Bank of Zimbabwe ("RBZ") for granting the dispensation to comply with the MCR at a revised date of 30 June 2022.

Shepherd Shonhiwa
CHAIRMAN
23 March 2023

Managing Director's Report

The Zimbabwean economy has not been spared from the effects of the global economic downturn. This has been felt from the onset of the coronavirus pandemic and the subsequent headwinds from the global geopolitical tensions which have impacted supply chains significantly. We however observed increased business activity, record foreign currency inflows and relative price and exchange rate stability in the second half of 2022. The Bank continued its focus on a culture that is centred on our clients, people and community, and I am pleased to report significant positive milestones in value creation for our various stakeholders.

△ 311%

Growth in 2022 Profit After Tax

Managing Director's Report (continued)

Performance Overview-Inflation Adjusted

The audited inflation-adjusted numbers are the primary set of accounts for the Bank, although both the inflation-adjusted and unaudited supplementary historical accounts are presented. There was a 311% growth in 2022 Profit After Tax ("PAT") to ZWL12.777 billion from ZWL3.108 billion in the comparative period. This was attributed to increase in funded income by 46% and non-funded income by 204%. The contribution of net interest income increased to 32% of total income from core banking activities due to increased lending to the private sector and investment in government securities and foreign placements. The non-funded income increase was spurred by the increased volume of transactions as well as increase in active customer numbers on our mobile banking and internet banking platform. Operating costs, excluding net monetary loss and net impairment losses increased by 74%, mainly due to increase in business volumes and employee compensation in line with economic pressures. Cost to income ratio improved to 37% from 57% in inflation adjusted terms over prior year.

The statement of financial position grew by 53% to ZWL128.749 billion supported by the increase in deposits from customers, retained earnings and shareholder funds arising from the rights issue concluded in February 2022. Lending to private sector increased by 101% mainly due to increased lending in foreign currency in line with client needs. The Bank's credit loss ratio and non-performing loans were well maintained at 3.86% and 0.52% respectively. Capital adequacy ratio ("CAR") increased to 40% from 29% in the prior year, well above the prudential guidelines of 12%. The Bank reported liquidity ratio of 103% against a prudential minimum of 30%. Return on equity ("ROE") at 67% outpaced prior year ROE of 33% and was well ahead of cost of equity.

Total shareholder funds closed the period at ZWL26.036 billion, equivalent to USD38.777 million in prior year in historical terms. Regulatory core capital of USD34.287 million was well above the regulatory MCR of USD30 million. Shareholder equity grew by 674% in historical terms spurred by significant growth in retained earnings and shareholder capital injection.

Client Focus and Digital Enablement

Digital enablement has been at the core of our business strategy to drive client centricity, accessibility and convenience. The Bank has attained 73% digitally active clients with most users registered on our enhanced mobile banking application, downloads of which doubled in 2022. Our digital journey in 2022 saw us enabling market wide bank cards on Zimswitch for contactless issuing and acquiring on our Terminal for "tap and go" transactions to limit time spent and physical exposure to pin-pads. We deployed new generation ATMs across the country with all ATMs upgraded to process chip and PIN cards to enhance security and convenience for our clients.

Our online internet banking platform, as the primary platform for high value transactions for individuals and corporates, was enhanced by adding self-service functionality for profile amendments and recorded increases in ZWL and USD transactions of 47% and 196% respectively during 2022. The Bank consolidated its leadership in application programming interface integrations for more corporate clients to facilitate multi-user and bulk payments and collections initiated by debtors or creditors. Via API integrations our clients and their ecosystem users are able to access the Bank directly from their enterprise resource planning ("ERP") systems for seamless transacting. In an effort to enhance financial crime compliance and internal controls we improved regulatory technology ("Regtech") further automating internal audit testing and issues monitoring, Foreign Account Tax Compliance Act ("FATCA") and beneficial ownership filtering and risk profiling.

We impacted entrepreneurs by providing thousands of SMEs with access to our mobile banking application and ATM debit cards. With ATM debit cards, SMEs are able to make payments on point of sale terminals market wide, and to withdraw cash at ATMs in multiple currencies, enabling them to transact online from anywhere, twenty-four hours a day all year round. We further activated an instant person-to-business ("P2B") merchant payment solution (via Zipit Smart) on our mobile application for use by SMEs to receive funds from their customers anywhere and anytime without debit cards. The Bank also launched an electronic and printed SME Handbook to assist entrepreneurs to navigate issues around formalization of their business operations, banking and compliance with tax, companies and other legislation. The Nedbank Zimbabwe essential guide for small business owners may be accessed by scanning the QR code below:

We continue to prioritize improvements in client experience and service excellence guided by client feedback on our platforms and from client insight surveys.

Managing Director's Report (continued)

The Bank implemented service excellence training stretch sessions for all teams in the Bank culminating in team pledges to the guiding principles. This initiative complements the enhancements to our contact centre support levels and additional client touchpoints, including an escalation framework for swift issue resolution. Client engagement, query logging and query resolution are undergoing further enhancement to integrate additional communication channels, including Webchat and query ticketing on our journey to achieve omni channel access. Further, our clients who prefer to walk into our brick-and-mortar branches have enjoyed the in-branch WiFi enabled tablets for electronic query logging and self-service on our digital channels.

Sustainability and Community

We embarked on a journey to report about our environmental, social and governance ("ESG") impacts, thereby reporting on non-financial performance metrics that have a significant influence on our ability to create and preserve value sustainably in our society. The Bank signed up to the global community for Sustainability Standards and Certification in July 2021 with the technical support of the European Organization for Sustainable Development ("EOSD") in collaboration with the RBZ. The Bank has defined its purpose statement and high impact goals, and a board sub-committee chaired by the chairman of the Nedbank Zimbabwe board was put in place during 2022 to focus on sustainability issues. The committee will drive the sustainability agenda for the Bank including ensuring Sustainability Standards and Certification Initiative ("SSCI") certification with the EOSD.

The 2022 Bank Annual Report includes a sustainability report covering governance, diversity and inclusion, human capital, consumption of energy, water and paper in our operations, environment, climate action and corporate social investment in our communities. During the year 2022 the Bank leadership also had the opportunity to speak on various platforms on climate change and climate action advocacy.

Corporate Social Investment

As a purpose-led business we continuously seek opportunities to give back to and leave a lasting imprint in our communities. This is our purpose in action, as we use our financial expertise to do good for individuals, families, businesses and society, through our sponsorships and corporate social investment.

Our healthcare support in 2022 was extended to boosting neonatal care in the two largest public hospitals in the country (Sally Mugabe Hospital and United Bulawayo Hospitals) by providing them with high dependency unit infant incubators to manage neonatal care. We further supported Wizear Trust for ear, nose and throat ("ENT") specialists to host free ENT camps at Sally Mugabe Hospital and conduct free screening and critical surgeries for over sixty (60) children from underprivileged backgrounds.

The Bank supported provision of clean water and sanitation through investments in boreholes in the high-density suburbs of Mandava in Zvishavane and Mkoba 6 in Gweru, bringing relief to local residents. In addition we planted 1 838 trees which include indigenous, exotic, and fruit trees at Marymount Teacher's College in Mutare, Sarah Bata Junior School in Gweru, Domboramwari High School in Epworth, Tinokwirira School in Mabvuku, Sharon Cohen School in Chitungwiza, Sally Mugabe Hospital in Harare, Victoria Falls and other locations across the country.

In line with our focus on sports as a tool to unify communities, we committed sponsorship over two years of the national rugby team, "The Sables" in their bid to qualify for the 2023 rugby world cup. The Bank also launched a local rugby challenge cup which was introduced as a platform to scout for talent from various provincial rugby clubs and underprivileged communities countrywide. Talented players were identified during the tournament and were selected to represent the country at the Currie Cup in South Africa and in the Africa Cup in France. The Nedbank Running Club, which incorporates both professional Zimbabwean runners and Nedbank staff, participates in several flagship marathons annually, including the World Championships held in Oregon, USA, in 2022 and the Comrades marathon in SA, under our sponsorship.

Youth empowerment and accelerating financial inclusion for the youth as the country's future business leaders is a key pillar in our CSI. We launched the Nedbank Youth Accelerator Programme ("YAP") in 2021 in recognition of our role as a leading employer in contributing towards the empowerment of young graduates with corporate job immersion skills. The Bank has extended the programme to over 100 young graduates in two years with the participants selected from thirty (30) countrywide locations and being equipped with formal on-the-job-training, coaching and mentoring by Nedbank teams. For over a decade Nedbank Zimbabwe has continued to partner Junior Achievement Zimbabwe ("JAZ") under JA Africa and contributed significantly towards the entrepreneurial development of thousands of high school youths who have been enrolled in the programme annually.

The Bank invested in the Emganwini innovation hub in a marginalised area on the outskirts of Bulawayo city in early 2022. The innovation hub was opened to advance the technology education in coding, computer skills and workforce development with free internet access for the youths in that area. This includes an after-school computer skills programme for students trained

Managing Director's Report (continued)

by youths in the community. Through the Nedbank Education Fund, the bank extended its support to thirty-six talented tertiary level students pursuing STEM programmes in medicine, engineering, mathematics, actuarial science and technology in universities across the country. The STEM students have progressed well and some graduates who completed their studies and internships have been placed in employment with the assistance of the Bank.

Governance and Compliance

Throughout the year 2022, the Bank maintained a stable Governance and Compliance environment. The Governance and Compliance function remained a trusted Business Partner and continuously played an Advisory role to Business. Following the restructuring of the Governance and Compliance function in 2022, more efficiencies were introduced ensuring that the function provides strategic Compliance Risk Management leadership and promotes a strong Compliance Culture, at the same time fostering an Ethical Compliance Culture across the Bank.

The sheer number of initiatives, rules, laws and guidelines issued by key regulators accelerated at an unprecedented pace during 2022. Several regulatory developments were noted resulting in the need for the Bank to keep up with increased regulatory change. The expanded scope of regulation both in-country and internationally remains one of the greatest compliance challenges many banking institutions and boards continue to experience.

In addition to the increased regulatory developments, the year 2022 was characterized by increased regulatory scrutiny throughout the market. Maintaining a healthy relationship with our regulators remained at the core of our objectives. We proactively engaged regulators on key strategic initiatives to influence changes and manage our regulatory risk. The RBZ conducted a full scope on-site examination of Nedbank Zimbabwe wherein the Bank was rated 2 i.e. Satisfactory.

From a Money Laundering Risk Management point of view, the Bank maintained a healthy relationship with the Financial Intelligence Unit. The Bank continues to actively participate at industry level supporting the call by regulators and the Banker's Association of Zimbabwe to work together in exchanging views and information, lobbying for Banking sector reforms and encouraging implementation of Compliance Best Practice.

Our People

The Bank continued to put particular focus on staff as a key stakeholder in its aspiration to become the Employer of Choice and make Nedbank Zimbabwe, a Great Place to Work. Emphasis was placed on Staff welfare with several functions held across the Bank in liaison with our partners and welfare service providers.

Staff Wellness

To bring teams together and reintegrate employees after the pandemic, we held the Workers Day Celebrations across the Bank for our staff, acknowledging the value of their contribution to the success of the Bank. Staff had the opportunity to participate in various sporting events and fun games and also receive face to face services from our wellness partners for health, counselling and funeral services. This enabled staff to have a more personal connection with the service providers and understand better the benefits offered to them. The reintegration efforts were enhanced by the Team Building activities in the final quarter of the year which were held in Harare, Bulawayo (covering staff from Bulawayo, Gweru and Zvishavane), Mutare, and Victoria Falls. These activities were well placed to help employees work more effectively, develop positive relationships with their colleagues, feel comfortable sharing ideas and solving problems creatively.

The Bank participated in the Interbank sports tournament in late September 2022 where at least 11 disciplines took part in the festivities. The Bank won 1 silver medal in the Men's Singles Table Tennis and 3 bronze medals in the Women's Doubles Table Tennis, Men's Doubles Table Tennis, and the Ladies 21km marathon. The Games spawned a wellness movement within Nedbank which has seen the formation of the Nedbank Running Club, with employees across the Bank all taking part through virtual participation. The Bank was also well represented in the Tour de Great Dyke by 7 employees, a 550km cycling race which started in Selous and ended in Zvishavane.

Learning and Growth

Targeted training programmes were conducted during the year which enabled staff to be multi-skilled, thus providing acceptable bench-strength on business continuity. This was achieved through the Digital Learning Platform which was launched in 2022 and provides staff with a wide range of courses to choose from as part of their Individual Development Plans. As part of the strategy workforce plan, the Bank recruited 6 graduates for its two-year Graduate training programme, which encompasses a professional development programme through the University of Stellenbosch.
Staff attended a refresher course on Service Excellence sessions.

Talent Management

The Bank has an effective Talent Management process that seeks to identify, nature and retain talent within the organisation. On an annual basis, the Talent Review Board meet to select the

Bank's talent tool. The talent pool feeds into the Bank's internal succession plan. Talent based programmes such as leadership development programmes and bursaries are in place to support this initiative.

Nedbank also recognises and rewards high performing staff through monthly and annual recognition activities.

Gender Distribution

We have continued to make strides in ensuring that we achieve a gender balanced workforce, with our EXCO and managerial staff evenly balanced at 50% men and 50% women. The same trend is reflected in our non-managerial staff.

Industrial Relations

A business conducive industrial relations climate prevails within the organisation. Staff members are involved in the strategy planning and execution through various touch points including but not limited to departmental focus groups, Staff engagements and process enhancement groups.

Outlook and Appreciation

The Bank and its stakeholders' business models have been challenged by the fast-changing environment and both local and global shocks. We are cautiously optimistic about the prospects for the economy given the current trajectory and policy interventions.

The support of our existing and new clients will be critical to our future growth as the Bank strives towards being a purpose led growth institution. We will continue to leverage our people, culture, control environment and strong capital base to enhance value for our clients and stakeholders and deliver leading client experiences with the support of the Group on multi-technology enablement.

The Bank places particular emphasis on the quality of relationships with our employees through continuous engagements and continuous improvement in "Great Place to Work" net promoter scores. I extend my gratitude to the Nedbank teams who have shown commitment in generating the pleasing financial and non-financial outcomes for the Bank.

I take this opportunity to thank you our valued clients, shareholders, the board of directors and the regulatory authorities for their continued support and guidance in a challenging operating environment.

Sibongile Patience Moyo (PhD)
MANAGING DIRECTOR
23 March 2023

Chief Financial Officer's

Report

The Bank's inflation adjusted statement of financial position grew by 53%, spurred by an increase in deposits of 43% due to increased transactional activity as well as increase in term deposits.

40%

2021: 29%

Capital Adequacy Ratio

Compliance with International Financial Reporting Standards (IFRSs)

Zimbabwe's annual inflation rate, which peaked in August 2022 at 285% slowed down for the rest of the year to close at 243.8%, on account of several interventions by the Government and RBZ. Despite the stabilisation measures, the Zimbabwe economy is still considered hyperinflationary.

The financial statements have therefore been prepared in compliance with the requirements of International Accounting Standard ("IAS") 29- "Financial Reporting in Hyperinflationary Economies" which requires financial statements to be restated to current amounts at the statement of financial position date.

The Bank has compiled with all the other IFRSs in all material respects where possible.

Financial Performance

The financial performance of the Bank improved on a year-on-year basis reflecting performance resilience against a volatile macro-environment and continued inflationary pressures.

Statement of Profit or Loss and Other Comprehensive income-Inflation adjusted

Notwithstanding the challenging operating environment characterised by slowdown in economic growth, rising inflationary pressures and interest rates as well as continual depreciation of the ZWL against major currencies, the Bank reported a profit for the year of ZWL12.777 billion (inflation adjusted), up 311% from ZWL3.108 billion in prior year. The

Chief Financial Officer's Report (continued)

increase in profitability was underpinned by funded income and non-interest revenue which increased by 46% and 204% respectively. The Bank benefited from a sharp increase in ZWL lending rates as well as Treasury Bills during the year. Lending to private sector increased by 101% mainly due to upward review of borrowing limits in line with the obtaining inflationary environment and general increase in economic activity.

Non-funded income from normal trading activities (excluding revaluation of foreign currency balances) went up in real terms by 30%, as a result of increased transactional activity as well as an increase in active customer numbers. Revaluation of foreign currency balances increased by 989% from prior year due to the continued depreciation of the ZWL against major currencies in 2022. Revaluation gains contributed 56% up from 14% to the Bank's total operating income. The growth in revaluation gains is in line with the Bank's strategy to hold its capital in a relatively stable currency to preserve value in a hyperinflationary environment.

Total operating expenses, excluding net monetary loss and net impairment charge, increased by 74% from ZWL10.446 billion to ZWL18.158 billion due to increase in costs across the board responding to increased business volumes and pricing distortions arising from a multi exchange rate regime. Net impairment loss on financial assets increased by 285% from prior year due to a 101% increase in the lending book as well as the change in loan book mix which is now skewed towards USD lending. Year-on-year, the Bank's net monetary loss increased by 423% due to a continued surge in inflation as well as the structure of the Bank's statement of financial position , which has largely remained monetary in nature.

Statement of Financial Position-Inflation Adjusted

The Bank's inflation adjusted statement of financial position grew by 53%, spurred by an increase in deposits of 43% due to increased transactional activity as well as an increase in term deposits.

Lending to private sector increased by 101% reflecting the increased risk appetite after the Bank reviewed its product offering to include USD lending to accommodate the increased USD usage in the economy as well as a general review of lending limits. In order to maximise returns on excess liquidity as of 31 December 2022, the Bank invested excess funds in Treasury Bills and placements amounting to ZWL43.6 billion, which is 68% above prior year.

Due to the existence of a robust process around credit granting and management that has been put in place by management, the credit loss ratio and non-performing loans ratio were well maintained at 3.86% and 0.52% respectively, which is below the industry average of 1.58% for non-performing loans as of 31 December 2022. Liquidity position was strong and stood at 103% as at 31 December 2022, well above the prudential limit of 30%.

Capitalisation

The Bank maintains sound capital ratios to maintain confidence in the solvency and the quality of its capital to safeguard the Bank against adverse macro-economic changes. To this end, the Bank successfully raised USD8 million equivalent during the year under review to ensure compliance with the MCR of USD30 million. As of 31 December 2022, the Bank's core capital was ZWL 23.022 billion (USD34.287 million), which was a 45% increase from 2021 core capital of USD23.584 million.

The capital adequacy ratio as of 31 December 2022 was 40% compared to a regulatory minimum ratio of 12% and board's minimum requirement of 13%. Inflation adjusted ROE at 67% was above prior year ROE of 33%.

Taxation

The tax charge in historical terms for the year was ZWL341.363 million compared to ZWL520.127 million in the prior year. The Bank complied, in all material aspects, with taxation regulations during the period under review.

Outlook

We expect the operating environment to remain challenging in the year ahead but as a business our strategy will remain anchored on the three pillars of growth, productivity and capital management. The Bank will continue to apply a cautious approach to lending in support of the productive sectors of the economy as well as ensuring that the Bank is adequately capitalised to withstand any economic shocks. Management will continue to implement digital banking solutions to facilitate the transition to digital banking with a number of digital products earmarked to be rolled out in 2023.

Fortune Nhamoinesu Takaindisa
CHIEF FINANCIAL OFFICER
23 March 2023

Sustainability

Report

The Bank's approach to sustainability is driven by our commitment to 'be the difference that positively impacts our world which makes us 'see money differently'. The business actions are inspired by responsible practices that create positive impacts on the economy, environment and society. The Bank has embarked on a journey to ensure that sustainability is fully integrated in all spheres of business operations, products and services.

Our strategy is driven by our purpose statement: *"Uplift livelihoods for all Zimbabweans"* .

The Bank signed up to the global community of Sustainability Standards and Certification project in July 2021. The project is being implemented with the technical support of the EOSD in collaboration with the RBZ. We believe the certification will drive our sustainability goals and practices going forward.

Sustainability Governance

Our board of directors is ultimately responsible for sustainability reporting. In this regard, a sub-committee chaired by the board chairman was established during the year to champion sustainability issues. The sub-committee drives the sustainability agenda for the Bank including ensuring certification with EOSD.

Stakeholder Inclusivity

The Bank recognises the significance of its stakeholders in its everyday operations. There are systems in place to ensure effective, constructive and consistent engagement with stakeholders. We define stakeholders as individuals or groups that hold an interest in the Bank and can either affect or be affected by its operations. Our stakeholders include clients, employees, regulators, suppliers, business associations, communities and shareholders.

We identify and categorise our stakeholders as internal and external. This allows us to devise the most effective means to engage and build mutual relations that sustain both parties. We believe in inclusive business practices that allow our stakeholders to communicate or engage with us whenever they have material concerns or contributions to make.

The Bank has several platforms in place for stakeholder engagement and dedicated personnel who timeously attend to them. The platforms include telephone, email, social media and feedback forms available through our website. Management reviews material issues raised by our stakeholders and take appropriate action. We strive to ensure our products, services, operations and practices are responsive to our stakeholders.

Human Capital

Employees are the cornerstone of how the Bank continues to deliver financial services and drive the success of its operations. Our human resources policy framework guides us on how we engage, manage and retain talent. We provide a conducive work environment that allows our employees to deliver quality services to our clients and stakeholders. Our strategy prioritises enjoyable working conditions and employee welfare conducive for optimal performance.

For the financial year ended 31 December 2022, our employee base was as follows:

Permanent Employees by Gender

Gender	2022	2021
Male	119	151
Female	126	140
Total	**245**	**291**

Employees by Contract Type

Contract Type	2022	2021
Permanent	245	291
Temporary	40	11
Interns	8	3
Total	**293**	**305**

Employee Relations

The Bank values good relations with employees and allows them to join trade unions of choice such as the Zimbabwe Banks and Allied Workers Union ("ZIBAWU"). Internally, we have engagement structures that allow employees to raise material concerns to management for action. We have a Workers Committee which facilitates engagements on collective bargaining and other employee related matters.

Diversity and Inclusion

Nedbank Zimbabwe believes in a diverse and inclusive business environment that allows us to be responsive to our operating environment. Our recruitment processes offer equal opportunity for employment regardless of gender, race or ethnicity. We will continue to promote diversity and inclusion in our management of employees, products and services.

Employees Wellness

Employee Wellness is critical for good overall team performance. Nedbank Zimbabwe operates a wellness programme designed to ensure occupational health and safety of employees.

Sustainability Report (continued)

Our programmes cover physical exercises, health checks, mental wellbeing and sports.

Responsible Operations

The directors of the Bank prioritise operating in a responsible manner consistent with our brand. We try by all means to ensure sustainable consumption of energy and water in our operations as our business culture is rooted in conservation practices.

Energy

As a Bank, we rely on different energy sources such as electricity for computers and equipment, petrol and diesel for motor vehicles and generators. Consistent supply of electricity remains a challenge and we have therefore invested in-backup generators to ensure consistent power supply.

For the financial year ended 31 December 2022, our consumption was as follows:

Energy Type	2022
Petrol (Litres)	**1 243 400**
Diesel (Litres)	**474 600**

Water

Water is critical in ensuring good occupational health and sanitation. However, our water consumption impacts are not significant due to the nature of our operations. We do, however, take the responsibility to ensure we conserve the little we use. We rely on municipal and borehole water supplies to our banking halls and offices, which are located in shared facilities. The Bank is devising mechanisms for measuring water directly consumed in our operations for future reporting.

Paper

Our operations rely on paper which we try by all means to minimise usage of.

For the year ended 31 December 2022, we procured the following quantities:

	2022
Paper (reams)	**5 506**
POS Rolls	**190 700**

Environment and Climate Action

The Bank is aware of its direct and indirect operational impact on the environment and climate (environmental footprint). In this regard, we strive to actively manage our operations to reduce any adverse effects on the environment.

Environment

Operating in a clean environment is good for the health of our clients, employees and society. Our main waste streams are paper and electronic equipment, which we manage so as to reduce negative environmental effects. We ensure all waste generated is responsibly disposed of. At the same time most of our operations have migrated to e-banking and the overall use of paper has become minimal. We have also reviewed our procurement procedures to ensure green sourcing in order to reduce negative environmental impact throughout our supply chain. We also aim to reduce our overall water and energy use throughout our operations.

Climate Action

As part of our climate action, we have partnered primary and secondary schools, tertiary institutions, hospitals and orphanages across Zimbabwe for tree planting initiatives since 2021. Our Green Initiatives are intended to increase much needed forestry cover and carbon sinking. Over the past two years, we have planted in excess of 2,700 trees, which include indigenous, exotic, and fruit trees at Marymount Teacher's College in Mutare, Sarah Bata Junior School in Gweru, Domboramwari High School in Epworth, Tinokwirira School in Mabvuku, Sharon Cohen School in Chitungwiza, Sally Mugabe Hospital in Harare, and many other locations across the country.

The Bank will continue to explore strategies for enhancing environmental management and climate change mitigation in addition to building partnerships with our clients on programmes designed to mitigate negative impacts on the environment and climate change.


CIB
Nedbank Manufacturing Partners
Creating financial security for our people
see money differently
A registered commercial bank and a member of the Deposit Protection Corporation.

Sustainability Report (continued)

Corporate Social **Investment**

As a purpose led organisation and in line with our sustainability journey, we continuously look for opportunities to give back to and make a lasting imprint in our communities. This is our purpose in action as we use our financial expertise to do good through sponsorships and corporate social investment initiatives.

During the year, the Bank focused on Education, Youth and Empowerment, Health, Sports and Social Engagements.

Education

Education, with an emphasis on youth empowerment, continues to be a key pillar under the Nedbank Zimbabwe sponsorship portfolio. Moreover, the Bank is in support of the acceleration of the country's financial inclusion initiatives which seek to empower the youth as the country's future business leaders. The Bank has partnered JAZ for a decade and, through this partnership, the Bank contributes significantly towards the entrepreneurial development of thousands of youths who have benefitted from the programme.

The Bank has been active in equipping secondary school students with the requisite skills and guidance to run successful enterprises. In February 2022, the Bank hosted girls from the Junior Achievement Zimbabwe during the Global Money Week celebrations in commemoration of the "Take 10 000 girls to work" initiative. The Bank presented various financial literacy nuggets and the students had an opportunity to tour the Bank's branches to gain an understanding of our operations and to interact with Nedbank staff and executives.

Nedbank STEM Fund

The Bank renewed its commitment towards the education of talented tertiary level students pursuing STEM (Science, Technology, Engineering, Mathematics) and Actuarial Science countrywide. Nedbank Zimbabwe played a pivotal role in creating STEM pathways for learners to pursue their studies and ultimately choose careers in STEM to shape tomorrow's workforce and positively impact on the country and the world.

The Bank embarked on the selection of a new group of applicants for the 2022 intake and thousands of youths applied for the bursary which fully covers the educational needs of all successful candidates. At present, 37 students are beneficiaries of the Nedbank Education Fund.

Africa Science Week

Nedbank Zimbabwe was the platinum sponsor for the Africa Science Week. The event provided a platform for discussion and information sharing for high school children who aspire to pursue their studies/careers in Science, Technology, Engineering, Mathematics and Actuarial Science. The conference objectives were to promote the uptake of STEM subjects, to bridge the gap between education and industry through STEM experiences for educators and students, to provide mentorship for students in STEM through interactive discussions with STEM experts and to create a networking platform between the mentors (STEM experts) and mentees (Nedbank STEM beneficiaries and other students).

Youth Accelerator Programme (YAP)

The Bank recruited another group of youths for the 2022 Nedbank Youth Accelerator Programme. The Youth Accelerator Programme, launched in 2021, is a fixed term programme aimed at empowering young unemployed graduates with the necessary work emersion skills to gain the much-needed work experience to be gainfully employed in the future. In the year 2022, the Bank recruited 40 graduates below the age of 25 from across the country, including from remote areas where we are not physically represented. The young people will be attached to various divisions within the organisation to gain exposure, whilst earning a monthly allowance/stipend during a fixed term contract.

Nedbank Innovation Hub

In 2021 Nedbank Zimbabwe launched an innovation tech hub in Emganwini Township, not far from Bulawayo's city centre. The hub was launched to advance technology, education i.e coding and various technology skills, and workforce development for children in primary and secondary schools within the area. Children from schools near the hub benefit from attending the coding programme. The Bank visited the hub during Global Money Week to present nuggets and tutorials on financial literacy.

Sustainability Report (continued)

Corporate Social Investment (continued)

Health

Incubators (Sally Mugabe Hospital & United Bulawayo Hospitals)

Under the health pillar and to boost the neonatal care in the country, Nedbank Zimbabwe donated neonatal incubators to Sally Mugabe Hospital and United Bulawayo Hospitals in September 2022. This was the Bank's way to give back to the community.

The Wizear Trust (Ear Nose & Throat Surgeries)

Nedbank Zimbabwe partnered the Wizear Trust and assisted it with funds to purchase surgery consumables for use at the Sally Mugabe General Hospital. Under the health pillar of Nedbank Zimbabwe's Corporate Social Responsibility, we saw it fit to extend a helping hand to the vulnerable children who benefit immensely from this organisation.

The Wizear Trust was founded in April 2008 by Dr. Clemence Chidziva, an Ear, Nose and Throat surgeon based in Harare. It was established as a philanthropic gesture. Dr Matarutse, an ENT specialist and consultant, said they had parents coming from as far as Binga, Chipinge and Mudzi to have their children attended to. Some of the parents struggle to raise transport money to come to Harare to access the free service which is only made possible from partnerships of this nature.

Menstrual Health Care-Sanitary Pad Donation

Nedbank Zimbabwe in partnership with Afripads extended a donation of reusable sanitary wear to Unathi Children's Network Trust, Cultiv8 Africa and Invaluable Woman Community at Domboshava in Goromonzi District. The underprivileged and vulnerable girls in rural Domboshava had an opportunity to be taught the importance of personal and menstrual hygiene. Girls aged between 9 and 16 had an opportunity to be educated and enlightened about menstrual myths as these were demystified.

Sport

Sables Rugby U20s

Nedbank Zimbabwe renewed its sponsorship of the Sables rugby team as a platinum sponsor and the Sables financial services partner. The Sables team qualified for the Currie Cup tournament held in South Africa and participated in the tournament as the Goshawks. From the team's performance at the qualifiers, the team proceeded to participate at the Africa Cup in France. The Bank will continue to identify areas to develop rugby from the grass roots for the U17 and U20 rugby teams with the aim of them qualifying for Regional and International tournaments.

Nedbank Zimbabwe Rugby Cup

The Bank launched a local Rugby Cup, which was introduced as a platform to scout for talent from various rugby clubs countrywide. Some of the talented players were identified during the tournament and were selected to represent the country at the Currie Cup in South Africa. The Bank identified this platform as a rugby incubator to develop local talent to ultimately represent the country in the region and on the global stage.

Sustainability Report (continued)

Corporate Social Investment (continued)

Chamber of Mines

Nedbank Zimbabwe has participated as a platinum sponsor at the 2022 Chamber of Mines AGM and conference. The three-day conference attracted the entire mining value chain and Government officials including H.E President E.D Mnangagwa. Key discussions were centred on the prospects presented by the Zimbabwean mining sector and the forecast to grow the industry towards achievement of the USD12 billion mining industry by 2023. The financial services sector was encouraged to support the mining industry, including small-scale miners who have become key players in the economy. The Bank will consider environmental factors in its participation in this sector.

Women in Business

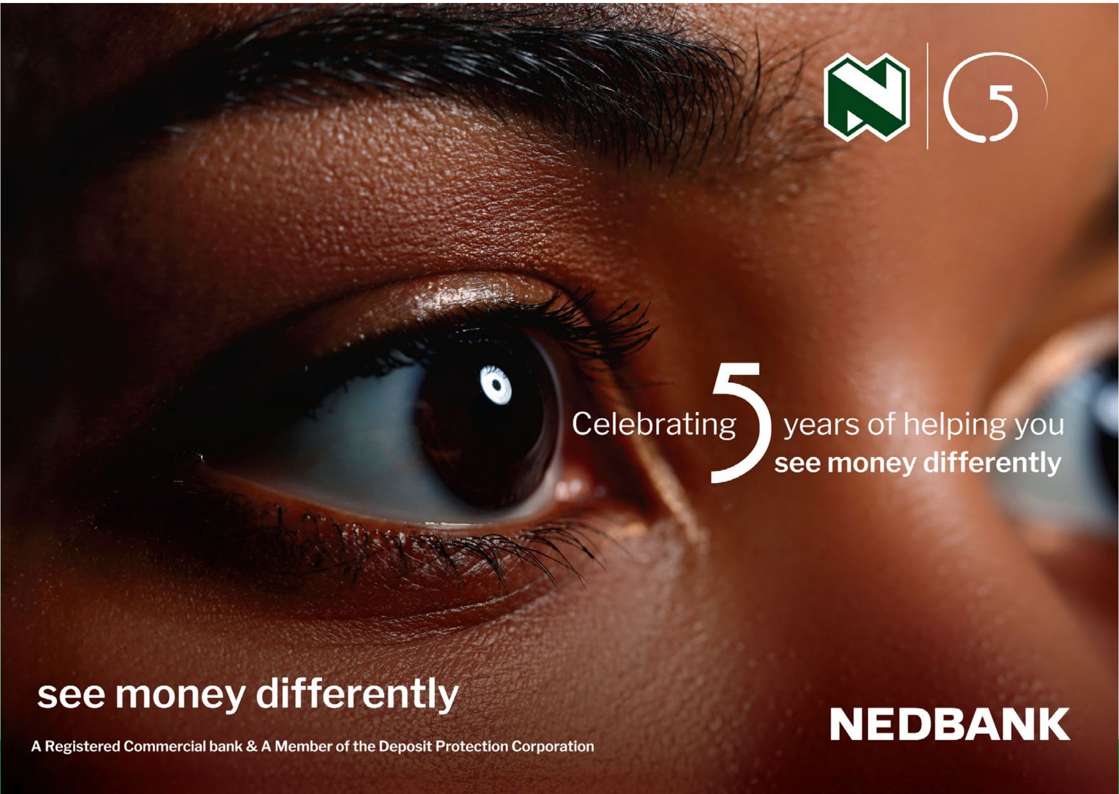
The Bank hosted a Women in Business conference themed "Step Up and Build Your Legacy" in May 2022. The event was hosted in partnership with Connie Ferguson, a South African businesswoman, actress and producer in the film industry.
The event drew women from all walks of life including business, arts and the corporate world. The Managing Director shared the Bank's proposition to the delegates and encouraged women to engage the Bank to formalise their operations and create bankable businesses for the growth of their enterprises.

Sustainable Development

Nedbank Zimbabwe is committed to the sustainable development agenda, the United Nations supported Sustainable Development Goals ("SDGs") which are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. Zimbabwe is a signatory to the 2030 SDGs and has prioritised 11 SDGs (8,7,2,9,6,17,3,4,13,5 and 16) in line with the National Development Strategy. Nedbank Zimbabwe believes in the cause for sustainable development and joins the efforts for implementation in Zimbabwe.

Sustainable Development

During the year, our business actions contributed to the following SDGs:



Sustainability Report (continued)

Corporate Social Investment (continued)

SDG	SDG Target	Our Business Actions	Impact
6 CLEAN WATER AND SANITATION	6.1.	The Bank assisted in providing funding for the installation of community boreholes in Zvishavane and Gweru. The residents in the affected communities had no running water for long periods.	Contributing to clean water and sanitation.
7 AFFORDABLE AND CLEAN ENERGY	7.1.	Nedbank Zimbabwe has financed Forester irrigation to install a solar system.	Supporting nmfarmers with affordable renewable energy to enhance farming activities.
8 DECENT WORK AND ECONOMIC GROWTH	8.6.	The Bank recruited 40 graduates below the age of 25 to bring the total number of empowered youths to 100.	Contributing towards youth employment, education and training.
15 LIFE ON LAND	15.2	In 2022 the Bank planted 1 838 trees around the country.	Contributing towards environment rehabilitation.
4 QUALITY EDUCATION	4.1 and 4.A 4.3. 4.6 and 4.4.	**Nedbank Innovation Hub** • Nedbank Zimbabwe launched an innovation hub which provides a structure and equipment to advance the technology skills and development targeting 1,000 children in primary schools. **Nedbank STEM Fund** • The Bank has sponsored a total of 36 students, with 26 students still under the Nedbank fund and 10 having graduated at different stages. **Junior Achievement** • The Bank has contributed towards the entrepreneurial development of thousands of youths. The Bank provided sponsorship of USD20 000 towards the 2022 programmes. • During Global Money Week, the Bank embarked on various financial literacy programmes of the 'Take 10 000 girls to work' initiative. • Furthermore, Bank representatives visited various schools where they presented financial literacy nuggets to educate students about savings and career opportunities in banking.	Creating a conducive learning environment with the aim to improve skills development and financial literacy.

Sustainability Report (continued)

Corporate Social Investment (continued)

Economic Contributors

Nedbank Zimbabwe consistently delivers financial services to meet clients' needs within this rapidly changing context in Zimbabwe. We have policies and procedures that ensure that our business creates value for our clients and shareholders. In addition, we have the responsibility of ensuring that we make a positive economic contribution through employment and lending to our clients. Our economic contributions, reflected through direct economic value generated and distributed, are presented in our financial statements.

Payment to Government

Nedbank Zimbabwe is committed to full compliance and transparency on payments to Government through taxes. The board of directors is responsible for tax affairs through the Chief Financial Officer. The Bank's tax affairs are managed through our tax policy which requires full compliance with tax laws in Zimbabwe and non-involvement in any illegal practices on tax avoidance.

Tax Affairs Management

The Bank regularly engages with the tax authority, Zimbabwe Revenue Authority (ZIMRA), to ensure all tax obligations and returns are up to date. As part of our compliance with the Anti-Money Laundering ("AML") guidelines, we do not facilitate client transactions meant to avoid tax. Our finance personnel attend regular training and workshops on tax to ensure that they are up to date with tax developments and skills.

During the year, the Bank's tax payments were as follows:

	2022			2021		
Tax Heads	**ZWL '000**	**USD '000**	**ZAR '000**	**ZWL '000**	**USD '000**	**ZAR '000**
Corporate tax	281 677	928	-	182 523	1 974	-
VAT	571	100	8 914	215 637	11	1 419
PAYE	913 958	8	-	195 363	-	-
Withholding tax	109 415	1 825	1 168	21 175	54	8 182
IMTT	7 234 642	13 573	-	2 260 395	4 840	-
Aids levy	18 133	-	-	14 562	-	-
Etc (ATM tax)	10	359	-	177	8	-
Total	**8 558 406**	**16 793**	**10 082**	**2 889 832**	**6 887**	**9 601**

Agriculture Financing

The Bank is strongly committed to impact financing targeting marginalised, disadvantaged groups, and farmers.

During the year, the Bank's agriculture financing was as follows:

	2022	**2021**
	ZWL	**ZWL'000**
Agriculture financing	1 365 534	378 806
Percentage of total loans disbursements	7.74%	14.81%
Number of farmers	33	49

Corporate Governance Report

Corporate governance is essentially the active interaction between people, structures, processes and traditions that support the exercise of legitimate authority. This is to ensure sound leadership, direction, oversight and control of the institution in order to ensure that its purpose is achieved and that there is proper accounting for the conduct of its affairs, the use of its resources, and the results of its activities.

For business governance to act as an enabler in a business, continuous monitoring of the governance structure is imperative to ensure optimum process flows and to prevent any possible transgressions in the institution. Business governance is therefore the system by which companies are directed and controlled. It essentially involves balancing the interests of a company's many stakeholders, such as shareholders, staff, customers, suppliers, financiers, Government and the community.

The Bank has in place an established business governance structure. Committees are formed through a formal process in terms of the Schedule of Delegated Authority ("SODA") which defines each committee by Charter. Each Charter defines the composition of each committee and its terms of reference. These Charters are reviewed on an annual basis and approved by the board of directors.

It is essential to ensure that the fundamental pillars of business governance principles in the Bank are well established and the level of business governance culture is good and well-ensconced in management and staff members so that it becomes part of the ethics of the organisation. The Bank's Governance and Compliance Department promotes a business governance culture and awareness to ensure that the principles of good business governance remain centred in staff to make the right ethical choices. This assists in ensuring that staff adhere to and execute all internal controls in compliance with risk management processes and procedures.

Business Unit Compliance Champions are in place and they provide an interface between the Governance and Compliance unit and other departments. To further strengthen the compliance oversight role, the Bank ensures that Business Unit Compliance Champions work more closely together and are conscious of compliance issues by providing ongoing training and having regular meetings with the Bank's Head of Compliance.

All policies and frameworks which are rolled out are aligned to the Nedbank Group standards and adapted for in-country legislative purposes. This ensures uniformity of standards across the Nedbank Group and adds credibility to the organisation. The policies provide a standard for conduct by staff members.

Training on policies is carried out periodically for all departments in the Bank to enhance and maintain business governance awareness and encourage transparency and accountability. The conduct of committees and all practices demonstrate accountability, responsibility, discipline, fairness, social responsibility, transparency and independence.

Enterprise Governance and Compliance Framework

This framework covers both the corporate and business governance aspects of the entity. It refers to the good governance that is linked strategically with performance management, thereby enabling the Bank to focus on the key areas that move the business forward. Enterprise governance and compliance constitutes part of the entire accountability framework of the Bank and calls for a balance between accountability, assurance (conformance), value creation and resource utilisation (performance). The framework ensures that our strategic goals are aligned and good management is achieved. While it is essential to entrench good governance practices in adapting to regulatory changes quickly, it is also key to retain flexibility and respond proactively to the fast-moving regulatory environment.

Governance and Compliance

In 2022, the Bank continued to conform, in all material respects, with all laws and regulations governing its operations, including but not limited to, the Companies and Other Business Entities Act (Chapter 24:31); Income Tax Act (Chapter 23:02); Banking Act (Chapter 24:20); Banking Amendment Act No.12 of 2015; Banking Regulations, Statutory Instrument 205 of 2000; Exchange Control Act (Chapter 22:05); Bank Use Promotion and Suppression of Money Laundering Act (Chapter 24:24); Money Laundering & Proceeds of Crime Act (Chapter 9:24); National Payment Systems Act (Chapter 24:23) as well as all RBZ and South African Reserve Bank ("SARB") directives.

The Bank subscribes to and espouses the provisions of the National Code of Corporate Governance Zimbabwe, King IV and all provisions of the RBZ Guideline No. 01-2004/BSD on sound corporate governance.

Corporate Governance Report (continued)

Board

The board is responsible to the shareholders for setting the direction of the Bank through the establishment of strategies, objectives, key policies and management structures. It monitors the implementation of these strategies and policies through a structured approach to reporting and accountability and recognises that it is responsible for developing relationships with its various stakeholders and actively manages those relationships.

Governance Objectives

In line with best practice on corporate governance, the board aligned its governance objectives with the Nedbank Group governance objectives for 2022 as detailed below:

Objective 1: The board should set the tone and lead the Bank ethically and effectively. This means that in their decision making individual board members should act with independence, inclusivity, competence, diligence, courage and with the necessary insight and information.

Brief explanation of objective and how met

- There was no conflict of interest advised and the board exercised diligence and courage in its leadership. The board approved the 3-year Strategy Plan and Budgets in November 2021 with quarterly tracking reviews done at every board meeting in 2022. The board adheres to the board Ethics Statement signed annually.

Objective 2: The board should provide leadership that delivers ethical outcomes and a vision to the Bank that will ensure sustainable growth and appropriate corporate citizenship for the benefit of all stakeholders of the Bank.

Brief explanation of objective and how met

- Through board leadership, all Key Performance Indicators in 2022 in historical terms were within industry norms. The Bank witnessed an improvement in sustainable growth for earnings, liabilities and total assets in 2022.
- In 2022, the Bank continued to participate in corporate social investment activities by increasing its visibility in support of education and upkeep for vulnerable children with special needs. The Bank also continued to support staff through the purchase of COVID-19 related personal protective equipment, encourage staff to uphold their health care and educate staff on the benefits of getting the third COVID-19 vaccine.
- The board met five times in 2022 to provide oversight to management on strategic issues.

Objective 3: The board should ensure that there is a framework of prudent and effective controls that enables the effective assessment and management of risk and opportunity.

Brief explanation of objective and how met

- The board continued to operate based on the adopted and customised Group Enterprise-wide Risk Framework with 21 risk universes.
- Management and board have oversight of the effectiveness of the controls through quarterly reports submitted to the Enterprise-wide Risk Committee and the Board Risk, Compliance and Capital Management Committee respectively. The board received updates from management on the effectiveness of the controls on a quarterly basis in 2022. All applicable Bank policies and risk management frameworks were in place in 2022.

Objective 4: The board is ultimately responsible and accountable for the performance of the Bank and should support the Bank in setting its purpose and achieving its strategic objectives.

Brief explanation of objective and how met

- Through effective board committees, quarterly meetings and regular interactions with the management team, the board maintained its oversight of risks arising from the execution of Nedbank's business strategies, decision making practices and/or processes.
- The board delegated certain of its functions via the SODA to the Executive Management of the Bank led by the Managing Director. All key functions of the Bank are led by competent, skilled and experienced executives.
- **Governing technology** – The Joint Country IT Steering Committee was effective throughout 2022 and the Executive responsible for Technology, attends the Audit Committee and Risk, Compliance and Capital Management Committee meetings by invitation to provide appropriate feedback on technology to both Committees. To enhance the IT governance process, the Bank appointed a substantive Head of ICT and Projects with effect from 1 December 2022.
- **Governing information** – There has been an improved Management Information System ("MIS") through reports generated from the core banking system. The Business Information Security Officer provided regular updates and awareness on ICT related information. The Bank also rolled out a project to improve staff awareness on privacy.

Corporate Governance Report (continued)

- **Governing cybersecurity** – The board, through the Risk, Compliance and Capital Management Committee, has oversight over cybersecurity risk and reviews progress thereon on a quarterly basis.
- The Bank ensured compliance with appropriate legislations, regulations, supervisory codes and appropriate best practices. There were no breaches recorded in 2022.
- The board will continue making appropriate governing disclosures around board members' credentials, governance framework, corporate citizenship and board objectives in the annual reports as per best practice in the market.
- The board's focus was on safeguarding the interests of all the Bank's stakeholders by ensuring fair, responsible and transparent people practices.
- The board receives formal updates from the executive directors at least monthly (through the monthly management accounts) and quarterly (through formal board and board Committee reports).
- Talent development programmes continued to be in place in 2022 and monitored through the Annual Talent Board Forum.

Objective 5: The board is responsible for sound corporate governance in the Bank and the governance around the board and its performance.

Brief explanation of objective and how met

- On a quarterly basis the board, through the Remuneration, Directors' Affairs, Nomination, Employment Equity and Skills Retention Committee ("REMCO"), evaluates the effectiveness and composition of the board and its committees in order to improve their performance. Annual peer reviews are also done and feedback discussed in quarterly meetings to ensure successful resolution of any issues.
- Directors and executives disclose all outside interests or possible conflicts through the Company Secretary when the board is not sitting and, for directors, during board sessions. All outside interests are recorded in the respective interest registers.
- Appropriate governance structures are in place to ensure effective discharging of responsibilities. These are reviewed annually by the respective board committees as and when need arises.
- The board maintains an oversight role on ethics management and the implementation of human rights in business.

Assessment of Independence of the Independent Non-Executive Directors

On an annual basis, independent non-executive directors submit an independence declaration form which is used as a basis for the assessment. New developments that might affect the independence of directors are communicated through the Company Secretary when the board is not sitting and appropriate action is taken by the board. Such developments will then be tabled for noting at the next board meeting.

Board, Board Committees and Directors Evaluations

During the year, the directors performed evaluations for the entire board, board committees and individual directors. Key issues arising from these evaluations were tabled at the REMCO, which is responsible for directors' affairs, and the board. All issues raised in 2022 were addressed to the satisfaction of the board members.

Directors' Training

Directors attended the annual refresher course on Anti Money Laundering ("AML") in December 2022.

Board Meetings and Composition

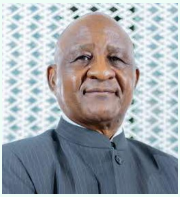
The board meets at least quarterly to evaluate performance, and assess risks and holds additional meetings to shape the strategic direction of the Bank. Appointments to the board are based on a required mix of skills and experience to ensure the on-going success of the Bank.

As at 31 December 2022, the board was comprised of two executive directors, two non-executive directors and six independent non-executive directors. Independent non-executive directors provide objectivity and independence on the board.

Corporate Governance Report (continued)

Directors' Profile

as at 31 December 2022



Independent Non-Executive Chairman – Shepherd Shonhiwa (Zimbabwean) - 69 years

Chartered Director (South Africa), MBA (Zimbabwe), Honours B.Admin (UNISA)

Mr Shonhiwa is a veteran professional director who has chaired boards in South Africa which include the following: Sunday Times Newspapers, Times Media Eastern Cape Newspapers, Dispatch Media and the Institute of Directors Southern Africa. He has served as Independent Non-Executive Director on the boards of Metro Cash & Carry Limited South Africa & Australia, Adcorp Holdings, Jaggers Wholesalers (Zimbabwe), Sunday World Newspapers, BDFM Publishers, CIMAS (Zimbabwe) and Metcash Africa Limited. He was appointed Non–Executive Director for National Tyre Services in 2019. Over the past 30 years he has held positions of Chief Operating Officer of Times Media Limited, Chief Executive Officer of Tepco Petroleum, Managing Director of Shell LPG Southern Africa, Managing Director of Egoli natural gas reticulation business, General Manager of Ford Swaziland and Director of TA Management Services (Zimbabwe). Currently, he is Chairman of Lidwala Consulting Engineers (South Africa). In 2018 he founded a boutique consultancy in executive leadership coaching, corporate governance, board effectiveness and strategy advisory. He is a Fellow of the Institute of Directors South Africa and IPM Zimbabwe. He joined the board on 1 February 2019 and is a member of the Loans Review Committee and the Remuneration Committee.

Managing Director – Sibongile P. Moyo (PhD) (Zimbabwean) - 49 years

PhD (2006) Doctor of Philosophy & Masters of Science (MSc.) in Natural Resource Economics/Development Economics minor; University of Alberta, Edmonton, Canada

Dr Moyo was appointed as the Managing Director of the Bank on 1 April 2020. Sibongile is a seasoned banker with over sixteen years' experience in the financial services sector in the region and who has received leadership accolades. She has held senior leadership roles including becoming the only woman CEO of a large commercial banking institution under the Bankers Association of Zimbabwe (BAZ) in 2020. In 2014, Sibongile became the first Southern African woman to be appointed as a subsidiary Board member and Executive Director by the Ecobank Group ("ETI"). She was appointed Project Manager and General Manager to lead the integration of a foreign bank acquisition for Ecobank Group, served as Executive Director and Head Corporate and Investment Banking at Ecobank Mozambique, Head of Domestic Banking at Ecobank Zimbabwe, Head of Financial Markets and Treasury. Prior to joining Nedbank, Sibongile was Executive Director at Altus Venture Capital.

Sibongile currently serves as Chairperson of the Institute of Bankers of Zimbabwe ("IOBZ"), the Banking industry professional body. She also serves as a Board member for the Green Building Council of Zimbabwe ("GBCZ") under the World Green Building Council and Board Member for Junior Achievement Zimbabwe ("JAZ") under JA Africa. She previously served as a non-executive director on the boards of ZIMPOST and of African banking subsidiaries of a Fintech Group listed on the Frankfurt Stock Exchange. Sibongile is a current member of the Zimbabwe Economic Society ("ZES") and chartered banking professional banker of the Institute of Bankers of South Africa (CHBP (SA)).

Independent Non-Executive Director – Hammond Murray Des Fontaine (Zimbabwean) – 48 years

Chartered Accountant (Zimbabwe), BCompt (Unisa)

Mr Des Fontaine is a Chartered Accountant with extensive experience in the professional services sector. Hammond is presently in private practice as a Chartered Accountant specialising in taxation, transaction advisory and corporate finance as well as pursuing business interests in the agriculture and beverages sectors. Prior to this he was with Deloitte for twenty two years having first trained and qualified in the audit and assurance function, after which he was admitted as an Audit Partner and later specialised in the role of Tax Partner, in which capacity he was the tax leader for Deloitte Central Africa. He has gained extensive experience in serving a large cross spectrum of local and multinational businesses in all sectors of the economy. He joined the board in November 2017. He is the current Chairman of the Loans Review Committee and a member of the Audit Committee.

Independent Non-Executive Director – Sidney Zwenyika Kazhanje (Zimbabwean) – 67 years

Masters in Strategic Management (Derby), BA Honours Economics (Nottingham), Fellow IPMZ (Zimbabwe)

Corporate Governance Report (continued)

Mr Kazhanje has vast experience in Human Resources Management. He is a retiree from Stanbic Bank Zimbabwe where he was Head Human Capital. His career commenced at the Chamber of Mines as an economist after which he joined Employers Confederation of Zimbabwe as an Assistant Director. He moved to Tobacco Sales Floor Limited as Group Human Resources Manager after which he joined the then ANZ Grindlays Bank (now Stanbic) and worked for 29 years until his retirement in 2017. He is the current Chairman of the Remuneration Committee and a member of the Board Lendings Committee. He joined the board on 1 January 2019.

Independent Non- Executive Director – Tsitsi Margaret Madziro (Zimbabwean) – 50 years

Chartered Accountant (Zimbabwe), B Acc Hons (University of Zimbabwe)

Mrs Madziro is a Chartered Accountant who trained with Deloitte, Harare. She is currently the Financial Controller at Hukuru Chicks (Private) Limited, a producer of day-old broiler chicks. Prior to joining Hukuru, she was with Meikles Limited for 14 years and was the Group Financial Controller at the time of her departure in 2016. Meikles Limited is a listed company with interests in agriculture, hospitality, retail and security guard services. Tsitsi joined Meikles in September 2002 from Deloitte, having spent 7 years at Deloitte. She was a Senior Audit Manager when she left Deloitte. Tsitsi has extensive experience in financial reporting. She has also gained valuable experience in taxation. She joined the board in November 2019. She is the current Chairman of the Audit Committee and she is a member of the Risk, Compliance and Capital Management Committee.

Lead Independent Director – Raymond Moyo (Zimbabwean) – 51 years

Registered Legal Practitioner (Zimbabwe); LLB (Hons)

Mr Moyo is a registered Legal Practitioner, Conveyancer and Notary Public and currently the Managing Partner of a tier one (according to Chambers Global) Commercial Law Firm in Harare. He has practised law for twenty-five years specialising in commercial advisory and litigation work. In his work he has dealt with most of Zimbabwe's major companies and institutions across the various sectors of the economy. He has an interest in human rights work and was recognised as the human rights lawyer for the year 2012. He has been cited as one of the outstanding litigation lawyers by the "Whose Who Legal Directory Litigation 2016". He is the current Chairman of the Risk, Compliance and Capital Management Committee and he is a member of the Loans Review Committee. He joined the board on 1 January 2019.

Chief Financial Officer (Executive Director) – Fortune Nhamoinesu Takaindisa (Zimbabwean) - 49 years

Bachelor of Accountancy (UZ), Masters in Finance (Hull), Associate Chartered Management Accountant (ACMA), Chartered Global Management Accountant (CGMA), Fellow Certified Accountant (FCA)

Mr Takaindisa, is currently the Chief Financial Officer and an Executive Director of the Bank. He is a holder of a Bachelor of Accountancy Honours Degree from the University of Zimbabwe. He is an Associate Chartered Management Accountant, Chartered Global Accountant and a Fellow Certified Accountant. Mr Takaindisa has over 20 years financial experience within the banking environment, having worked for the African Banking Corporation Group ("BancABC") since January 2001. He was the Finance Director for the then African Banking Corporation of Botswana, now Access Bank Botswana, until 30 April 2019. He was appointed Chief Financial Officer for Nedbank with effect from 3 September 2020.

Non-Executive Director – Terence Gugulethu Sibiya (South African) – 53 years

BSc, Information & Decision Systems, Masters & Doctorate, Institutional Systems Design & Information Technology (United States of America)

Dr Sibiya is currently the Group Managing Executive for the Nedbank Group Limited's Nedbank Africa Regions ("NAR") cluster. He is responsible for leading and managing NAR businesses to ensure that they grow and achieve the key strategic objectives of building scale, increased market share, as well as share of contribution to the Nedbank Group's earnings and generation of returns in excess of the cost of equity. Prior to this, he was the Managing Executive for Client Coverage at Nedbank Group's Corporate and Investment Banking. This role

Corporate Governance Report (continued)

entailed the delivery of a solid client value proposition on behalf of Nedbank Group to all of the Bank's major clients. He was primarily responsible for developing and institutionalising the Client Value Management ("CVM") & Relationship Management process for the entire wholesale bank. He joined the board on 1 January 2019 and is a member of the Remuneration Committee and the Risk, Compliance and Capital Management Committee.

Non- Executive Director – Albert Minnaar Sorgdrager (South African) – 63 years

Attorney (South Africa), Baccalaureus Juris (1979), Baccalaureus Legum (1981)

Mr Albert Minnaar Sorgdrager, an attorney, worked for Nedbank Group as the Group Legal Counsel: Litigation and Disputes for 9 years before retiring in May 2021. He acted as Chief Legal Officer for the Nedbank Group from March 2020 till January 2021. Prior to this, he was the Head of Risk for Nedbank Africa Regions. He has over 30 years' experience in the banking industry with a focus on dispute resolution and risk management. He holds a Baccalaureus Juris and a Baccalaureus Legum from the University of Potchefstroom. He is a Fellow of the South African Institute of Directors. He has been a Council member of the Northwest University since June 2017 and has been the Chairman since June 2022. Mr Sorgdrager has previously served on the Nedbank Zimbabwe Limited board. He rejoined the board on 19 July 2021 and is a member of the Board Lendings Committee.

Independent Non- Executive Director – Lucille Tapuwa Makwasha (Zimbabwean) – 41 years

Chartered Accountant (Zimbabwe), MBA (United Kingdom)

Ms Makwasha is a Chartered Accountant who trained with Ernst and Young, Harare. She is the Group Finance Executive for Distribution Group Africa (DGA). DGA is a subsidiary of Axia Corporation Limited with operations in Zimbabwe, Zambia and Malawi selling and distributing FMCG. Lucille joined the board on 25 February 2021 and is a member of the Audit Committee and Chairperson of the Board Lendings Committee.

Alternate Non-Executive Director – Vern Yolyn Solomon (South African) - 49 years

Ms Solomon has worked with Nedbank since 2005. She worked with Standard Bank in South Africa from 1998 to 2005 and then joined the now Nedbank Africa Regions in 2005 where she was appointed as Senior Manager of Finance. In her years with Nedbank Group she has served as Head of Finance and Executive Head Human Resources in different business clusters. She is the Chief Financial Officer for Nedbank Africa Regions. Ms Solomon joined the Nedbank Zimbabwe Limited board of directors as an alternate director to Dr T. G. Sibiya with effect from 1 February 2023.

Board attendance

In 2022, the board met in line with the Bank's policy. The record of attendance by directors is shown below:

Nedbank Zimbabwe Limited Board of Directors

Meetings Held

	Name	1	2	3	4	5
1	Shonhiwa S * (Chairman)	✔	✔	✔	✔	✔
2	Moyo SP Dr***	✔	✔	✔	✔	✔
3	Des Fontaine HM*	✔	✔	✔	✔	✔
4	Kazhanje SZ*	✔	✔	✔	✔	✔
5	Moyo R*	✔	✔	✔	✔	✔
6	Sibiya TG Dr**	✔	✔	✔	✔	A
7	Sorgdrager AM**	✔	✔	✔	✔	✔
8	Madziro TM*	✔	✔	✔	✔	✔
9	Takaindisa FN***	✔	✔	✔	✔	✔
10	Makwasha LT*	✔	✔	✔	✔	✔

Corporate Governance Report (continued)

Key

✔	Present
*	Independent Non-Executive Director
**	Non-Executive Director
***	Executive Director
A	Leave of absence recorded

Audit Committee

The Audit Committee is comprised of three Independent Non-Executive Directors of the Bank. The Committee's primary functions are to assist the board in its evaluation and review of the adequacy and efficiency of the internal control systems, accounting practices, information systems and audit processes applied within the Bank in the day-to-day management of the business and to introduce measures to enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of the Bank. The Committee is satisfied with the effectiveness of the design and implementation of internal financial controls and that they are adequate to prevent the Bank from incurring material financial loss, fraud, corruption or error. At each meeting, the Committee reviews reports on identified internal control weaknesses, system failures, compliance breaches and corrective actions to avoid recurrence. During the period under review, there were no material losses as a result of internal control breakdowns.

During the year, the Committee was satisfied that the Bank's external auditor, Deloitte & Touché, is independent of the Bank. The external auditor is currently in the third year of a four year term. The Committee was satisfied with the effectiveness of the Chief Financial Officer and the Bank's Finance function.

The coordinated assurance approach places focus on integrating and aligning the assurance processes and reporting and aims to ensure that all assurance activities provided by internal and external assurance providers adequately address the risk universe of the Bank. The goal is to ensure that suitable controls exist to mitigate risk and to work together to ensure that reasonable assurance is obtained in the right areas, from the right resources and in the most cost-effective way possible.

The Audit Committee met six times in 2022 and the record of attendance is shown below:

Meetings Held

	Name	1	2	3	4	5	6
1	Madziro TM (Chairman)	✔	✔	✔	✔	✔	✔
2	Makwasha LT	✔	✔	✔	✔	✔	✔
3	Des Fontaine HM	✔	✔	✔	✔	✔	✔

Key

✔	Present

Risk, Compliance and Capital Management Committee

The Risk, Compliance and Capital Management Committee is comprised of three Non-Executive Directors, two of which are Independent Non-Executive Directors. It is responsible for setting policy guidelines for monitoring risks that are inherent within the Bank and reviews all risk reports generated by the Risk Division. The Committee also sets policy guidelines for ensuring and monitoring compliance with all regulatory laws and directives and internal policies and procedures.

The Risk, Compliance and Capital Management Committee met four times and the record of attendance is shown below:

Meetings Held

	Name	1	2	3	4
1	Moyo R (Chairman)	✔	✔	✔	✔
2	Sibiya TG Dr	✔	✔	✔	A
3	Madziro TM	✔	✔	✔	✔

Key

✔	Present
A	Leave of absence recorded

Board Lendings Committee

This Committee is comprised of three Independent Non-Executive Directors and is mainly responsible for considering and approving credit facilities as mandated by the board.

The Board Lendings Committee met four times and the record of attendance is shown below:

Meetings Held

	Name	1	2	3	4
1	Makwasha LT (Chairman)	✔	✔	✔	✔
2	Sorgdrager AM	✔	✔	✔	✔
3	Kazhanje SZ	✔	✔	✔	✔

Key

✔	Present

Loans Review Committee

This Committee, comprised of three Independent Non-Executive Directors, reviews the quality of the Bank's loan portfolio and sets and reviews policies for lending and adequacy of the impairment allowance of loans and advances.

The Loans Review Committee met four times and the record of attendance is shown below:

Meetings Held

	Name	1	2	3	4
1	Des Fontaine HM (Chairman)	✔	✔	✔	✔
2	Shonhiwa S	✔	✔	✔	A
3	Moyo R	✔	A	✔	✔

Key

A	Leave of absence recorded
✔	Present

Remuneration Committee

This Committee, which is comprised of two Independent Non-Executive Directors and the Nedbank Africa Regions Group Managing Executive, meets quarterly and reviews guidelines for the salaries and benefits of the Bank's staff. The Committee also recommends the remuneration of the Executive and Non-Executive Directors.

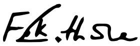
The Remuneration Committee met four times in 2022 and the record of attendance is shown below:

Meetings Held

	Name	1	2	3	4
1	Kazhanje SZ (Chairman)	✔	✔	✔	✔
2	Sibiya TG Dr	✔	✔	✔	A
3	Shonhiwa S	✔	✔	✔	✔

Key

A	Leave of absence recorded
✔	Present



Farai Sithole
COMPANY SECRETARY
23 March 2023

Report Of The Directors

Responsibility

The directors are responsible for the preparation and fair presentation of the annual financial statements of Nedbank Zimbabwe Limited, comprising the statement of financial position as at 31 December 2022 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and also in a manner required by the Companies and Other Business Entities Act (Chapter 24:31), the Banking Act (Chapter 24:20) and the Banking Amendment Act No. 12 of 2015.

The directors are also responsible for such internal controls as are necessary for the financial statements to be free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

Going concern

The directors have made an assessment of the Bank's ability to continue as a going concern. The assessment included consideration of the impact of COVID-19 and other economic and environmental factors.

From the assessment, the directors have no reason to believe the business will not be a going concern in the foreseeable future. These financial statements have therefore been prepared on a going concern basis. In addition, notes 36 and 37 discuss the going concern assumption and the impact of the ongoing COVID-19 pandemic.

Dividend

In view of the need to build capital to be able to write big ticket transactions, the board considered it prudent not to declare a dividend.

Share capital

The authorised number of shares as at 31 December 2022 was 29 500 000 ordinary shares. The total number of issued shares was 28 040 028.

Capital adequacy

The capital adequacy ratio as at 31 December 2022 based on Basel I was 40%, well above the regulatory minimum ratio of 12%. The Bank's policy is to maintain a strong capital base that will not limit new business development. The capital position is constantly reviewed to ensure sustained compliance with regulatory minimum capital requirements and capital adequacy ratios.

Directors' approval

This annual report was approved by the board of directors and is subject to approval by the shareholders at the forthcoming Annual General Meeting.

Directors and Secretary

A complete list of directors and the company secretary at the date of this report appear on page 4.

Directors' remuneration

Details of directors' remuneration are set out in note 13 to the financial statements.

Financial statements preparation

These financial statements have been prepared under the supervision of the Chief Financial Officer; Fortune Nhamoinesu Takaindisa, Associate Chartered Management Accountant (ACMA), (CGMA), PAAB Number 05367.

Auditors

Deloitte & Touche were appointed the independent auditors for the financial year ended 31 December 2022. The auditors are in their third year of a 4-year audit term and their appointment for the next financial year will be confirmed at the next Annual General Meeting. The audit report of the independent auditors is presented on pages 40 to 42.

Approval of annual financial statements

The annual financial statements of the Bank, as identified in the first paragraph, were approved by the board of directors on 23 March 2023 and signed on its behalf by:

By order of the board

Shepherd Shonhiwa	Farai Sithole
CHAIRMAN	**COMPANY SECRETARY**

Harare
23 March 2023

Deloitte.

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Harare
Zimbabwe

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Independent Auditor's Report

To the shareholders of Nedbank Zimbabwe Limited

Report on the audit of the inflation-adjusted financial statements

Opinion

We have audited the inflation-adjusted financial statements of Nedbank Zimbabwe Limited (the "Bank") set out on pages 44 to 141, which comprise the inflation-adjusted statement of financial position as at 31 December 2022, the inflation-adjusted statement of profit or loss and other comprehensive income, the inflation-adjusted statement of changes in equity and the inflation-adjusted statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying inflation-adjusted financial statements present fairly, in all material respects, the inflation-adjusted financial position as at 31 December 2022, and its inflation-adjusted financial performance and inflation-adjusted cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Banking Act (Chapter 24:20).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the inflation-adjusted financial statements section of our report. We are independent of the Bank in accordance with 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 financial statements in Zimbabwe. We have fulfilled our 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 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 financial statements of the current year. These matters were addressed in the context of our audit of the inflation-adjusted financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be a key audit matter:

Key audit matter	**How the matter was addressed**
Adequacy of the allowance for credit losses	
Included under note 20, is the allowance for expected credit loss balance as of 31 December 2022 amounting to ZWL 728 835 000. Due to the degree of uncertainty of estimates made in the determination of the expected credit losses balance as well as the significance of the loan balances involved, we have determined the adequacy of the expected credit loss provision to be key area focus in our audit. The allowance for expected credit losses (ECL) represents management's estimate of losses expected to be incurred in future in respect of the loan portfolios as at the statement of financial position date. The determination of the expected credit losses is inherently subject to significant judgement by management; assumptions and estimations are made in predicting future outcomes. The assumptions and judgements used in the calculation of the ECL included the following: • key definitions used by management such as default and significant increase in credit risk; • Considerations of the impact of the loans denominated in United States Dollars (USD) introduced in the current year on the ECL model; and • Forward looking information and instrument specific assumptions.	To respond to the risk, we performed audit procedures which included: • We identified relevant controls that address the ECL risks identified and evaluated the design and implementation. • Obtained an understanding of the Bank's internal rating models for loans and advances and for a sample of loans and advances, we assessed the appropriateness of the Bank's staging of loans and advances. • Evaluated the Bank's impairment provisioning policy against the requirements of IFRS 9 and performed an independent assessment on the appropriateness of the model; • Together with credit risk modelling specialists we assessed reasonableness of assumptions related to forward-looking information and USD loan book calibration; • With the assistance of our credit risk modelling specialists, performed model validation assessment on the Bank's model and reperformed the ECL calculations; and • Assessed the calculation of the Loss Given Default (LGD) used in the ECL calculations, including the appropriateness of the discounting of ECL performed by management and the resultant arithmetical calculations. We found the assumptions applied in the determination of the allowance for credit losses to be reasonable.

Other Information

The directors are responsible for the other information. The other information comprises the Bank Profile, Chairman's Statement, Managing Director's Report, the Chief Financial Officer's Report, the Sustainability Report, the Corporate Governance Report, Report of the directors and the historical cost financial information which we obtained prior to the date of this auditor's report. The other information does not include the inflation-adjusted financial statements and our auditor's report thereon. Our opinion on the inflation-adjusted financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the inflation-adjusted 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have no matters to report in this regard.

Responsibilities of the directors for the inflation-adjusted financial statements

The directors are responsible for the preparation and fair presentation of the inflation-adjusted financial statements in accordance with International Financial Reporting Standards (IFRS), and the requirements of the Banking Act (Chapter 24:20) and for such internal control as the directors determine is necessary to enable the preparation of inflation-adjusted financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation-adjusted financial statements, the directors are responsible for assessing the Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the inflation-adjusted financial statements

Our objectives are to obtain reasonable assurance about whether the inflation-adjusted financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the inflation-adjusted 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 Bank'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the inflation-adjusted financial statements, including the disclosures, and whether the inflation-adjusted financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Report on Other Legal and Regulatory Requirements

In fulfilment of the requirements of Section 193 of the Companies and Other Business Entities Act (Chapter 24:31) ("the Act"), we report to the shareholders as follows:

Section 193 (1) (b)

The financial statements of the Bank are properly drawn up in accordance with this Act so as to give a true and fair view of the state of the Bank's affairs at the date of the financial statements for the financial year ended 31 December 2022.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Per: Lawrence Nyajeka
Partner
PAAB Practice Certificate Number: 0598
Date: 23 March 2023


CIB
Nedbank International Trade Partners
Extend into foreign markets with global capital expertise

Statement of financial position

As at 31 December 2022

		AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
		2022	2021	2022	2021
	Note	ZWL'000	ZWL'000	ZWL'000	ZWL'000
ASSETS					
Cash and cash equivalents	19	84 214 215	41 001 062	84 214 215	11 927 243
Loans and advances to customers	20	17 001 259	8 442 976	17 001 259	2 456 069
Investment securities at amortised cost	21	13 147 453	25 214 087	13 147 453	7 334 798
Investment securities designated at fair value through other comprehensive income	22	667 995	350 381	667 995	101 926
Other assets*	23	7 088 029	4 238 675	7 082 236	1 232 081
Current taxation receivable*		480 470	-	480 470	-
Investment property	25	1 040 000	653 144	1 040 000	190 000
Property and equipment	26	4 943 367	4 069 719	4 114 210	1 134 519
Right-of-use asset	27	166 859	269 139	165 416	73 445
TOTAL ASSETS		**128 749 647**	**84 239 183**	**127 913 254**	**24 450 081**
EQUITY AND LIABILITIES					
Equity					
Share capital	31.2	2 681 101	17 092	873 566	93
Share premium	31.2	3 260 145	3 260 145	17 785	17 785
Revaluation reserve	31.3	1 620 870	1 554 832	2 912 476	785 383
Fair value reserve	31.4	(496 009)	(15 768)	101 967	14 622
Retained earnings		19 559 948	6 768 643	22 130 558	2 544 924
Total equity		**26 626 055**	**11 584 944**	**26 036 352**	**3 362 807**
Liabilities					
Deposits from customers	28	95 289 209	66 835 540	95 289 209	19 442 514
Other liabilities*	29	6 191 465	4 599 193	6 150 799	1 324 900
Current taxation payable*		-	84 898	-	24 697
Lease liability	30	401 159	312 317	401 159	90 853
Deferred tax liability	24	241 759	822 291	35 735	204 310
Total liabilities		**102 123 592**	**72 654 239**	**101 876 902**	**21 087 274**
TOTAL EQUITY AND LIABILITIES		**128 749 647**	**84 239 183**	**127 913 254**	**24 450 081**

Farai Sithole
Company Secretary

Shepherd Shonhiwa
Chairman

Sibongile Patience Moyo (PhD)
Managing Director

23 March 2023

*The Bank has reclassified "intercompany assets" from other assets to "cash and cash equivalents". The Bank has presented separately "current taxation receivable and payable" from other assets and other liabilities respectively to enhance disclosure. Refer to note 23 and 29.

The historical amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of IAS 29: Financial Reporting in Hyperinflationary Economies. As a result, the independent auditors have not expressed an opinion on the historical financial information.

Statement Of Profit Or Loss And Other Comprehensive Income

For the year ended 31 December 2022

		AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
		2022	2021	2022	2021
	Note	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Interest income	8	9 117 446	5 366 540	6 578 141	1 274 193
Interest expense	8	(2 329 960)	(713 559)	(1 763 779)	(167 800)
Net interest income		**6 787 486**	**4 652 981**	**4 814 362**	**1 106 393**
Fee and commission income	9	11 249 911	9 062 724	8 372 377	2 103 242
Net trading and dealing income	10	3 091 684	2 044 140	2 328 488	472 611
Unrealised foreign exchange gains	11	27 251 767	2 501 756	16 831 621	588 947
Fair value gain on investment property	25	386 856	187 676	850 000	105 760
Non-interest income		**41 980 218**	**13 796 296**	**28 382 486**	**3 270 560**
TOTAL INCOME		**48 767 704**	**18 449 277**	**33 196 848**	**4 376 953**
Net impairment loss on financial assets	12	(681 681)	(176 913)	(604 791)	(43 608)
Employees and directors' costs	13	(7 782 610)	(3 892 897)	(5 908 028)	(910 025)
Other expenses	14	(9 345 180)	(5 817 268)	(6 558 765)	(1 348 354)
Depreciation and amortisation expenses	15	(1 030 197)	(735 660)	(210 747)	(75 746)
Net monetary loss		(16 680 367)	(3 187 852)	-	-
TOTAL OPERATING EXPENSES		**(35 520 035)**	**(13 810 590)**	**(13 282 331)**	**(2 377 733)**
Profit before tax		**13 247 669**	**4 638 687**	**19 914 517**	**1 999 220**
Taxation	16	(471 075)	(1 530 807)	(341 363)	(520 127)
Profit for the year		**12 776 594**	**3 107 880**	**19 573 154**	**1 479 093**
Other comprehensive income					
Items that will never be classified to profit or loss					
Gains on revaluation of land and buildings (net of tax)	17	66 038	1 144 668	2 127 093	509 999
Fair value (loss) / gain on equity investment (net of tax)	18	(465 530)	(139 522)	99 825	(10 577)
TOTAL COMPREHENSIVE INCOME		**12 377 102**	**4 113 026**	**21 800 072**	**1 978 515**

The historical amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of IAS 29: Financial Reporting in Hyperinflationary Economies. As a result, the independent auditors have not expressed an opinion on the historical financial information.

Statement of Changes in Equity

For the year ended 31 December 2022

		AUDITED INFLATION ADJUSTED					
		Share capital	Share premium	Revaluation reserve	Fair value reserve	Retained earnings	Total
	Notes	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Balance as at 1 January 2022		**17 092**	**3 260 145**	**1 554 832**	**(15 768)**	**6 768 643**	**11 584 944**
Rights issue proceeds		2 664 009	-	-	-	-	**2 664 009**
De-recognition of fair value on sale of financial asset		-	-	-	(14 711)	14 711	-
Total comprehensive income		-	-	66 038	(465 530)	12 776 594	**12 377 102**
Balance as at 31 December 2022	**31**	**2 681 101**	**3 260 145**	**1 620 870**	**(496 009)**	**19 559 948**	**26 626 055**
Balance as at 1 January 2021		**17 092**	**3 260 145**	**410 164**	**123 754**	**3 660 763**	**7 471 918**
Total comprehensive income		-	-	1 144 668	(139 522)	3 107 880	**4 113 026**
Balance as at 31 December 2021	**31**	**17 092**	**3 260 145**	**1 554 832**	**(15 768)**	**6 768 643**	**11 584 944**

Statement of Changes in Equity

For the year ended 31 December 2022

		UNAUDITED HISTORICAL					
		Share capital	Share premium	Revaluation reserve	Fair value reserve	Retained earnings	Total
	Notes	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Balance as at 1 January 2022		93	17 785	785 383	14 622	2 544 924	**3 362 807**
Rights issue proceeds		873 473	-	-	-	-	**873 473**
De-recognition of fair value on sale of financial asset		-	-	-	(12 480)	12 480	-
Total comprehensive income		-	-	2 127 093	99 825	19 573 154	**21 800 072**
Balance as at 31 December 2022	**31**	**873 566**	**17 785**	**2 912 476**	**101 967**	**22 130 558**	**26 036 352**
Balance as at 1 January 2021		**93**	**17 785**	**275 384**	**25 199**	**1 065 831**	**1 384 292**
Total comprehensive income		-	-	509 999	(10 577)	1 479 093	**1 978 515**
Balance as at 31 December 2021	**31**	**93**	**17 785**	**785 383**	**14 622**	**2 544 924**	**3 362 807**

The historical amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of IAS 29: Financial Reporting in Hyperinflationary Economies. As a result, the independent auditors have not expressed an opinion on the historical financial information.

Statement of Cash Flows

For the year ended 31 December 2022

		AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
		2022	2021	2022	2021
	Note	ZWL'000	ZWL'000	ZWL'000	ZWL'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		13 247 669	4 638 687	19 914 517	1 999 220
Adjustments for:					
Unrealised foreign exchange gains	11	(27 251 767)	(2 501 756)	(16 831 621)	(588 947)
Net impairment charge on financial assets	12	681 681	176 913	604 791	43 608
Net interest income		(6 787 486)	(4 652 981)	(4 814 362)	(1 106 393)
Depreciation and amortisation expense	15	1 030 197	735 660	210 747	75 746
Fair value gain on investment property	25	(386 856)	(187 676)	(850 000)	(105 760)
Profit on disposal of property and equipment	9	(11 625)	(23 276)	(4 598)	(5 435)
Profit on disposal of investment securities		(92 118)	-	(82 776)	-
Net monetary loss		16 680 367	3 187 852	-	-
Operating cash (outflows)/ inflows before changes in operating assets and liabilities		**(2 889 938)**	**1 373 423**	**(1 853 302)**	**312 039**
Changes in operating assets and liabilities					
Increase/(decrease) in deposits and other liabilities		20 620 677	(5 116 837)	59 363 650	(245 077)
Decrease in gross advances and other assets		20 872 566	1 637 665	11 884 858	1 857 786
Operating cash inflows/(outflows) after changes in operating assets and liabilities		**38 603 305**	**(2 105 749)**	**69 395 206**	**1 924 748**
Income taxes paid		(1 061 551)	(2 034 267)	(622 579)	(499 972)
Interest received		6 386 198	5 847 632	4 665 656	1 318 685
Interest paid		(1 422 240)	(105 043)	(959 765)	(23 688)
Net cash flows from operating activities		**42 505 712**	**1 602 573**	**72 478 518**	**2 719 773**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	26	(1 739 803)	(1 221 921)	(907 855)	(280 591)
Disposal of property and equipment	26	7 285	31 598	5 322	7 281
Disposal of investments securities designated at fair value through other comprehensive income		114 807	35 253	103 164	6 380
Net cash used in investing activities		**(1 617 711)**	**(1 155 070)**	**(799 369)**	**(266 930)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Rights issue proceeds		2 688 746	-	881 584	-
Rights issue proceeds transaction costs		(24 738)	-	(8 111)	-
Lease liability principal and interest repayment		(333 467)	(167 304)	(255 922)	(38 556)
Net cash inflow/(outflow) from financing activities		**2 330 541**	**(167 304)**	**617 551**	**(38 556)**
Net increase in cash and cash equivalents		**43 218 542**	**280 199**	**72 296 700**	**2 414 287**
Cash and cash equivalents at beginning of the year		41 007 181	40 726 982	11 929 023	9 514 736
Cash and cash equivalents as at 31 December		**84 225 723**	**41 007 181**	**84 225 723**	**11 929 023**
Comprising:					
Balances with the Reserve Bank of Zimbabwe	19	13 815 246	6 003 737	13 815 246	1 746 492
Balances with banks and cash	19	70 410 477	35 003 444	70 410 477	10 182 531
		84 225 723	**41 007 181**	**84 225 723**	**11 929 023**

The historical amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of IAS 29: Financial Reporting in Hyperinflationary Economies. As a result, the independent auditors have not expressed an opinion on the historical financial information.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

1 REPORTING ENTITY

Nedbank Zimbabwe Limited ("the Bank") is a company incorporated in Zimbabwe and is a registered commercial bank primarily involved in corporate and institutional banking, treasury services, sales and origination which are its principal activities. The address of its registered office and principal place of business is 14th Floor, Old Mutual Centre, corner Jason Moyo Avenue and Third Street, Harare, Zimbabwe.

Nedbank Group Limited, a South African registered entity, is the holding company and is listed on the Johannesburg Stock Exchange ("JSE").

2 BASIS OF PREPARATION

2.1 Basis of accounting

The Bank's financial statements have been prepared in accordance with IFRSs and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31), the Banking Act (Chapter 24:20) and the Banking Amendment Act No. 12 of 2015.

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in **Note 6.3.2.**

These audited financial statements are presented in ZWL which is the Bank's functional currency. All financial information presented in ZWL has been rounded to the nearest thousand (ZWL'000), unless otherwise indicated. 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 Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in **Note 4.**

Financial Reporting in Hyperinflationary Economies

The general purchasing power of the functional currency has continued to decrease resulting in hyperinflation, hence the restatement to current amounts. Accordingly, the financial statements and the corresponding figures for the previous period have been restated to take account of the changes in the general purchasing power of the ZWL and as a result are stated in terms of the measuring unit current at the statement of financial position date. The restatement is based on conversion factors derived from the Zimbabwe Consumer Price Index ("CPI") compiled by the Zimbabwe Central Statistical Office.

Although IAS 29 discourages the presentation of historical financial statements when inflation adjusted financial statements are presented, historical cost based financial information has been included as supplementary information.

The indices and conversion factors used were as follows:

Date	Indices	Conversion factor
31 December 2022	13 672.91	1
31 December 2021	3 977.46	3.44

2 BASIS OF PREPARATION (continued)

2.1 Basis of accounting (continued)

Financial Reporting in Hyperinflationary Economies (continued)

The main procedures applied for the above mentioned restatement are as follows:-

All amounts for the year ended 31 December 2022 and comparatives are restated as follows;

a) Financial assets prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the statement of financial position date. The corresponding figures for the previous period are restated in the same terms of the measuring unit current at the statement of financial position date;

b) Monetary assets and liabilities that are carried at amounts current at the statement of financial position date are not restated because they are already expressed in terms of the monetary unit current at the statement of financial position date;

c) Non-monetary assets and liabilities that are not carried at amounts current at the statement of financial position date and components of shareholders' equity are restated by applying the relevant conversion factors from the date of the transaction to the statement of financial position date. Additions to property and equipment in the year of acquisition are restated using the relevant conversion factors from the date of the transaction to statement of financial position date;

d) Comparative financial statements are restated by applying general inflation indices in terms of the measuring unit current at the statement of financial position date;

e) All items in the statement of comprehensive income are restated by applying the relevant monthly conversion factors;

f) The effect of inflation on the net monetary position is included in statement of profit or loss and other comprehensive income as a net monetary gain or loss; and

g) All items in the statement of cash flows are expressed in terms of the measuring unit current at the statement of financial position date.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

3.1.1 Classification and measurement of financial assets and financial liabilities

Classification and measurement – financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and 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:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 IFRS 9 Financial Instruments (continued)

3.1.1 Classification and measurement of financial assets and financial liabilities (continued)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Bank 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.

Subsequent measurement of financial assets

The following accounting policies apply to the subsequent measurement of financial assets.

Financial asset	Subsequent measurement
Financial assets at FVTPL	Fair value through profit or loss
Financial assets at amortised cost	Amortised cost using the effective interest method
Debt investments at FVOCI	Fair value through other comprehensive income
Equity investments at FVOCI	Fair value through other comprehensive income

Business model assessment

The Bank makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information that will be considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice, including 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 assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial asset held within that business model) and how those risks are managed; and
- How managers of the business are compensated – i.e. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be 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.

Classification – financial liabilities

Under IFRS 9 fair value changes of liabilities designated as at FVTPL are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Bank has not designated any financial liabilities at FVTPL and the Bank has no current intention to do so.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 IFRS 9 Financial Instruments (continued)

3.1.2 Impairment – financial assets and contract assets

The impairment model applies to the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Loans and receivables;
- Lease receivables; and
- Loan commitments and financial guarantee contracts issued.

Under IFRS 9, no impairment loss is recognised on equity investments.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12–month Expected Credit Losses (ECLs) or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12–month ECLs are the portion of ECLs that result from default events that are possible within the 12 -month after the reporting date.

The Bank will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- Debt instrument securities that are determined to have low credit risk at the reporting date. The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of “investment grade”. Investment grade is a label assigned to a subset of credit ratings belonging to a rating scale which indicates that the credit risk associated with the rated entity (or product) is relatively low. The term is used primarily in the context of public ratings of corporate or sovereign bonds produced by credit rating agencies.
- Other financial instruments (other than lease receivable) for which credit risk has not increased significantly since initial recognition.

The impairment requirements for IFRS 9 are complex and require management judgement, estimates and assumptions, particularly in the following areas:

- Assessing whether the credit risk of an instrument has increased significantly since initial recognition and
- Incorporating forward-looking information into the measurement of ECLs.

Measurement of ECLs

ECLs are a probability –weighted estimate of credit losses and will be measured as follows:

- *Financial assets that are not credit – impaired* at the reporting date: 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 Bank expects to receive;
- *Financial assets that are credit - impaired* at the reporting date : the difference between the gross carrying amount and the present value of estimated future cash flows;
- *Undrawn loan commitments* - the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flow that the Bank expects to receive.
- *Financial guarantees contracts* - the present value of expected payments to reimburse the holder less any amount that the Bank expects to recover.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 IFRS 9 Financial Instruments (continued)

3.1.2 Impairment – financial assets and contract assets (continued)

Definition of default

Under IFRS 9, the Bank will consider financial assets to be in default when:

- The borrower is unlikely to pay its credit obligation to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- The borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

This definition is largely consistent with the definition that will be used for regulatory purposes. In assessing whether a borrower is in default, the Bank will consider indicators that are:

- Qualitative e.g. breaches of covenant;
- Quantitative e.g. overdue status and non-payment of another obligation of the same issuer to the Bank; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Significant increase in credit risk

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Bank will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward–looking information. Forward looking information used is expected interest rates, inflation data and any other expected macro and micro economic factors.

The Bank will primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default ("PD") as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. For certain revolving facilities (e.g. overdraft), the date when the facility was first entered into could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment.

Credit risk grades

The Bank will allocate each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experience credit judgment. The Bank will use these grades in identifying significant increase in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the expense and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates – e.g. the difference in the risk of default between credit risk grade 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure will be allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposure will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 IFRS 9 Financial Instruments (continued)

3.1.2 Impairment – financial assets and contract assets (continued)

Generating the term structure of PD

Credit risk grades will be a primary input into the determination of the term structure of PD for exposure. The Bank will collect performance and default information about its credit risk exposures analysed by jurisdiction, by type of product and borrower and by credit risk grading. For some portfolios, information purchased from external credit reference agencies may also be used.

The Bank benefits from statistical models employed at Nedbank Group level to analyse the data collected and generate estimates of the remaining lifetime PD of exposure and how these are expected to change as result of the passage of time.

This analysis will include the identification and calibration of the relationship between changes in default rates and changes in key macro-economic factors, as well as in–depth analysis of the impact of certain other factors on the risk of default. For most exposures, key macro-economic indicators are likely to include gross domestic growth, benchmark interest rates and unemployment data. For exposure to specific industries and /or regions, the analysis may extend to relevant commodity and/or real estate prices.

Determining whether credit risk has increased significantly

The Bank has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Bank's internal credit risk management process. The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency.

The Bank will deem the credit risk of a particular exposure to have increased significantly since initial recognition if, based on the Bank's quantitative modelling, the remaining lifetime PD is determined to have increased by more than 10% (subject to a minimum in PD of 5 basis points per annum since initial recognition. In measuring increase in credit risk, remaining lifetime ECLs are adjusted for changes in maturity.

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. As a backstop, and as required by IFRS 9, the Bank will presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank will determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The Bank will monitor the effectiveness of the criteria used to identify significant increase in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increase in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;
- Exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- There is no unwarranted volatility in loss allowance from transfers between 12–month ECL and lifetime ECL measurements.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 IFRS 9 Financial Instruments (continued)

3.1.2 Impairment – financial assets and contract assets (continued)

Inputs into measurement of ECLs

The key inputs in the measurement of ECLs are likely to be term structure of the following variables:

- Probability of Default ("PD")
- Loss Given Default ("LGD"); and
- Exposure At Default ("EAD")

These parameters will be derived from internally developed statistical models and other historical data leveraged on regulatory models. They will be adjusted to reflect forward-looking information.

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

LGD is the magnitude of the likely loss if there is a default. The Bank will estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models will consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by physical property, loan to value ("LTV") ratios are likely to be key parameters in determining LGD.

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

3.1.3 Circumstances under which contractual terms of financial assets will be modified

All accounts with the Bank have a client specific credit grade. The credit grading methodology is based on the Nedcor Group Rating ("NGR") Rating Scale which has been mapped to the RBZ Supervisory Rating Scale ("SRS") per RBZ Guideline No: 1-2011/BSD "Technical Guidance on Basel II Implementation in Zimbabwe". Each account is to be graded from time to time in line with the receipt of new information by the Account Manager, but in any event at least once annually. Amendments take various forms, but usually entail the amendment of financial conditions, the deferment of instalments, amendment of collateral arrangements or the extension of the expiry date.

All amendments to credit application details must be authorised by a person with a credit assessment mandate for new applications of equal value, except if other policy directives apply. Once a potential troublesome exposure is identified, the risk rating of the counterparty is to be changed and responsibility for remedial management or recovery must, by a mandated official or credit committees and a formal transfer mechanism, be transferred to the Collections Department if within the Bank's mandate. If above the Bank's mandate it should be transferred to Nedbank Group Limited.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 IFRS 9 Financial Instruments (continued)

3.1.3 Circumstance under which contractual terms of financial assets will be modified (continued)

This permits a proactive approach, which is intended to result in the minimisation or complete avoidance of any possible loss. At this stage, a comprehensive assessment of the position is made to determine whether it is a lost cause, in which case the collection process must commence without delay, or whether there is a possibility that the operation may be rescued, through:

- active participation in any further lending and adherence to arrangements;
- improving the security position; and
- assisting the customer to restructure the operation.

The primary objective of remedial management is to restore the obligor to a financially healthy position and acceptability as a customer. If, in due course, it becomes apparent that this cannot be achieved, then an exit strategy designed to minimise or avoid loss must be commenced.

Distressed restructured credit exposures include any loan, advance or facility in respect of which the Bank has granted a concession to the obligor owing to a deterioration in its financial condition, that is, owing to a financial distress situation of the relevant obligor.

A distressed restructure is recognised either where the borrower is in arrears (excluding technical arrears) or has defaulted and now requires a restructure or in instances where the terms and conditions were changed in order to prevent the obligor from going into arrears. If a loan has been in arrears at any point during the past 6 months prior to the restructure, the restructure should be regarded as a distressed restructure.

No business unit will re-negotiate, roll-over, refinance, renew or modify the terms of a loan in order to avoid an adverse classification or to technically cure a past-due status or other contract default.
No business unit will grant a loan or otherwise advance additional funds to an obligor for the purpose of enabling the obligor to meet existing payment obligations to the Bank without recording a default.

If the obligor has, in the opinion of the specialist unit and the line management, been restored to health, then the exposure should be re-rated and responsibility transferred back to the division's normal operations through once again a formal process.

3.1.4 De-recognition

A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.1.5 Model governance

The governance around modelling is such that model development, verification and validation are all done independently before business adopts impairment numbers. Model validation is done annually and changes in inputs to the model are adjusted accordingly.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2. Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

3.2.1 The Bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Bank's determined incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analysing its borrowings from possible external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Bank re-measures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Bank presents right-of-use assets and lease liability separately in the statement of financial position.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Foreign currencies

Transactions and balances

Transactions in foreign currencies are translated into the respective functional currency of the Bank at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI; and
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective

3.4 Taxation

Income tax expense comprises current income and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

3.4.1 Current income tax

Current income 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. It is measured using tax rates enacted or substantively enacted at the reporting date.

3.4.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognised for:

- Temporary difference 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 difference related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary difference arising on the initial recognition of goodwill.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Taxation (continued)

3.4.2 Deferred tax (continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary difference to the extent that it is probable that future taxable profits will be available against which they can be used. 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 benefits will be realised.

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.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank 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 Bank has not rebutted this presumption.

Deferred tax assets and liabilities are offset if there is a legal enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their assets and liabilities will be realised simultaneously.

3.5 Employee benefits

Employee benefits are all forms of consideration given by the Bank in exchange for services rendered by employees.

3.5.1 Short-term benefits

Short-term benefits are employee benefits (other than termination benefits), that are to be settled wholly before twelve months after the year end of the period in which the employees render related services. When an employee has rendered services during an accounting period, the Bank recognises the undiscounted amount of the short-term employee benefits expected to be paid in exchange for that service.

3.5.2 Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. Employee benefits are provided for employees through the National Social Security Authority ("NSSA") and the Bank operates a pension scheme on a defined contribution basis providing benefits based on contributions made plus profits that are declared by the scheme's trustees from time to time. The assets of the scheme are held separately from those of the Bank. The scheme is financed by Bank and employee contributions. The Bank's contributions to the scheme are charged to the statement of profit or loss.

3.5.3 Termination benefits

Termination benefits are employee benefits payable as a result of the Bank's decision to terminate employment before normal retirement date (or contractual date) or an employee's decision to accept voluntary redundancy in exchange for those benefits. The Bank recognises termination benefits at the earlier of when it can no longer withdraw the offer of those benefits and when it recognises costs for restricting that are within the scope of IAS 37: *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Employee benefits (continued)

3.5.3 Termination benefits (continued)

Termination benefits that are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render services are discounted using market rates of interest. In case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

3.5.4 Other long term employee benefits

The Bank's net obligation in respect of long term employee benefits is the amount of future benefits that employees have earned in return for their services in the current and prior periods. This benefit is expensed as the provision for the long term employee benefits is built up.

3.6 Property and equipment

Land and buildings comprise buildings held for administrative purposes. All motor vehicles, furniture, fittings and equipment used by the Bank are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Any accumulated depreciation at the date of revaluation of land and buildings is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred and recognised in profit or loss.

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

-	Buildings	up to 40 years;
-	Leasehold improvements	up to 5 years;
-	Furniture and fittings	up to 10 years;
-	Motor vehicles	up to 5 years;
-	Computer equipment	up to 5 years; and
-	Computer hardware	up to 5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property or equipment was impaired as at 31 December 2022. Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in other operating expenses in the statement of profit or loss.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Intangible assets

Intangible assets comprise separately identifiable expenditure arising from computer software acquisitions. Software acquisitions are recognised and capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and subsequently amortised using the straight line method over their estimated useful economic life, generally not exceeding 5 years.

3.8 Interest income and expense

3.8.1 Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability

3.8.2 Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance

3.8.3 Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest.

The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Interest income and expense (continued)

3.8.4 Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost; and
- interest on debt instruments measured at FVOCI.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income. Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net interest income and from other financial instruments at FVTPL.

3.9 Fees and commission income

Fees and commission income is recognised on an accrual basis when the service has been provided. Services provided by the Bank, giving rise to this income, include cash management and sale services. The recognition of revenue for financial service fees depends on the purposes for which the fees are assessed and the basis of accounting for any associated financial instruments.

3.9.1 Other fees and commission

Loan commitment fees are recognised on a straight line basis over the loan period.

3.10 Net trading and dealing income

Net trading and dealing income includes gains and losses arising from disposals and changes in the fair value of foreign currency dealing.

3.11 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Central Bank and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of change in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.12 Loans and advances

The 'loans and advances to customers' caption in the statement of financial position includes loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs and subsequently at their amortised cost using the effective interest method.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset at a fixed price on a future date, the consideration paid is accounted for as a loan or advance and the underlying asset is not recognised in the Bank's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Investment securities

The 'investment securities' caption in the statement of financial position include debt investment securities measured at amortised cost ; these are initially measured at fair value plus incremental direct transaction costs and subsequently at their amortised cost using the effective interest method.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest method;
- ECLs and reversals; and
- Foreign exchange gains and losses.

The Bank elects to present changes in the fair value of certain investments in equity instruments that are not held for trading through OCI. The election is made on an instrument by instrument basis on initial recognition and is irrecovable.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss (other income). Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

3.14 Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss within other income. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.15 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Bank has related party relationships with its parent company, subsidiaries, fellow subsidiaries and key management employees. Transactions and balances with related parties are shown in **Note 33**.

3.16 Financial guarantee and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder of a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of the debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. These are accounted for as off-statement of financial position transactions.

3.17 Contingent liability

The Bank discloses a contingent liability when there is a possible obligation that is yet to be confirmed, or when the Bank has a present obligation that could lead to an outflow of economic benefits or instances where a present obligation does not meet the recognition criteria for a liability.

3.18 Provisions

The Bank recognises a provision when the entity has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

4 SIGNFICANT ASSUMPTIONS, JUDGEMENTS AND ESTIMATION UNCERTAINTIES

In preparing these financial statements, management made estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2022 is set out below in relation to the following notes :

- **Note 2.1** - financial reporting in hyperinflationary economies.
- **Note 7** - determination of the fair value of financial instruments with significant unobservable inputs.
- **Note 24** – recognition of deferred tax liability.
- **Note 25 -** recognition and measurement of investment property.
- **Note 26 -** recognition and measurement of owner occupied property and equipment.
- **Note 34 -** recognition and measurement of contingencies and commitments, key assumptions about the likelihood and magnitude of an outflow of resources.

4.1 Fair values of equity investments

The Bank has equity investments in unlisted entities disclosed in **Note 22**. These are carried and measured at fair value through other comprehensive income.

4.2 Revaluation of property

Land and buildings are measured at the revalued carrying amount. Refer to **Note 26**.

4.3 Expected Credit Losses

Impact of COVID-19

The economy did not witness any disruption in the year 2022 due to COVID-19 related matters. The relevant Statutory Instruments related to COVID-19 are yet to be repealed. Therefore the Bank has remained vigilant. Management have concluded that the current ECL model is giving sufficient coverage in the circumstances and, in the absence of any specific related challenges observed in the current year, there has been no need for any specific COVID-19 related impairment overlays.

Increase in ECLs due to USD lending

The Bank saw an increase in its USD denominated loans in the year 2022, as the economy saw increased transaction in USD. This has triggered the need to ensure that the ECL for this category has been accurately calculated. In the absence of historical data and reliable proxies to build a suitable model, an overlay on the ECLs amount has been imposed on all USD denominated loans to ensure that there is adequate coverage.

Notwithstanding the above, management is constantly reviewing the ECL model inputs to ensure the results are aligned with the projected economic fundamentals affecting Zimbabwe's credit environment.

4.4 Uncertain tax position

There have been significant currency changes in Zimbabwe since 2019. These changes created some uncertainties in the treatment of transactions for taxes due to the absence of clear guidelines and transitional measures. Of significance to the Bank is the payment of Income Tax in foreign currency for the tax year ended 31 December 2019 for income earned in foreign currency. The Bank paid all its 2019 income tax commitments in ZWL. The Finance Act (no 2) of 2019 stated that the Zimbabwean dollar shall be the sole legal tender in Zimbabwe. The Revenue Authority has however asked for voluntary disclosure of income earned in foreign currency in 2019 and how the resultant income tax obligations were settled. Management's position is that it settled the 2019 income tax obligations in full and the position is supported by advice from external counsel.

4 SIGNFICANT ASSUMPTIONS, JUDGEMENTS AND ESTIMATION UNCERTAINTIES (continued)

4.5 Appropriateness of the use of Foreign Exchange Auction Rate to convert foreign balances and transactions

Following the promulgation of S1 85 of 2020 on 29 March 2020, which allows payment for goods and services chargeable in Zimbabwean dollars, in foreign currency using free funds at the ruling exchange rate on the date of payment, the Bank performed an assessment to determine whether there has been change in the conclusion reached on functional currency in 2020 for the financial year ended 31 December 2022. The assessment was principally based on the volumes and value of the Bank's transactions conducted in foreign currency. A significant proportion of the Bank's transactions in volumes and monetary terms were conducted in ZWL. Hence management concluded that the functional currency was still the ZWL.

The Bank translates transactions at the exchange rates prevailing at the time of transacting while year-end monetary balances are translated at the closing exchange rate being the spot rate at the end of the reporting period. Spot rate is the exchange rate for immediate delivery thus there should be exchangeability for the rate to be used as spot rate.

Management performed an assessment to consider whether the interbank exchange rate obtained from the foreign exchange auction system is an appropriate spot rate. Management considered the Bank's ability to obtain foreign currency through the foreign exchange auction system and other legal exchange mechanisms in sufficient volumes to sustain the operations of the Bank, availability of free funds in foreign currency and ability to meet foreign currency commitments timeously. Management also evaluated the volumes of foreign currency allotted to the Bank's clients on the foreign exchange auction system and the weekly success rate of the foreign exchange auction bids submitted to the RBZ. The Bank, through the support received from RBZ, was able to fund a significant amount of the foreign exchange auction allotments at the foreign exchange auction rates determined weekly on a weighted average of customer bid rates. Management have therefore assessed and concluded that the foreign currency auction rate was an appropriate spot rate throughout the year 2022. Refer to **Note 37–Subsequent Events** for additional disclosure.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Other standards

The following new and amended standards are not expected to have a significant impact on the Bank's consolidated financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS16)

The directors are in the process of assessing the impact of the new standards. However, they do not expect the adoption of the standards above to have any material impact on the financial statements in the year of initial application.

6 FINANCIAL RISK MANAGEMENT

The Bank has exposure to the following key risks:

- **Credit risk**
    - Credit quality analysis
    - Collateral held and other credit enhancement
    - Concentration of credit risk
    - Impaired loans and advances
- **Liquidity risk**
    - Exposure to liquidity risk
    - Maturity analysis of financial assets and financial liabilities
    - Liquidity reserves
    - Financial asset available to support future funding
    - Financial assets pledged as collateral
- **Market risk**
    - Exposure to market risk-trading and non-trading portfolio
    - Exposure to currency risks
    - Exposure to interest rate risks
- **Operational risk**
    - Strategic risk
    - Reputational risk
    - Compliance risk
- **Capital management**
    - Regulatory capital
    - Capital allocation

This note presents financial information on the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk and the management of capital.

6.1 Risk Management Framework

The board of directors oversees the Bank's risk management framework and is ultimately responsible for setting risk tolerance limits and ensuring the existence of a robust risk governance framework incorporating:

- **First line of defence** - an accountable and responsible management together with the board;
- **Second line of defence** - an effective independent risk oversight function led by the Chief Risk Officer as well as an Enterprise Governance and Compliance function; and
- **Third line of defence** - independent assurance provided by Internal Audit and External Audit.

The Bank has a strong risk management culture that is embedded in the Nedbank Group's strategic framework. The Bank's Enterprise-wide Risk Management Framework ("ERMF") contains the risk universe, which lists 21 risk categories with their respective risk management policies. Enterprise Risk Management ("ERM") is a structured and integrated approach to risk management, aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the opportunities, threats and uncertainties that the Bank faces as it strives to create shareholder value. It involves integrating risk and capital management effectively through the Bank's risk universe, business units and operating divisions.

The Bank's risk exposure remained within acceptable levels in all risk categories. The Bank continues to strengthen its risk management systems in order to remain abreast of the challenges that are presented by changes in the economic and regulatory environment.

6 FINANCIAL RISK MANAGEMENT (continued)

6.2 Credit risk

This is the risk arising from the probability of borrowers and/or counterparties failing to meet their repayment commitments (including accumulated interest) and in particular risks arising from impaired or problem assets and the Bank's related impairments, provisions or reserves. It also includes risk arising from exposure to related persons. Credit risk has the following sub-risks:

- Collateral risk;
- Concentration risk;
- Counterparty risk;
- Country risk;
- Issuer risk;
- Industry risk;
- Settlement risk;
- Transfer (sovereign) risk;
- Underwriting (lending) risk; and
- Securitisation risk or re-securitisation structures.

Credit risk is managed through a comprehensive system of credit analysis, credit approval, credit monitoring and review, and credit loss control. The Bank's Credit policy, which is subject to annual review, regulates the granting of all credit facilities and aspects of credit risk management. Decisions are made through formal meetings of the Board Lendings Committee and the Management Credit Committees.

All facilities are risk rated, whether they are on-statement of financial position , off-statement of financial position , retail or corporate. The Bank maintains an expected credit loss charge to cushion the financial asset against objective evidence of impairment as a result of one or more loss events, if that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The ratio of non-performing loans decreased from 2.23% recorded at 31 December 2021 to 0.52% at 31 December 2022. Country risk and credit counterparty risk are still perceived high, making it difficult for the banking sector to secure credit on favourable terms.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.2 Credit risk (continued)

6.2.1 Credit quality analysis (continued)

		AUDITED INFLATION ADJUSTED							
		Loans and advances to customers		Bank balances		Investment securities at amortised cost		Financial guarantees	
	Notes	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Maximum exposure to credit risk	**19, 20, 21, 33.2**								
Carrying amount		**17 001 259**	**8 442 976**	**84 214 215**	**41 001 062**	**13 147 453**	**25 214 087**	**1 246 153**	**2 855 169z**
Grade 1-3 Pass		8 012 017	8 471 347	84 225 723	41 007 181	13 209 137	25 261 866	1 254 076	2 864 258
Grade 4-7 Special mention		9 545 250	128 690	-	-	-	-	-	-
Grade 8 -Substandard		86 042	151 227	-	-	-	-	-	-
Grade 9- Doubtful		4 935	45 249	-	-	-	-	-	-
Grade 10- Loss		735	103	-	-	-	-	-	-
Total gross amount		**17 648 979**	**8 796 616**	**84 225 723**	**41 007 181**	**13 209 137**	**25 261 866**	**1 254 076**	**2 864 258**
Stage 1: 12-month ECL		(275 363)	(204 482)	(11 508)	(6 119)	(61 684)	(47 779)	(7 923)	(9 089)
Stage 2-Life time ECL-not impaired		(310 611)	(53 864)	-	-	-	-	-	-
Stage 3- Life time ECL-impaired		(61 746)	(95 294)	-	-	-	-	-	-
Net carrying amount		**17 001 259**	**8 442 976**	**84 214 215**	**41 001 062**	**13 147 453**	**25 214 087**	**1 246 153**	**2 855 169**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)
6.2 Credit risk (continued)
6.2.1 Credit quality analysis (continued)

		UNAUDITED HISTORICAL							
		Loans and advances to customers		Bank balances		Investment securities at amortised cost		Financial guarantees	
	Note	2022 ZWL'000	2021 ZWL'0000	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Maximum exposure to credit risk									
Carrying amount	**19, 20, 21, 34**	**17 001 259**	**2 456 069**	**84 214 215**	**11 927 243**	**13 147 453**	**7 334 798**	**1 246 153**	**833 215**
Grade 1-3 Pass		8 012 017	2 464 322	84 225 723	11 929 023	13 209 137	7 348 697	1 254 076	833 215
Grade 4-7 Special mention		9 545 250	37 436	-	-	-	-	-	-
Grade 8 -Substandard		86 042	43 992	-	-	-	-	-	-
Grade 9- Doubtful		4 935	13 163	-	-	-	-	-	-
Grade 10- Loss		735	30	-	-	-	-	-	-
Total gross amount		**17 648 979**	**2 558 943**	**84 225 723**	**11 929 023**	**13 209 137**	**7 348 697**	**1 254 076**	**833 215**
Stage 1: 12-month ECL		(275 363)	(59 484)	(11 508)	(1 780)	(61 684)	(13 899)	(7 923)	-
Stage 2-Life time ECL-not impaired		(310 611)	(15 669)	-	-	-	-		
Stage 3- Life time ECL-impaired		(61 746)	(27 721)	-	-	-	-	-	-
Net carrying amount		**17 001 259**	**2 456 069**	**84 214 215**	**11 927 243**	**13 147 453**	**7 334 798**	**1 246 153**	**833 215**

6 FINANCIAL RISK MANAGEMENT (continued)

6.2 Credit risk (continued)

6.2.1 Credit quality analysis (continued)

6.2.1.1 Defaulted loans

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Input into the assessment of whether a financial instrument is in default and its significance may vary over time to reflect changes in circumstances.

The table below analyses the aging of defaulted financial assets measured at amortised cost.

Analysis of individually impaired loans and advances

	AUDITED INFLATION ADJUSTED			
31 December 2022	**91-180 days ZWL'000**	**181-365 days ZWL'000**	**Over 365 days ZWL'000**	**Total ZWL'000**
Overdrafts	71 310	1 971	735	**74 016**
Personal loans	10 424	2 964	-	**13 388**
Instalment credit loans	4 176	-	-	**4 176**
Term loans	132	-	-	**132**
	86 042	**4 935**	**735**	**91 712**
31 December 2021				
Overdrafts	106 624	44 617	93	**151 334**
Instalment credit loans	36 975	-	-	**36 975**
Personal loans	7 329	633	10	**7 972**
Term loans	58	-	-	**58**
	150 986	**45 250**	**103**	**196 339**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.2 Credit risk (continued)
6.2.1 Credit quality analysis (continued)
6.2.1.1 Defaulted loans (continued)

	UNAUDITED HISTORICAL			
31 December 2022	**91-180 days ZWL'000**	**181-365 days ZWL'000**	**Over 365 days ZWL'000**	**Total ZWL'000**
Overdrafts	71 310	1 971	735	**74 016**
Personal loans	10 424	2 964	-	**13 388**
Instalment credit loans	4 176	-	-	**4 176**
Term loans	132	-	-	**132**
	86 042	**4 935**	**735**	**91 712**
31 December 2021				
Overdrafts	31 017	12 979	27	**44 023**
Instalment credit loans	10 756	-	-	**10 756**
Personal loans	2 132	184	3	**2 319**
Term loans	17	-	-	**17**
	43 992	**13 163**	**30**	**57 115**

6.2.1.2 Allowance for impairment

The following table shows reconciliations from the opening to the closing balance of the loss allowance of financial instruments. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in **Note 3.1 - IFRS 9 Financial Instruments.**

	AUDITED INFLATION ADJUSTED			
	12 months ECL ZWL'000	**Lifetime ECL- not credit impaired ZWL'000**	**Lifetime ECL- credit impaired ZWL'000**	**Total ZWL'000**
Balance as at 1 January 2022	**267 469**	**53 864**	**95 294**	**416 627**
Impairment charge for the year	307 778	325 795	51 425	**684 998**
Amounts written off	-	-	(162)	**(162)**
Effects of IAS 29	(218 769)	(69 048)	(84 811)	**(372 628)**
Balance as at 31 December 2022	**356 478**	**310 611**	**61 746**	**728 835**
Balance as at 1 January 2021	**361 374**	**24 944**	**26 229**	**412 547**
Impairment charge for the year	49 852	44 785	95 655	**190 292**
Amounts written off	-	-	(93)	**(93)**
Effects of IAS 29	(143 757)	(15 865)	(26 497)	**(186 119)**
Balance as at 31 December 2021	**267 469**	**53 864**	**95 294**	**416 627**

6 FINANCIAL RISK MANAGEMENT (continued)

6.2 Credit risk (continued)

6.2.1 Credit quality analysis (continued)

6.2.1.2 Allowance for impairment (continued)

	UNAUDITED HISTORICAL			
	12 months ECL ZWL'000	Lifetime ECL-not credit impaired ZWL'000	Lifetime ECL-credit impaired ZWL'000	Total ZWL'000
Balance as at 1 January 2022	77 807	15 669	27 721	**121 197**
Impairment charge for the year	278 671	294 942	34 181	**607 794**
Amounts written off	-	-	(156)	**(156)**
Balance as at 31 December 2022	**356 478**	**310 611**	**61 746**	**728 835**
Balance as at 1 January 2021	65 401	4 514	4 747	**74 662**
Impairment charge for the year	12 406	11 155	22 995	**46 556**
Amounts written off	-	-	(21)	**(21)**
Balance as at 31 December 2021	**77 807**	**15 669**	**27 721**	**121 197**

6.2.1.3 Loans and advances write offs

The Bank writes off loans and advances when the Credit Committee determines that the loan is uncollectible. The determination is made after considering information such as the occurrence of significant changes in the borrower's or issuer's financial position such that the borrower or issuer can no longer pay the obligation, or that the proceeds from collateral will not be sufficient to pay back the entire exposure. Amounts written off during the year were:

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Amounts written off	162	93	156	21

Although written off, the Bank continues to pursue these amounts until all recovery options have been exhausted.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.2 Credit risk (continued)

6.2.1.4 Collateral against loans and advances

The Bank holds collateral against loans and advances to customers in the form of mortgage interest over properties, other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowings and generally updated when a loan is individually assessed as impaired. Collateral is not held against investment securities.

An estimate of the fair value of collateral and other security enhancement held against loans and advances to customers is shown below:

	2022 ZWL'000	2021 ZWL'000
Against individually impaired loans and advances		
Property	641 906	253 183
Gross loans and advances	91 712	196 339
Percentage of exposure that is covered by collateral	*700%*	*129%*
Against neither past due nor impaired loans and past due but not impaired		
Property, *NGCBs and Cash Cover	218 037 642	6 363 674
Gross loans and advance	17 648 979	8 796 616
Percentage of exposure that is covered by collateral	*1 235%*	*72%*

The fair value of collateral has been determined by hyper restating the fair value of the collateral from the last date of valuation.

The Bank did not take possession of any collateral held as security against loans and advances. The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank does not use the non-cash collateral for its own operations.

***NGCB** - Notarial General Covering Bond.

6 FINANCIAL RISK MANAGEMENT (continued)

6.2 Credit risk (continued)

6.2.1.4 Collateral against home loans

The Bank holds on average an 81% Loan to Value ("LTV") ratio on home loans. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation excludes any adjustments of obtaining and selling the collateral. The valuation of the collateral for residential property is at origination. No updates have been made on changes in house price indices.

6.2.1.5 Concentration of credit risk

The Bank monitors concentration of credit risk by sector. All loans and advances to customers are for customers operating within Zimbabwe. An analysis of the concentration of credit risk from gross loans and advances at the reporting date is shown below

	AUDITED INFLATION ADJUSTED				UNAUDITED HISTORICAL			
	2022		2021		2022		2021	
	ZWL'000	%	ZWL'000	%	ZWL'000	%	ZWL'000	%
Retail and corporate	5 156 138	30	2 010 046	23	5 156 138	30	584 724	23
Manufacturing	4 958 534	28	2 914 656	33	4 958 534	28	847 876	33
Mning	2 672 124	15	397 063	5	2 672 124	15	115 506	5
Individuals	2 278 657	13	1 331 536	15	2 278 657	13	387 345	15
Agriculture and horticulture	1 623 290	9	1 284 991	15	1 623 290	9	373 805	15
Services	404 499	2	361 649	4	404 499	2	105 204	4
Transport	325 112	2	287 655	3	325 112	2	83 679	3
Construction	230 625	1	209 020	2	230 625	1	60 804	2
TOTAL	**17 648 979**	**100**	**8 796 616**	**100**	**17 648 979**	**100**	**2 558 943**	**100**

6.2.1.6 Investment securities measured at amortised cost.

The Bank held investments measured at amortised cost of ZWL13.147 billion (2021: ZWL25.214 billion).

6.2.1.7 Cash and cash equivalents

The Bank held cash and cash equivalents of ZWL84.214 billion net carrying amount as at 31 December 2022 (2021: ZWL41.001 billion).

6.2.1.8 Settlement risk

The Bank'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 an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. Settlement limits form part of the credit approval/ limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires specific transaction and/or specific counterparty approval from the Risk Department.

6 FINANCIAL RISK MANAGEMENT (continued)

6.3 Liquidity risk

There are two types of liquidity risk, namely funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Bank is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals, the inability to roll over maturing debt or meet contractual commitments to lend. Market liquidity risk is the risk that the Bank will be unable to sell assets, without incurring an unacceptable loss, in order to generate cash required to meet payment obligations under a stress liquidity event.

The primary role of the Bank in terms of financial intermediation is the conversion of short-term deposits into longer-term loans. By fulfilling this role, banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risks.

Concentration risk is a sub-risk of liquidity risk.

Liquidity risk management strategy is determined by the ALCO which reviews liquidity on a monthly basis in addition to assessing daily funding requirements through the Treasury Department, with the Market Risk function providing ongoing independent oversight.

The Bank remained in a sound liquidity position and was able to comfortably meet funding commitments as they fell due. The Bank was compliant with all liquidity risk limits with a prudential liquidity ratio of 103% as at 31 December 2022, which was above the prudential minimum of 30%. Whilst market deposits remained generally short term and transitory in nature, management continued to be conservative in deploying these into assets with sufficient buffers to support lending.

The Bank continues to put in place strategies to manage concentration risk in its deposit base (refer to **Note 28.4**). Stress testing results revealed that the Bank has sufficient sources of funding to meet liquidity requirements under various short term stress scenarios. The stress test results also provide a tool for testing the adequacy of the Bank's contingent liquidity management plan in the event of adverse shocks.

6.3.1 Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the liquidity ratio of net liquid assets to deposits from customers. For this purpose the liquidity ratio looks at the relationships between all liquid assets versus demand deposits from customers and other Banks. The table below shows the maximum, minimum and average for the year:

	2022	2021
At 31 December	103%	98%
Average	100%	101%
Minimum for the period	93%	91%
Maximum for the period	108%	117%

6.3.2 Liquidity gap analysis

Below is a table with an analysis of the liquidity gap between financial assets and financial liabilities. All other non-financial assets and liabilities shown on the statement of financial position are expected to be recovered or settled more than 12 months after the reporting date. This liquidity gap analysis is based on the contractual carrying amounts of the financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.3 Liquidity risk (continued)

6.3.2 Liquidity gap analysis (continued)

31 December 2022	Carrying amount ZWL'000	Less than 1 month ZWL'000	1-3 months ZWL'000	3 months- to 1 year ZWL'000	1-5 years ZWL'000	Over 5 years ZWL'000	Non-determinable ZWL'000
Financial assets							
Cash and cash equivalents	**84 214 215**	64 082 324	20 143 398	-	-	-	(11 507)
Loans and advances to customers	**17 001 259**	5 558 833	4 242 192	5 694 300	1 106 947	945 390	(546 403)
Investments securities at amortisead cost	**13 147 453**	2 409 493	6 478 466	3 691 151	630 027	-	(61 684)
Investment securities at fair value through OCI	**667 995**	-	-	-	-	-	667 995
Other assets	**6 692 700**	6 681 017	-	-	-	-	11 683
	121 723 622	**78 731 667**	**30 864 056**	**9 385 451**	**1 736 974**	**945 390**	**60 084**
Financial liabilities							
Demand deposits	**88 375 191**	88 375 191	-	-	-	-	-
Term deposits	**6 302 282**	5 730 875	571 407	-	-	-	-
Savings deposits	**611 736**	611 736	-	-	-	-	-
Other liabilities	**3 664 646**	2 636 733	911 183	-	-	-	116 730
Lease liability –current	**66 233**	5 511	11 027	49 695	-	-	-
Lease liability-non-current	**334 926**	-	-	-	334 926	-	-
	99 355 014	**97 360 046**	**1 493 617**	**49 695**	**334 926**	**-**	**116 730**
Liquidity gap	**22 368 608**	**(18 628 379)**	**29 370 439**	**9 335 756**	**1 402 048**	**945 390**	**(56646)**
Cumulative gap	**-**	**(18 628 379)**	**10 742 060**	**20 077 816**	**21 479 864**	**22 425 254**	**22 368 608**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.3 Liquidity risk (continued)

6.3.2 Liquidity gap analysis (continued)

31 December 2021	Carrying amount ZWL'000	Less than 1 month ZWL'000	1-3 months ZWL'000	3 months- to 1 year ZWL'000	1-5 years ZWL'000	Over 5 years ZWL'000	Non-determinable ZWL'000
Financial assets							
Cash and cash equivalents	**41 001 062**	39 825 476	1 175 586	-	-	-	-
Loans and advances to customers	**8 442 976**	2 965 856	1 731 985	2 039 702	712 576	2 901	989 956
Investments securities at amortised cost	**25 214 087**	11 768 893	2 451 406	10 993 788	-	-	-
Financial Instruments measured at fair value through PL	**350 381**	-	-	-	-	-	350 381
Other assets	**3 993 103**	3 993 103	-	-	-	-	-
	79 001 609	**58 553 328**	**5 358 977**	**13 033 490**	**712 576**	**2 901**	**1 340 337**
Financial liabilities							
Demand deposits	**52 140 879**	52 140 879	-	-	-	-	-
Term deposits	**13 983 893**	13 647 796	335 664	433	-	-	-
Savings deposits	**710 768**	710 768	-	-	-	-	-
Other liabilities	**2 909 170**	2 459 385	197 232	-	-	-	252 553
Lease liability- current	**42 287**	3 630	6 985	31 672	-	-	-
Lease liability- non-current	**270 030**	-	-	-	270 030	-	-
	70 057 027	**68 962 458**	**539 881**	**32 105**	**270 030**	**-**	**252 553**
Liquidity gap	**8 944 582**	**(10 409 130)**	**4 819 096**	**13 001 385**	**442 546**	**2 901**	**1 087 784**
Cumulative gap	**-**	**(10 409 130)**	**(5 590 034)**	**7 411 351**	**7 853 897**	**7 856 798**	**8 944 582**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.3 Liquidity risk (continued)

6.3.2 Liquidity gap analysis (continued)

31 December 2022	Carrying amount ZWL'000	Less than 1 month ZWL'000	1-3 months ZWL'000	3 months-to 1 year ZWL'000	1-5 years ZWL'000	Over 5 years ZWL'000	Non determinable ZWL'000
Financial assets							
Cash and cash equivalents	**84 214 215**	64 082 324	20 143 398	-	-	-	(11 507)
Loans and advances to customers	**17 001 259**	5 558 833	4 242 192	5 694 300	1 106 947	945 390	(546 403)
Investments securities at amortised cost	**13 147 453**	2 409 493	6 478 466	3 691 151	630 027	-	(61 684)
Investment securities at fair value through OCI	**667 995**	-	-	-	-	-	667 995
Other assets	**6 692 700**	6 681 017	-	-	-	-	11 683
	121 723 622	**78 731 667**	**30 864 056**	**9 385 451**	**1 736 974**	**945 390**	**60 084**
Financial liabilities							
Demand deposits	**88 375 191**	88 375 191	-	-	-	-	-
Term deposits	**6 302 282**	5 730 875	571 407	-	-	-	-
Savings deposits	**611 736**	611 736	-	-	-	-	-
Other liabilities	**3 664 646**	2 636 733	911 183	-	-	-	116 730
Lease liability – current	**66 233**	5 511	11 027	49 695	-	-	-
Lease liability - non-current	**334 926**	-	-	-	334 926	-	-
	99 355 014	**97 360 046**	**1 493 617**	**49 695**	**334 926**	**-**	**116 730**
Liquidity gap	**22 368 608**	**(18 628 379)**	**29 370 439**	**9 335 756**	**1 402 048**	**945 390**	**(56646)**
Cumulative gap	**-**	**(18 628 379)**	**10 742 060**	**20 077 816**	**21 479 864**	**22 425 254**	**22 368 608**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.3 Liquidity risk (continued)

6.3.2 Liquidity gap analysis (continued)

	UNAUDITED HISTORICAL						
	Carrying amount	Less than 1 month	1-3 months	3 months- to 1 year	1-5 years	Over 5 years	Non determinable
31 December 2021	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Financial assets							
Cash and cash equivalents	**11 927 243**	11 927 243	-	-	-	-	-
Loans and advances to customers	**2 456 069**	862 770	503 836	593 351	207 289	844	287 979
Investments securities at amortised cost	**7 334 798**	3 423 580	713 116	3 198 102	-	-	-
Investment securities at fair value through OCI	**101 926**	-	-	-	-	-	101 926
Other assets	**1 161 597**	1 081 029	-	-	-	-	80 568
	22 981 633	17 294 622	1 216 952	3 791 453	207 289	844	470 473
Financial liabilities							
Demand deposits	**15 167 825**	15 167 825	-	-	-	-	-
Term deposits	**4 067 926**	3 970 155	97 645	126	-	-	
Savings deposits	**206 763**	206 763	-	-	-	-	-
Other liabilities	**846 280**	717 848	54 964	-	-	-	73 468
Lease liability – current	**12 301**	1 056	2 032	9 213	-	-	-
Lease liability - non-current	**78 552**	-	-	-	78 552	-	-
	20 379 647	**20 063 647**	**154 641**	**9 339**	**78 552**	**-**	**73 468**
Liquidity gap	2 601 986	(2 769 025)	1 062 311	3 782 114	128 737	844	397 005
Cumulative gap		**(2 769 025)**	**(1 706 714)**	**2 075 400**	**2 204 137**	**2 204 981**	**2 601 986**

6 FINANCIAL RISK MANAGEMENT (continued)

6.3 Liquidity risk (continued)

6.3.3 Maturity analysis for financial liabilities and financial assets

The non-derivative financial liabilities and assets amounts have been shown using the discounted cash flows methodology and the related accrued interest.

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are:

- Demand deposits from customers are expected to remain stable or gradually run out in line with customer spending behaviour.

Unrecognised loan commitments have not been included in the liquidity analysis because these are revocable. The Bank reserves the right to allow a drawdown depending on whether certain contractual conditions have been satisfied. However the Bank maintains a sufficiently healthy liquidity buffer to accommodate such drawdown requirements.

Issued financial guarantees have also not been included in these liquidity analyses because they are off-statement of financial position items and the liquidity analyses have been prepared on items recorded on the Bank's statement of financial position .

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.3 Liquidity risk (continued)

6.3.4 Liquidity reserves

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents and debt securities issued by Government which can be readily sold to meet liquidity requirements.

The table below sets out the components of the Bank's liquidity reserves:

	AUDITED INFLATION ADJUSTED				UNAUDITED HISTORICAL			
	2022 Carrying amount	2021 Carrying amount	2022 Fair Value	2021 Fair Value	2022 Carrying amount	2021 Carrying amount	2022 Fair Value	2021 Fair Value
	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Cash and cash equivalents	70 398 969	34 997 325	70 398 969	34 997 325	70 398 969	10 180 751	70 398 969	10 180 751
Treasury bills	13 147 453	13 508 727	13 147 453	13 508 727	13 147 453	3 929 699	13 147 453	3 929 699
Exchange rate linked bond	-	11 356 647	-	11 356 647	-	3 303 658	-	3 303 658
Balances with RBZ	13 815 246	6 003 737	13 815 246	6 003 737	13 815 246	1 746 492	13 815 246	1 746 492
RBZ- savings bonds	-	348 713	-	348 713	-	101 441	-	101 441
Open market operation ("OMO") bills	-	-	-	-	-	-	-	-
	97 361 668	**66 215 149**	**97 361 668**	**66 215 149**	**97 361 668**	**19 262 041**	**97 361 668**	**19 262 041**

6 FINANCIAL RISK MANAGEMENT (continued)

6.3 Liquidity risk (continued)

6.3.5 Financial assets pledged as collateral

Assets are pledged as collateral for the Bank's major activities, such as clearing and real time gross settlement.

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022	2021	2022	2021
	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Cash collateral to Zimswitch	852 870	691 971	852 870	201 295
Cash collateral to Mastercard	100 717	56 033	100 717	16 300
	953 587	**748 004**	**953 587**	**217 595**

6.4 Market risk

Market risk in the banking book is the risk of loss as a result of adverse changes in foreign exchange rates and interest rates. The sub-risks of market risk are:

- interest rate risk in the banking book;
- foreign exchange translation risk; and
- foreign exchange transaction risk in the banking book.

The Bank is continually improving the technologies that support the market risk management process including modeling of the behavioural aspects of the statement of financial position portfolio.

6.4.1 Exposure to interest rate risk

Interest rate risk in the banking book is the risk that the Bank's earnings or economic value will decline as a result of changes in interest rates. The sources of interest rate risk in the banking book are:

- Repricing risk (mismatch risk): timing differences in the maturity/ repricing of Bank assets, liabilities, and off -statement of financial position positions; and
- Basis risk: imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.

To maximise profitability, the Bank manages the mismatch of its assets and liabilities in line with interest rate forecasts established by ALCO. The management of this exposure is monitored through a gap and sensitivity analysis for which specific limits are set in line with the Bank's interest rate risk appetite.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.4 Market risk (continued)

6.4.1 Exposure to interest rate risk - non trading portfolios (continued)

	AUDITED INFLATION ADJUSTED						
31 December 2022	**Carrying amount ZWL'000**	**Less than 1 month ZWL'000**	**1-3 months ZWL'000**	**3 months- to 1 year ZWL'000**	**1-5 years ZWL'000**	**Over 5 years ZWL'000**	**Non-interest bearing ZWL'000**
Financial assets							
Cash and cash equivalents	**84 214 215**	40 573 510	19 559 527	-	-	-	24 081 178
Loans and advances to customers	**17 001 259**	174 752	16 929 542	70 695	186 627	-	(360 357)
Investments securities at amortised cost	**13 147 453**	-	7 800 000	3 500 000	500 000	-	1 347 453
Investment securities at fair value through OCI	**667 995**	-	-	-	-	-	667 995
Other assets	**6 692 700**	-	-	-	-	-	6 692 700
	121 723 622	**40 748 262**	**44 289 069**	**3 570 695**	**686 627**	**-**	**32 428 969**
Financial liabilities							
Demand deposits	**88 375 191**	-	-	-	-	-	88 375 191
Term deposits	**6 302 282**	2 618 148	3 247 654	-	122	-	436 358
Savings deposits	**611 736**	611 736	-	-	-	-	-
Other liabilities	**3 664 646**	-	-	-	-	-	3 664 646
Lease liability – current	**66 233**	-	-	-	-	-	66 233
Lease liability - non-current	**334 926**	-	-	-	-	-	334 926
	99 355 014	**3 229 884**	**3 247 654**	**-**	**122**	**-**	**92 877 354**
Interest rate repricing gap	**22 368 608**	**37 518 378**	**41 041 415**	**3 570 695**	**686 505**	**-**	**(60 448 385)**
Cumulative gap	**-**	**37 518 378**	**78 559 793**	**82 130 488**	**82 816 993**	**82 816 993**	**22 368 608**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.4 Market risk (continued)

6.4.1 Exposure to interest rate risk - non trading portfolios (continued)

	AUDITED INFLATION ADJUSTED						
31 December 2021	**Carrying amount ZWL'000**	**Less than 1 month ZWL'000**	**1-3 months ZWL'000**	**3 months- to 1 year ZWL'000**	**1-5 years ZWL'000**	**Over 5 years ZWL'000**	**Non-interest bearing ZWL'000**
Financial assets							
Cash and cash equivalents	**41 001 062**	-	1 175 586	-	-	-	39 825 476
Loans and advances to customers	**8 442 976**	4 795 280	3 280 874	82 767	162 811	-	121 244
Investment securities at fair value through OCI	**350 381**	-	-	-	-	-	350 381
Investments securities at amortised cost	**25 214 087**	6 827 420	6 600 187	10 931 560	-	-	854 920
Other assets	**3 993 103**	-	-	-	-	-	3 993 103
	79 001 609	**11 622 700**	**11 056 647**	**11 014 327**	**162 811**	**-**	**45 145 124**
Financial liabilities							
Demand deposits	**52 140 879**	-	-	-	-	-	52 140 879
Term deposits	**13 983 893**	7 036 783	6 857 685	419	7	-	88 999
Savings deposits	**710 768**	710 768	-	-	-	-	-
Other liabilities	**2 909 170**	-	-	-	-	-	2 909 170
Lease liability – current	**42 287**	-	-	-	-	-	42 287
Lease liability - non-current	**270 030**	-	-	-	-	-	270 030
	70 057 027	**7 747 551**	**6 857 685**	**419**	**7**	**-**	**55 451 365**
Liquidity gap	**8 944 582**	**3 875 149**	**4 198 962**	**11 013 908**	**162 804**	**-**	**(10 306 241)**
Cumulative gap	**-**	**3 875 149**	**8 074 111**	**19 088 019**	**19 250 823**	**19 250 823**	**8 944 582**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.4 Market risk (continued)

6.4.1 Exposure to interest rate risk - non trading portfolios (continued)

	UNAUDITED HISTORICAL						
31 December 2022	**Carrying amount ZWL'000**	**Less than 1 month ZWL'000**	**1-3 months ZWL'000**	**3 months- to 1 year ZWL'000**	**1-5 years ZWL'000**	**Over 5 years ZWL'000**	**Non-interest bearing ZWL'000**
Financial assets							
Cash and cash equivalents	**84 214 215**	40 573 510	19 559 527	-	-	-	24 081 178
Loans and advances to customers	**17 001 259**	174 752	16 929 542	70 695	186 627	-	(360 357)
Investments securities at amortised cost	**13 147 453**	-	7 800 000	3 500 000	500 000	-	1 347 453
Investment securities at fair value through OCI	**667 995**	-	-	-	-	-	667 995
Other assets	**6 692 700**	-	-	-	-	-	6 692 700
	121 723 622	**40 748 262**	**44 289 069**	**3 570 695**	**686 627**	**-**	**32 428 969**
Financial liabilities							
Demand deposits	**88 375 191**	-	-	-	-	-	88 375 191
Term deposits	**6 302 282**	2 618 148	3 247 654	-	122	-	436 358
Savings deposits	**611 736**	611 736	-	-	-	-	-
Other liabilities	**3 664 646**	-	-	-	-	-	3 664 646
Lease liability – current	**66 233**	-	-	-	-	-	66 233
Lease liability - non-current	**334 926**	-	-	-	-	-	334 926
	99 355 014	**3 229 884**	**3 247 654**	**-**	**122**	**-**	**92 877 354**
Liquidity gap	**22 368 608**	**37 518 378**	**41 041 415**	**3 570 695**	**686 505**	**-**	**(60 448 385)**
Cumulative gap	**-**	**37 518 378**	**78 559 793**	**82 130 488**	**82 816 993**	**82 816 993**	**22 368 608**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.4 Market risk (continued)

6.4.1 Exposure to interest rate risk - non trading portfolios (continued)

	UNAUDITED HISTORICAL						
31 December 2021	Carrying amount ZWL'000	Less than 1 month ZWL'000	1-3 months ZWL'000	3 months- to 1 year ZWL'000	1-5 years ZWL'000	Over 5 years ZWL'000	Non-interest bearing ZWL'000
Financial assets							
Cash and cash equivalents	**11 927 243**	-	341 979	-	-	-	11 585 264
Loans and advances to customers	**2 456 069**	1 394 951	954 409	24 077	47 362	-	35 270
Investment securities at Fair value through OCI	**101 926**	-	-	-	-	-	101 926
Investments securities at amortised cost	**7 334 798**	1 986 101	1 920 000	3 180 000	-	-	248 697
Other assets	**1 161 597**	-	-	-	-	-	1 161 597
	22 981 633	**3 381 052**	**3 216 388**	**3 204 077**	**47 362**	**-**	**13 132 754**
Financial liabilities							
Demand deposits	**15 167 825**	15 167 825	-	-	-	-	-
Term deposits	**4 067 926**	2 047 006	1 994 906	122	2	-	25 890
Savings deposits	**206 763**	206 763	-	-	-	-	-
Other liabilities	**846 280**	-	-	-	-	-	846 280
Lease liability – current	**12 301**	-	-	-	-	-	12 301
Lease liability - non-current	**78 552**	-	-	-	-	-	78 552
	20 379 647	**17 421 594**	**1 994 906**	**122**	**2**	**-**	**963 023**
Interest rate repricing gap	**2 601 986**	**(14 040 542)**	**1 221 482**	**3 203 955**	**47 360**	**-**	**12 169 731**
Cumulative gap		**(14 040 542)**	**(12 819 060)**	**(9 615 105)**	**(9 567 745)**	**(9 567 745)**	**2 601 986**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.4 Market risk (continued)

6.4.2 Interest rate sensitivity analysis

The Bank uses sensitivity analysis to assess the vulnerability embedded in the institution's statement of financial position structure to adverse movements in interest rates. The Bank conducted interest rate risk stress testing quarterly and results were reported to both management committees and the board. Stress testing has been embedded in decision making at the appropriate level.

Stress tests conducted for interest rate risk under various scenarios revealed that:

- A 300 basis points ("bps") instantaneous parallel decline in interest rates on USD denominated products and 3000 bps instantaneous parallel decline in interest rates on ZWL denominated products results in a potential loss of ZWL5.194 billion on the December 2022 statement of financial position compared to a loss of ZWL400.34 million on the December 2021 statement of financial position in inflation adjusted terms, which was in breach of the Bank's risk appetite thresholds. The breach was mainly due to growth of the rate sensitive assets without commensurate growth on the rate sensitive liabilities and also the change is shocks where shocks were increased from 100 to 300 bps on USD and 300 to 3000 bps on ZWL. Management is working on alignment of the interest rate risk appetite to the loans growth strategy and risk appetite review is currently underway.
- A 300 bps instantaneous parallel increase in interest rates results in a potential gain of ZWL2.593 billion on the December 2022 statement of financial position compared to ZWL1.291 billion on the December 2021 statement of financial position in inflation adjusted terms.
- There is a potential increase in re-pricing gaps between assets and liabilities particularly on the ZWL statement of financial position position given the short-term nature of liabilities and the longer-term nature of assets. The USD statement of financial position is asset sensitive with the Bank holding more rate sensitive assets than liabilities. The macro-economic environment has impacted on the availability of the desired rate sensitive liabilities in the market.
- The Bank cautiously managed Interest Rate Risk during the period under review.
- The absence of a clear market yield curve to provide a price discovery mechanism remains a threat to the Bank's interest margins.

6.4. 3 Foreign exchange risk

6.4 .3.1 Foreign exchange transaction risk

This is the risk that known or ascertainable currency cash flow commitments and receivables are uncovered and as a result have an adverse impact on the financial results and/ or financial position of the Bank due to movements in exchange rates. It is a sub-risk of market risk in the banking book. Foreign exchange transaction risk in the banking book includes:

- known or ascertainable currency cash flow commitments and receivables; and
- foreign funding mismatch.

The Risk, Compliance and Capital Management Committee (board sub-committee) has approved acceptable foreign funding mismatch positions for the Bank.

6.4.3.2 Foreign currency translation risk

Foreign currency translation risk is the risk to earnings or capital arising from converting the Bank's offshore and onshore banking book assets or liabilities, or commitments or earnings from foreign currency to local or functional currency.

Since the adoption of the Zimbabwe dollar as the functional currency, material currency exposures are predominantly in the South African Rand and the United States of America Dollar. Exposures are managed through notional currency position limits and compliance with Reserve Bank of Zimbabwe guidelines, which are closely monitored by Market Risk and ALCO. Currency translation risk is receiving greater attention in order to mitigate the impact of revaluation losses.

TES TO THE FINANCIAL STATEMENTS
the year ended 31 December 2022

FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

.3 Exposure to currency risk (continued)

table below summarises the Bank's non-trading assets exposure to foreign currency exchange rate risk at 31 December 2022. The figures quoted below are the ual net open position in the respective foreign currencies.

December 2022 tual currencies	ZAR '000	EUR '000	GBP '000	USD '000	Other (in USD)* '000
sets					
sh and cash equivalent	103 420	198	92	108 923	202
ans and advances to customers	5	-	-	18 281	-
estment securities designated at fair value through other nprehensive income	-	204	-	778	-
ner assets	-	-	-	8 005	-
al financial assets	**103 425**	**402**	**92**	**135 987**	**202**
bilities					
mand deposits	100 908	188	62	96 198	4
m deposits	-	-	-	-	-
ner liabilities	772	-	-	5 557	-
al financial liabilities	**101 680**	**188**	**62**	**101 755**	**4**
t financial position	**1 745**	**214**	**30**	**34 232**	**198**

ther currencies comprises Canadian Dollar, Botswana Pula and Japanese Yen converted to USD for ease of presentation and reporting

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.4 Market risk (continued)
6.4.3 Exposure to currency risk (continued)

31 December 2021

Actual currencies	ZAR	EUR	GBP	USD	Other (in USD)*
	'000	'000	'000	'000	'000
Assets					
Cash and cash equivalent	54 601	104	55	85 627	447
Loans and advances to customers	18	-	-	2 150	-
Investments securities at amortised cost	-	166	-	786	-
Other assets	50 066	-	-	5 314	-
Total financial assets	**104 685**	**270**	**55**	**93 877**	**447**
Liabilities					
Demand deposits	94 251	262	25	65 291	4
Term deposits	-	-	-	1 021	-
Other liabilities	9 423	-	3	4 415	10
Total financial liabilities	**103 674**	**262**	**28**	**70 727**	**14**
Net financial position	**1 011**	**8**	**27**	**23 150**	**433**

*- Other currencies comprises Canadian Dollar, Botswana Pula and Japanese Yen converted to USD for ease of presentation and reporting

6.4.3.1 Sensitivity analysis to exchange rate movements- US dollar

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.4 Market risk (continued)

6.4.3 Exposure to currency risk (continued)

The table below shows the impact of a 35% movement in the foreign exchange rate between the ZWL and the USD balances as at 31 December 2022. The figures below are the actual USD assets and liabilities and the ZWL effects of appreciation and depreciation against the USD exchange rate on the Bank's Net Open Position.

Actual currencies	Assets	Liabilities	Net balance	Effect of 35% depreciation of the	Effect of 35% appreciation of the
31 December 2022			Asset / (Liability)	ZWL against USD	ZWL against USD
	USD'000	USD'000	USD'000	ZWL'000	ZWL'000
USD	135 987	(101 755)	34 232	8 044 743	(5 959 069)

A 35% depreciation of the ZWL against the USD will increase profit before tax by ZWL8.045 billion in respect of unrealized exchange gains while a 35% appreciation of the ZWL against the USD will decrease profit before tax by ZWL5.959 billion as a result of an increase in unrealised exchange losses.

Actual currencies	Assets	Liabilities	Net balance Asset / (Liability)	Effect of 16% depreciation of the ZWL against USD	Effect of 16% appreciation of the ZWL against USD
31 December 2022	USD'000	USD'000	USD'000	ZWL'000	USD'000
USD	93 877	(70 727)	23 150	880 467	(652 198)

A 16% appreciation in the USD will increase profit before tax by ZWL880.5 million in respect of unrealised exchange gains while a 16% depreciation will decrease profit before tax by ZWL652 million as a result of an increase in unrealised exchange loses.

6.4.3.2 Sensitivity analysis to exchange rate movements- ZAR, EUR, GBP and other

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.4 Market risk (continued)

6.4.3 Exposure to currency risk (continued)

The table below shows the impact of a 5% movement in foreign exchange rates on the foreign currency balances as at 31 December 2022.

The figures below are the actual currencies assets and liabilities and the ZWL effects of appreciation and depreciation in the actual currencies' exchange rate on the Bank's Net Open Position.

Actual currencies	Assets	Liabilities	Net balance Asset/ Liability	Effect of 5% depreciation of the ZWL against other currencies	Effect of 5% appreciation of the ZWL against other currencies
31 December 2022	**'000**	**'000**	**'000**	**ZWL'000**	**ZWL'000**
ZAR	103 425	(101 680)	1 745	**3 449**	**(3 285)**
EUR	402	(188)	**214**	**7 662**	**(7 297)**
GBP	92	(62)	**30**	**1 208**	**(1 150)**
Other	6 120	65	**6 055**	**1 862**	**(1 773)**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.4 Market risk (continued)

6.4.3 Exposure to currency risk (continued)

6.4.3.3 Sensitivity analysis to exchange rate movements- ZAR, EUR, GBP and other

The table below shows the impact of a 5% movement in foreign exchange rates on the foreign currency balances as at 31 December 2021.

The figures below are the actual currencies assets and liabilities and the ZWL effects of appreciation and depreciation in the actual currencies' exchange rate on the Bank's Net Open Position.

Actual currencies	Assets	Liabilities	Net balance Asset/ Liability	Effect of 5% depreciation of the ZWL against other currencies	Effect of 5% appreciation of the ZWL against other currencies
31 December 2021	**'000**	**'000**	**'000**	**ZWL'000**	**ZWL'000**
ZAR	104 705	(103 675)	1 030	352	**(335)**
EUR	270	(262)	8	**53**	**(50)**
GBP	55	(28)	27	**196**	**(187**
Other	447	(14)	433	**2 354**	**(2 242)**

6 FINANCIAL RISK MANAGEMENT (continued)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6.5 Enterprise-wide Risk Management Framework

Nedbank Zimbabwe follows a policy of Enterprise-wide Risk Management ("ERM"), which aligns strategy, policies, charters, people, processes, technology and knowledge in order to evaluate and manage the opportunities, threats and uncertainties that the Bank may face in its on-going efforts to create shareholder value. ERM integrates risk, finance and statement of financial position management across the Bank's entire risk universe, including business units and operating divisions, geographical locations and legal entities.

Against this backdrop, all risks – including those associated with sustainability – are managed according to a 'three lines of defence" model with the board of directors being ultimately responsible for setting the Bank's risk appetite, approving Risk Management Strategy and ensuring an effective system of internal control. The Bank's Executive Management reviews the Risk Profile on a regular basis and ensures that there is sufficient monitoring of the control environment and timely remediation of issues. The Bank has independent Risk as well as Governance and Compliance functions whose primary role is to develop and monitor implementation of the overall robust risk framework while Internal Audit and External Audit provides independent objective assurance on the adequacy and effectiveness of the risk management framework and implementation across the Bank.It is the Bank's view that a strong risk governance process is the foundation for successful risk management, which is why this model represents the core of the business' Enterprise-wide Risk Management Framework ("ERMF"). The ERMF places emphasis on accountability, responsibility, independence, reporting, communications and transparency, and comprises 21 risk categories, one being Operational Risk that is managed, monitored, measured and reported on by the first, second and third line of defence functions.

6.6 Operational risk

This is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. This includes legal risk but excludes strategic risk and reputational risk. The event types of operational risk are:

- business disruption and system failures;
- clients, products and business practices;
- damage to physical assets;
- employment practices and workplace safety;
- execution, delivery and process management;
- external fraud;
- internal fraud;

The Bank takes cognisance of the pervasive nature of Operational risk and its impact on all the risks within the Risk Universe. Hence the adoption of an integrated approach in managing it. One of the Bank's Operational Risk Management Framework ("ORMF") objectives is to integrate the operational risk management programme with the performance metrics and incentives of the Bank. By managing operational risk through an integrated approach where all the key elements of the ORMF are viewed together in a holistic manner, the Bank is able to proactively manage risk and realise significant business and ultimately financial benefits.

The Bank's Operational Risk Framework includes strategies articulated in concise operational risk policies, an operational risk governance structure, operational risk monitoring, loss recording, reporting and escalation processes and a risk reporting structure. Operational risk loss tolerance thresholds are set on an annual basis based on 5 years' historic loss experience and management's view about the future operating environment, given the controls in place. Operational risk management is embedded in the day to day activities of business units and operational departments are supported by independent risk monitoring and audit and assurance functions. A significant part of the Bank's operations are automated and processed in the core banking system. Key banking operations in corporate and institutional banking, sales and origination, and treasury services are heavily dependent on the Bank's core banking system. The core banking system also supports key accounting processes for financial assets, financial liabilities and revenue including customer interface on mobile, internet banking and related electronic platforms.

6 FINANCIAL RISK MANAGEMENT (continued)

6.6 Operational risk (continued)

The Bank's Executive Committee, Enterprise Risk Committee ("ERCO") and the various operational committees meet on a regular basis to review and ensure line functions are effectively managing this risk. The IT Steering Committee monitors and plans all issues pertaining to information technology risk (both operational and strategic) and manages the Bank's business continuity capability. Theme based Risk and Control Self Assessments ("RCSA") are now well embedded across business units. The RCSA methodology is designed to enable focused assessment of the managed risk profile. It is a methodology for identifying and assessing, monitoring and managing key risks within the business and evaluating the effectiveness of the controls that are in place to manage these risks. Controls within the Bank's environment are largely adequate and effective.

Key risk indicators form an integral part of our framework. They provide insight into the Bank's risk exposure/profile and provide early warning signals of potential events that may harm continuity of business activity or may result in losses. The Bank's key risk indicators are also used to evaluate the risk profile of the business and are paired with escalation triggers that provide alerts when risk levels approach or exceed thresholds or limits hence prompting mitigation plans.

The Bank is satisfied with the quality of operational loss recording and control in line with Basel II requirements. Collection and analysis of internal loss data has helped the Bank to manage the cost to income ratio through improved efficiencies and reduced operational losses, improve processes by identifying systemic control failures and causes, reduce earnings volatility and validate control effectiveness and risk management activities. The Bank is within its gross expected operational loss thresholds for the year under review.

The Bank uses Statistical Analysis System (''SAS''), an integrated solution that enables online capturing of losses, risks, key risk indicators and other related components, thus providing a holistic view of the Bank's operational risk management components. The solution also allows the business to make optimal decisions.

6.7 Compliance risk

This is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation the Bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking and other activities. It may also expose the Bank to loss of authorisation to operate and an inability to enforce contracts.

An independent Governance and Compliance function is in place. Whilst individual business and operating functions are responsible and accountable for compliance management in their environments, the unit monitors and guides the Bank on compliance matters ensuring the Bank achieves full compliance in line with the board's attitude of zero tolerance to compliance breaches.

6.8 Strategic risk

This is the risk of an adverse impact on capital and earnings due to business policy decisions (made or not made), changes in the economic environment, deficient or insufficient implementation of decisions, or a failure to adapt to changes in the environment. Strategic risk is either the failure to do the right thing, doing the right thing poorly or doing the wrong thing. Strategic risk includes:

- the risk associated with the deployment of large amounts of capital into strategic investments that subsequently fail to meet stakeholders' expectations;
- the risk that the strategic processes to perform the environmental scan, align various strategies, formulate a vision, strategies, goals and objectives and allocate resources for achieving, implementing, monitoring and measuring the strategic objectives are not properly in place or are defective; and
- failure to adequately review and understand the environment in which the Bank operates, leading to underperformance of its strategic and business objectives.

6 FINANCIAL RISK MANAGEMENT (continued)

6.8 Strategic risk (continued)

The board is ultimately responsible for the development, approval and application of the Bank's strategic risk principles. The board approves the Bank's strategy, whilst management is responsible for implementation and ensuring that regular reviews are undertaken in line with changes in operating conditions. There are various ongoing strategy review initiatives at country and Group level, with the Bank's Managing Director providing leadership.

6.9 Reputational risk

This is the risk of impairment of the Bank's image in the community or the long-term trust placed in the Bank by its shareholders as a result of a variety of factors, such as the Bank's performance, strategy execution, brand positioning and competitiveness, ability to create shareholder value, or an activity, action or stance taken by the Bank. This may result in loss of business and/or legal action.

6.10 Basel II implementation

The Bank is Basel II compliant and management has continued to improve processes, controls and reporting in line with regulatory requirements. The Bank continues to be reporting on both Prudential Returns under Basel I and II as per the RBZ requirements. RBZ has taken a phased approach in rolling out Basel III, starting with the Liquidity Coverage Ratio ("LCR") with the first reporting set for June 2023. The primary objective of rolling out LCR is to promote and strengthen the short-term liquidity resilience profile of the banking system. Nedbank Zimbabwe has put in place a robust LCR implementation plan with clear performance indicators for effective monitoring of the project and ensuring compliance by 30th of June 2023 as per regulations.

As a fourth line of defence, RBZ conducted an on-site examination in 2022 to assess the risk control environment in the key areas of the business; the on-site examination revealed that the Bank is in a sound and safe state, and the risk control environment is generally strong and effective. Areas of improvement identified by the examination are receiving the requisite attention. The Bank continues to strengthen its effectiveness in embedding the Internal Capital Adequacy Assessment Process ("ICAAP") in its day-to-day operations. Stress testing, which was conducted quarterly in 2022 as per regulatory requirement, has become an integral component of the business decision making process, and in the determination, and subsequent regular reviews of the Bank's risk appetite thresholds. The Bank has also a robust recovery plan which is reviewed as least annually to guide the Bank in times of a crisis/stress situation in line with set regulatory standards.

6.11 Capital management

6.11.1 Regulatory capital

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

- To comply with the capital requirements set by RBZ;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business; and
- To implement an effective ICAAP that regularly aligns available financial resources to actual regulatory and economic capital, in order to meet the Bank's current and future capital requirements given its total risk exposure and risk underwriting behaviour going forward.

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

6 FINANCIAL RISK MANAGEMENT (continued)

6.11 Capital management (continued)

6.11.1 Regulatory capital (continued)

The Bank maintains a ratio of total regulatory capital to its risk-weighted assets of not less than 12%, in line with guidelines provided by the RBZ as disclosed in this note. The weighting seeks to reflect the varying levels of risk attached to assets and off-statement of financial position exposures. The Bank has sufficient economic capital to support the risks the Bank is carrying.

The regulatory capital requirements are strictly observed when managing economic capital. The Bank's regulatory capital is managed by the Finance Department and comprises three tiers:

- Tier 1 capital: ordinary share capital, share premium and retained earnings after deductions for loans to insiders and other regulatory adjustments relating to allocation of capital for market and operational risk;
- Tier 2 capital: asset revaluation reserves and collective impairment allowance; and
- Tier 3 capital: amounts of tier 1 capital allocated to market and operational risks.

The Bank's policy is to maintain a strong capital base that will not limit new business development.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2022. Over the past two years, the Bank complied with all the externally imposed capital requirements to which it is subject.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.11 Capital management (continued)

6.11.1 Regulatory capital (continued)

	HISTORICAL 2022 ZWL'000	HISTORICAL 2021 ZWL'000
Tier 1 capital		
Share capital	873 566	93
Share premium	17 785	17 785
Retained earnings	2 544 924	1 065 831
Profit for the year	19 573 154	1 479 093
Fair value reserve	101 967	14 622
Revaluation reserves	2 912 476	785 383
Less: Revaluation reserves	(2 912 476)	(785 383)
Fair value reserve	(101 967)	(14 622)
Less: Tier 1 capital allocated to market risk	(974 885)	(172 437)
Less: Tier 1 capital allocated to operational risk	(1 625 244)	(349 260)
Total qualifying Tier 1 capital	**20 409 300**	**2 041 105**
Tier 2 capital		
Fair value reserve	101 967	14 622
Revaluation and fair value reserves	2 912 476	785 383
Portfolio provision for impairment	275 363	90 831
Total qualifying Tier 2 capital	**3 289 806**	**890 836**
Tier 3 capital		
Allocation of capital to market risk	974 885	172 437
Allocation of capital to operational risk	1 625 244	349 260
Total qualifying Tier 3 capital	**2 600 129**	**521 697**
Total regulatory capital	**26 299 235**	**3 453 638**
Total risk-weighted assets	**66 261 683**	**11 837 714**
Total regulatory capital ratio	40%	29%
Tier 1 capital ratio (minimum 8%)	17%	17%
Minimum RBZ regulatory ratio	12%	12%

6.11.2 External ratings

The Bank is assessed by Global Credit Rating Company Limited ("GCR"), a credit rating agency accredited by the Reserve Bank of Zimbabwe. The following are the ratings by GCR of the Bank for the past three years.

Security class	Rating scale	Rating	Expiry date
Long-term	National	A	July 2023
Long-term	National	A	July 2022
Long-term	National	A	August 2021

Long term debt rating scale

A: High credit quality. Protection factors are good.

6 FINANCIAL RISK MANAGEMENT (continued)

6.11 Capital management (continued)

6.11.3 Reserve Bank of Zimbabwe ratings

The Reserve Bank of Zimbabwe conducted a risk-based hybrid examination as at 31 August 2022. The results per the CAMELS rating scale with comparison against previous on-site examination are summarised below:

6.11.3.1 CAMELS Ratings

CAMELS component	AUGUST 2022	JUNE 2014
Capital adequacy	1-Strong	1-Strong
Asset quality	2-Satisfactory	2-Satisfactory
Management	2-Satisfactory	3- Fair
Earnings	2-Satisfactory	3- Fair
Liquidity and Funds Management	1-Strong	1-Strong
Sensitivity to Market Risk	2-Satisfactory	2-Satisfactory
Composite Rating	**2-Satisfactory**	**2-Satisfactory**

6.11.3.2 Risk Assessment System (RAS) Ratings

RAS component	August 2022	June 2014
Overall Inherent Risk	Moderate	Moderate
Overall Risk Management System	Acceptable	Acceptable
Overall Composite Risk	Moderate	Moderate
Direction of Overall Composite Risk	Stable	Stable

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 FINANCIAL RISK MANAGEMENT (continued)

6.11 Capital management (continued)

6.11.3 Reserve Bank of Zimbabwe ratings (continued)

6.11.3.3 Summary risk matrix

Type of risk	Level of aggregate inherent risk	Adequacy of risk management systems	Overall composite risk	Direction of overall composite risk
Credit	Moderate	Acceptable	Moderate	Stable
Liquidity	Low	Acceptable	Low	Stable
Interest rate	Moderate	Acceptable	Moderate	Stable
Foreign exchange	Moderate	Acceptable	Moderate	Stable
Operational	Moderate	Acceptable	Moderate	Stable
Legal and Compliance	Moderate	Acceptable	Moderate	Stable
Reputation	Moderate	Strong	Low	Stable
Strategic	Moderate	Acceptable	Moderate	Stable
Strategic	Moderate	Acceptable	Moderate	Stable
Overall	**Moderate**	**Acceptable**	**Moderate**	**Stable**

Key

Level of inherent risk

Low - Reflects a lower than average probability of an adverse impact on a banking institution's capital earnings. Losses in a functional area with low inherent risk would have little negative impact on the banking institutions' overall financial condition.

Moderate - Could reasonably be expected to result in a loss which could be absorbed by a Banking institution in the normal course of business.

High - Reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the Banking institution.

Adequacy of Risk Management Systems

Acceptable - Management of risk is largely effective but lacking in some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognised and are being addressed. Management information systems are generally adequate.

Strong - Management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place. The policies comprehensively define the Bank's risk tolerance, responsibilities and accountabilities and how they are effectively communicated.

6 FINANCIAL RISK MANAGEMENT (continued)

6.11 Capital management (continued)

6.11.3 Reserve Bank of Zimbabwe ratings (continued)

Overall Composite Risk

Low -	Would be assigned to low inherent risk areas. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk.
Moderate -	Risk management systems appropriately mitigate inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organisation.
High -	Risk management systems do not significantly mitigate the high inherent risk.

Direction of Overall Composite risk

Stable -	Based on the current information, risk is expected to be stable in the next twelve months.
Increasing -	Based on the current information, risk is expected to increase in the next twelve months.

6.11.3.4 Overall rating

The composite CAMELS rating assigned to the Bank is “2” i.e. “satisfactory”. Institutions in this group are fundamentally sound. For an institution to receive this rating, generally, no component rating should be more severe than 3. Only moderate weaknesses are present and are well within the board of directors’ and management’s capabilities and willingness to correct. These institutions are stable and are capable of withstanding business fluctuations. These institutions are in substantial compliance with laws and regulations. Overall risk management practices are satisfactory relative to the institution’s size, complexity and risk profile. There are no material supervisory concerns and, as a result, the supervisory response is informal and limited.

7 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

7.1 Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of inputs used in making the measurements. The fair values of financial assets and financial liabilities that are traded in an active market are based on quoted market prices or dealer price quotation. For all other financial instruments, the Bank determines fair values using other valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Level 1 - **Quoted prices (unadjusted)** in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, the Zimbabwe Stock Exchange).

Level 2 - **Valuation techniques based on observable inputs**, either directly (i.e. as prices) or indirectly (i.e. derived from quoted prices).This category includes instruments valued using: quoted market prices for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 - **Valuation techniques using unobservable inputs.** This category includes all instruments where the valuation technique inputs are not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect the differences between instruments.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Note	Level 1	Level 2	Level 3	Total
Audited inflation adjusted		ZWL'000	ZWL'000	ZWL'000	ZWL'000
31 December 2022					
Investment securities designated at fair value through OCI:	-	-	-	667 995	**667 995**
		-	-	667 995	667 995
31 December 2021					
Investment securities designated at fair value through OCI:	22	-	-	350 381	**350 381**
		-	-	350 381	350 381

7 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

7.1 Valuation models (continued)

Unaudited historical	Note	Level 1 ZWL'000	Level 2 ZWL'000	Level 3 ZWL'000	Total ZWL'000
31 December 2022					
Investment securities designated at fair value through OCI:	**22**	-	-	667 995	**667 995**
		-	**-**	**667 995**	**667 995**
31 December 2021					
Investment securities designated at fair value through OCI:	**22**	-	-	101 926	**101 926**
		-	**-**	**101 926**	**101 926**

The investment securities are the only financial instruments measured at fair value and there have been no transfers between level 1, level 2 and level 3 in the fair value hierarchy.

Measurement of fair value

Fair value hierarchy

Level 3

The fair value of investment securities at fair value through other comprehensive income has been categorised under level 3 in the fair value hierarchy based on the inputs to the valuation technique used.

The following table sets out the reconciliation from the opening balances to the closing balances for the level 3 fair values.

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Balance as at 1 January	**350 381**	**518 943**	**101 926**	**93 918**
Fair value adjustment	(456 166)	(133 705)	128 129	(6 400)
Disposal	(45 719)	(35 253)	(13 300)	(6 380)
Exchange gain through profit or loss	819 499	396	451 240	20 788
Balance as at 31 December	**667 995**	**350 381**	**667 995**	**101 926**

NOTES TO THE FINANCIAL STATEMENTS
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7 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

7.2 Financial instruments not measured at fair value

The following table sets out the fair value of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	AUDITED INFLATION ADJUSTED				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
31 December 2022	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Assets					
Loans and advances to customers	-	-	17 001 259	**17 001 259**	**17 001 259**
Investment securities at amortised cost	-	-	13 147 453	**11 071 060**	**13 147 453**
Other assets	-	-	-	-	-
Total assets	**-**	**-**	**30 148 712**	**28 072 319**	**30 148 712**
Liabilities					
Deposits from customers	-	-	95 289 209	**95 289 209**	**95 289 209**
Lease liability	-	-	401 159	**401 159**	**401 159**
Total liabilities	**-**	**-**	**95 690 368**	**95 690 368**	**95 690 368**

	AUDITED INFLATION ADJUSTED				
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31 December 2021	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Assets					
Loans and advances to customers	-	-	8 442 976	**8 442 976**	**8 442 976**
Investment securities	-	-	25 214 087	**25 214 087**	**25 214 087**
Total assets	**-**	**-**	**33 657 063**	**33 657 063**	**33 657 063**
Liabilities					
Deposits from customers	-	-	66 835 540	**66 835 540**	**66 835 540**
Lease liability	-	-	312 317	**312 317**	**312 317**
Total liabilities	**-**	**-**	**67 147 857**	**67 147 857**	**67 147 857**

7 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

7.2 Financial instruments not measured at fair value (continued)

	UNAUDITED HISTORICAL				
31 December 2022	Level 1 ZWL'000	Level 2 ZWL'000	Level 3 ZWL'000	Total fair values ZWL'000	Total carrying amount ZWL'000
Assets					
Loans and advances to customers	-	-	17 001 259	**17 001 259**	**17 001 259**
Investment securities at amortised cost	-	-	13 147 453	**11 071 060**	**13 147 453**
Total assets	**-**	**-**	**30 148 712**	**28 072 319**	**30 148 172**
Liabilities					
Deposits from customers	-	-	95 289 209	**95 289 209**	**95 289 209**
Lease liability	-	-	401 159	**401 159**	**401 159**
Total liabilities	**-**	**-**	**95 690 368**	**95 690 368**	**95 690 368**

	UNAUDITED HISTORICAL				
31 December 2021	Level 1 ZWL'000	Level 2 ZWL'000	Level 3 ZWL'000	Total fair values ZWL'000	Total carrying amount ZWL'000
Assets					
Loans and advances to customers	-	-	2 456 069	**2 456 069**	**2 456 069**
Investment securities	-	-	7 334 798	**7 334 798**	**7 334 798**
Total assets	**-**	**-**	**9 790 867**	**9 790 867**	**9 790 867**
Liabilities					
Deposits from customers	-	-	19 442 514	**19 442 514**	**19 442 514**
Lease liability	-	-	90 853	**90 853**	**90 853**
Total liabilities	**-**	**-**	**19 533 367**	**19 533 367**	**19 533 367**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

7 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

7.2 Financial instruments not measured at fair value (continued)

Cash and cash equivalents

Cash and cash equivalents consists of notes and coins on hand, unrestricted balances in local and foreign banks, liquid financial assets with original maturities of 3 months or less. These balances are subject to insignificant risk of change in their fair value. It is the directors' assessment that the carrying amount of these balances approximates their fair value at any given time.

Loans and advances to customers

These financial assets are net of impairment provisions. The estimated fair value of loans and advances is estimated to approximate the carrying amount due to non-availability of benchmark interest rates to discount the expected future cash flows thereof.

Management believes that current interest rates are market related and would re-issue the loans at the same interest rate if needed. Discounting the future cash flows for the significant portion of the balance would approximate the carrying amount. It is from this assessment that the directors believe that the carrying amount of these balances reasonably approximate fair value as discounting the future cash flow using market interest rates would not result in significant differences from the carrying amount.

Investment securities measured at amortised cost

These financial assets consist of OMO bills, Treasury Bills, exchange rate linked bonds and savings bonds bought to support the Government of Zimbabwe and mop up excess liquidity in the market. There is currently no observable active market for these instruments, or a reliable proxy to discount the expected future cash flows. The fair value has been calculated using the present value ("PV") method derived from the instrument's rate of return against future value ("FV") for the time ("t"). This method is deemed correct in that the rate of return is reflective of the national economic performance. The fair valuation of the investment securities has been determined using unobservable inputs and thus falls under level 3 of the fair value hierarchy.

Investment security description	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment securities measured at amortised cost-Treasury Bills	Present Value Method	In arriving at the fair value, the following inputs were used: • Treasury Bills rate of return. • Future value of the investment.	The estimated fair value would increase (decrease) if: • Rate of return increases / (decreases) and • Future value increases/ (decrease).

7 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

7.2 Financial instruments not measured at fair value (continued)

Deposits from customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits approximates the carrying amount as interest rates quoted are market related. It is the view of the directors that the carrying amounts of these assets and liabilities reasonably approximate fair values.

Other assets and other liabilities

Other assets have maturity profiles within 12 months, which means that the effect of discounting the future cash flows of the balance approximate the carrying amount.

A significant portion of the contractual maturity profile of other liabilities is within 12 months implying that the effect of discounting is immaterial.

It is the view of the directors that the carrying amounts of other assets and other liabilities reasonably approximaste fair values.

7.3 Accounting classifications and fair values

	AUDITED INFLATION ADJUSTED				
	Designated at fair value through OCI	Financial assets/ liabilities through profit or loss	Financial assets/ liabilities at amortised cost	Total carrying amount	Fair value
31 December 2022	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Assets					
Cash and cash equivalents	-	-	84 214 215	**84 214 215**	**84 214 215**
Loans and advances to customers	-	-	17 001 259	**17 001 259**	**17 001 259**
Investment securities at fair value through OCI	667 995	-	-	**667 995**	**667 995**
Investment securities at amortised cost	-	-	13 147 453	**13 147 453**	**11 071 060**
Other assets	-	-	6 692 700	**6 692 700**	**6 692 700**
Total	**667 995**	**-**	**121 055 627**	**121 723 622**	**119 647 229**
Liabilities					
Deposits from customers	-	-	95 289 209	**95 289 209**	**95 289 209**
Other liabilities	-	-	3 664 646	**3 664 646**	**3 664 646**
Total	**-**	**-**	**98 953 855**	**98 953 855**	**98 953 855**

7 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

7.3 Accounting classifications and fair values (continued)

	AUDITED INFLATION ADJUSTED				
31 December 2021	**Designated at fair value through OCI ZWL'000**	**Financial assets/ liabilities through profit or loss ZWL'000**	**Financial assets/ liabilities at amortised cost ZWL'000**	**Total carrying amount ZWL'000**	**Fair value ZWL'000**
Assets					
Cash and cash equivalents	-	-	41 001 062	**41 001 062**	**41 001 062**
Loans and advances to customers	-	-	8 442 977	**8 442 977**	**8 442 977**
Investment securities at fair value through OCI	350 381	-	-	**350 381**	**350 381**
Investment securities	-	-	25 214 087	**25 214 087**	**25 214 087**
Other assets	-	-	3 993 103	**3 993 103**	**3 993 103**
Total	**350 381**	**-**	**78 651 229**	**79 001 610**	**79 001 610**
Liabilities					
Deposits from customers	-	-	66 835 540	66 835 540	66 835 540
Other liabilities	-	-	2 909 170	2 909 170	2 909 170
Total	**-**	**-**	**69 744 710**	**69 744 710**	**69 744 710**

	UNAUDITED HISTORICAL				
31 December 2022	**Designated at fair value through OCI ZWL'000**	**Financial assets/ liabilities through profit or loss ZWL'000**	**Financial assets/ liabilities at amortised cost ZWL'000**	**Total carrying amount ZWL'000**	**Fair value ZWL'000**
Assets					
Cash and cash equivalents	-	-	84 214 215	**84 214 215**	**84 214 215**
Loans and advances to customers	-	-	17 001 259	**17 001 259**	**17 001 259**
Investment securities at fair value through OCI	667 995	-	-	**667 995**	**667 995**
Investment securities at amortised cost	-	-	13 147 453	**13 147 453**	**11 071 060**
Other assets	-	-	6 692 700	**6 692 700**	**6 692 700**
Total	**667 995**	**-**	**121 055 627**	**121 723 622**	**119 647 229**
Liabilities					
Deposits from customers	-	-	95 289 209	**95 289 209**	**95 289 209**
Other liabilities	-	-	3 664 646	**3 664 646**	**3 664 646**
Total	**-**	**-**	**98 953 855**	**98 953 855**	**98 953 855**

7 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

7.3 Accounting classifications and fair values (continued)

	UNAUDITED HISTORICAL				
31 December 2021	Financial asset/ fair value through OCI ZWL'000	Financial assets/ liabilities through profit or loss ZWL'000	Total assets/ liabilities at amortised cost ZWL'000	Total carrying amount ZWL'000	Fair value ZWL'000
Assets					
Cash and cash equivalents	-	-	11 927 243	11 927 243	11 927 243
Loans and advances to customers	-	-	2 456 069	2 456 069	2 456 069
Investment securities at fair value through OCI	101 926	-	-	101 926	101 926
Investment securities	-	-	7 334 798	7 334 798	7 334 798
Other assets	-	-	1 161 597	1 161 597	1 161 597
Total	**101 926**	**-**	**22 879 707**	**22 981 633**	**22 981 633**
Liabilities					
Deposits from customers	-	-	19 442 514	19 442 514	19 442 514
Other liabilities	-	-	846 280	846 280	846 280
Total	**-**	**-**	**20 288 794**	**20 288 794**	**20 288 794**

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8 NET INTEREST INCOME

8.1

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Interest income from:				
Investment securities at amortised cost	3 301 563	1 511 766	2 184 548	370 303
Loans and advances to large corporates	2 112 645	1 658 613	1 784 656	386 563
Loans and advances to Business Banking clients	1 761 827	1 173 871	1 358 264	278 609
Loans and advances to SMEs	1 066 367	365 200	561 687	87 175
Placements with foreign and local banks	433 895	102 705	395 062	23 743
Loans and advances to individuals	385 817	497 912	248 117	115 065
Staff loans	28 266	51 884	23 400	11 700
Home loans	25 674	2 035	21 255	459
Cash and cash equivalents	1 392	2 554	1 152	576
	9 117 446	**5 366 540**	**6 578 141**	**1 274 193**
Interest expense on:				
Deposits from large corporates	(2 325 312)	(633 260)	(1 761 073)	(150 665)
Deposits from individuals	(3 346)	(18 109)	(2 280)	(4 100)
Deposits from banks	(1 302)	(62 190)	(426)	(13 035)
	(2 329 960)	**(713 559)**	**(1763 779)**	**(167 800)**
	6 787 486	**4 652 981**	**4 814 362**	**1 106 393**

8.2

Interest income from:				
Treasury Bills	3 301 561	1 943 302	2 184 548	423 149
Term loans	2 214 279	1 303 328	1 664 931	322 499
Overdrafts	2 158 755	1 270 646	1 590 613	308 103
Personal loans	569 620	335 279	433 703	84 009
Cash and cash equivalents	435 287	256 211	396 215	76 747
Installment credit loans	390 233	229 692	273 042	52 889
Home loans and equity release	25 654	15 100	21 255	4 117
Trade other bills and acceptances	22 057	12 982	13 834	2 680
	9 117 446	**5 366 540**	**6 578 141**	**1 274 193**
Interest expense on:				
Call and term deposits	(2 038 277)	(572 381)	(1 527 618)	(143 043)
Lease liabilities	(225 831)	(128 260)	(191 461)	(21 599)
Deposit by other banks	(58 197)	(11 416)	(41 528)	(2 934)
Current accounts	(3 471)	(681)	(1 708)	(120)
Foreign client liabilities	(3 074)	(603)	(1 029)	(73)
Savings deposits	(1 110)	(218)	(435)	(31)
	(2 329 960)	**(713 559)**	**(1763 779)**	**(167 800)**
	6 787 486	**4 652 981**	**4 814 362**	**1 106 393**

9 FEE AND COMMISSION INCOME

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Cash withdrawal fees	4 121 950	1 537 861	3 179 106	355 158
Digital banking platforms revenue	2 719 291	3 951 450	1 902 383	922 070
International banking fees	1 836 942	1 430 326	1 365 481	335 776
Account maintenance fees	1 688 697	1 450 551	1 215 353	332 315
Fees on local payments	703 605	278 978	557 006	65 057
Sundry income	131 025	84 120	120 845	12 451
Other commission income	27 020	302 620	20 020	73 779
Profit on disposal of fixed assets	11 625	23 276	4 598	5 435
Agency commission	9 756	3 542	7 585	1 201
	11 249 911	**9 062 724**	**8 372 377**	**2 103 242**

The Bank incurred ZWL1.041billion (2021: ZWL1.953 billion) (inflation adjusted) computer expenses disclosed in **Note 14** directly linked to digital banking platforms revenue, international banking fees and other income for the year ended 31 December 2022 .

10 NET TRADING AND DEALING INCOME

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Trading and dealing income				
Exchange and dealing income	2 121 590	1 637 252	1 602 959	377 309
Other treasury income	970 094	406 888	725 529	95 302
	3 091 684	**2 044 140**	**2 328 488**	**472 611**

11 UNREALISED FOREIGN EXCHANGE GAINS

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Revaluation of foreign currency denominated balances	27 251 767	2 501 756	16 831 621	588 947

Foreign exchange gains resulted from the exchange rate movement between ZWL and other foreign currency balances mainly with the USD as well as from the increase in the Bank's foreign denominated capital due to the successful capital raise that was done. Opening exchange rate as at 01 January 2022 was USD1:ZWL108.666, the closing exchange rate was USD1:ZWL671.446 as at 31 December 2022, representing a depreciation of 518% over the year.

12 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Stage 1: 12-month Expected				
Credit Loss Allowance charge	307 778	49 852	278 671	12 406
Stage 2: Lifetime Expected				
Credit Loss Allowance not credit impaired charge	325 795	44 785	294 942	11 155
Stage 3: Lifetime Expected				
Credit Loss Allowance charge	51 425	95 655	34 181	22 995
Gross impairment charge	**684 998**	**190 292**	**607 794**	**46 556**
Bad debts recovered	(3 317)	(13 379)	(3 003)	(2 948)
Net impairment charge	**681 681**	**176 913**	**604 791**	**43 608**

13 EMPLOYEES AND DIRECTORS' COST

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Payroll related costs	3 021 089	1 614 825	2 233 936	367 335
Other staff costs	2 845 181	663 975	2 262 719	175 174
Short term benefits	921 747	1 045 872	683 923	237 169
Staff bonus	513 855	223 447	391 089	53 913
Long term benefits	398 720	268 112	285 597	60 917
Directors' fees and emoluments	82 018	59 728	50 764	13 570
Education fund	-	16 938	-	1 947
	7 782 610	**3 892 897**	**5 908 028**	**910 025**

13.1 Nedbank Zimbabwe Limited Pension Fund

The Bank operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Bank in funds under the control of trustees. Total contribution for the year included in long-term benefits was ZWL226.309 million (ZWL161.435 million) in historical terms.

13.2 National Social Security Authority

The National Social Security scheme was introduced on 1 October 1994 and with effect from that date, all eligible employees became members of the scheme, to which the Bank and the employees contribute. The Bank is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Bank with respect to the retirement benefit plan is to make the specified contributions. Total contributions for the year included in long-term benefits were ZWL39.647 million (2021: ZWL31.011 million) in historical terms.

14 OTHER EXPENSES

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Project and service level agreement costs	2 167 272	1 071 252	1 493 389	246 603
Computer expenses	1 692 745	1 953 191	1 201 464	443 237
Traveling and accommodation	844 439	348 933	632 990	82 480
Office rates and operation costs	762 394	525 237	544 760	122 718
Marketing and public relations	748 990	354 203	496 330	79 822
Professional fees	733 770	188 638	412 531	44 718
Bank charges	569 849	282 715	432 225	67 855
Motor vehicle expenses	392 500	182 261	186 610	42 808
Other administration expenses	349 096	157 016	316 034	43 503
Communication	335 880	122 843	172 915	28 974
Repairs and maintenance	265 383	169 061	202 434	40 894
Insurance	143 605	101 994	98 443	23 013
Deposit Protection Board premiums	101 240	68 443	66 065	16 250
Audit fees	87 378	80 436	57 737	18 297
Publications and subscriptions	80 427	83 881	148 530	17 536
Stationery	70 212	127 164	96 308	29 646
	9 345 180	**5 817 268**	**6 558 765**	**1 348 354**

Computer expenses include ZWL1.041 billion (2021: ZWL1.466 billion) (inflation adjusted) computer expenses directly linked to digital banking platforms revenue, international banking fees and other income for the year ended 31 December 2022. The related revenue is reported on **Note 9.**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

15 DEPRECIATION AND AMORTISATION EXPENSES

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Depreciation of property and equipment	919 704	617 489	138 869	46 716
Depreciation of right-of-use asset	110 493	118 171	71 878	29 030
	1 030 197	**735 660**	**210 747**	**75 746**

16 TAXATION

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Current income tax for the year	1 061 551	2 034 267	622 579	499 972
Deferred tax (write back)/charge	(590 476)	(503 460)	(281 216)	20 155
Charge to profit or loss	**471 075**	**1 530 807**	**341 363**	**520 127**

The income tax rate applicable to the Bank's 2022 income is 24.72% (2021: 24.72%).

16.1 Reconciliation of effective tax rate

	UNAUDITED HISTORICAL			
	2022		2021	
	%	ZWL'000	ZWL'000	ZWL'000
Profit before tax		**19 914 517**		**1 999 220**
Tax at standard corporate rates	24.72%	4 922 869	24.72%	494 207
Tax effect of:				
Exempt income	(24.77%)	(4 935 886)	(4.6%)	(92 523)
Non-deductible expenses	1.78%	354 380	5.9%	118 443
	1.73%	**341 363**	**26.02%**	**520 127**

16.2 Net deferred tax asset movement

	AUDITED INFLATION ADJUSTED			
31 December 2022	Opening balance ZWL'000	Income statement charge ZWL'000	Movement through OCI ZWL'000	Closing balance ZWL'000
Deferred tax assets				
Deferred income	11 055	(1 002)	-	**10 053**
Other provisions	72 843	51 553	-	**124 396**
Impairment provision	39 580	110 122	-	**149 702**
Lease liability	77 164	22 003	-	**99 167**
	200 642	**182 676**	**-**	**383 318**
Deferred tax liabilities				
Unrealised exchange gains	590 370	(590 370)	-	-
Property and equipment	238 947	150 764	-	**389 711**
Right-of-use asset	66 528	(25 280)	-	**41 248**
Other	127 088	57 086	9 944	**194 118**
	1 022 933	**(407 800)**	**9 944**	**625 077**
Net deferred tax liability	**(822 291)**	**590 476**	**(9 944)**	**(241 759)**

16 TAXATION (Continued)

16.2 Net deferred tax asset movement 31 December 2022 (continued)

	AUDITED INFLATION ADJUSTED			
31 December 2021	**Opening balance ZWL'000**	**Income statement charge ZWL'000**	**Movement through OCI ZWL'000**	**Closing balance ZWL'000**
Deferred tax assets				
Deferred income	(17 439)	28 494	-	**11 055**
Other provisions	74 592	(1 750)	-	**72 842**
Impairment provision	85 493	(45 913)	-	**39 580**
Lease liability	57 979	19 185	-	**77 164**
	200 625	**16**	**-**	**200 641**
Deferred tax liabilities				
Unrealised exchange gains	925 858	(335 489)	-	**590 369**
Property and equipment	445 746	(206 799)	-	**238 947**
Right-of-use asset	57 105	9 422	-	**66 527**
Other	84 545	29 422	13 122	**127 089**
	1 513 254	**(503 444)**	**13 122**	**1 022 932**
Net deferred tax liability	**(1 312 629)**	**503 460**	**(13 122)**	**(822 291)**

	UNAUDITED HISTORICAL			
31 December 2022	**Opening balance ZWL'000**	**Income statement charge ZWL'000**	**Movement through OCI ZWL'000**	**Closing balance ZWL'000**
Deferred tax assets				
Impairment provisions	11 514	138 189	-	**149 703**
Lease liability	22 459	76 708	-	**99 167**
Other	15 204	109 192	-	**124 396**
	49 177	**324 089**	**-**	**373 266**
Deferred tax liabilities				
Unrealised exchange gains	171 732	(171 732)	-	-
Property and equipment	26 864	149 474	-	**176 338**
Right-of-use asset	18 155	22 729	-	**40 884**
Other	36 736	42 402	112 641	**191 779**
	253 487	**42 873**	**112 641**	**409 001**
Net deferred tax liability	**(204 310)**	**281 216**	**(112 641)**	**(35 735)**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

16 TAXATION (continued)

16.2 Net deferred tax asset movement 31 December 2022 (continued)

	UNAUDITED HISTORICAL			
31 December 2021	**Opening balance ZWL'000**	**Income statement charge ZWL'000**	**Movement through OCI ZWL'000**	**Closing balance ZWL'000**
Deferred tax assets				
Impairment provisions	15 474	(3 960)	-	**11 514**
Other	13 499	1 705	-	**15 204**
Lease liability	10 494	11 965	-	**22 459**
	39 467	**9 710**	**-**	**49 177**
Deferred tax liabilities				
Unrealised exchange gains	167 561	4 171	-	**171 732**
Property and equipment	14 247	12 617	-	**26 864**
Right-of-use asset	10 335	7 820	-	**18 155**
Other	12 608	5 257	18 871	**36 736**
	204 751	**29 865**	**18 871**	**253 487**
Net deferred tax liability	**(165 284)**	**(20 155)**	**(18 871)**	**(204 310)**

17 OTHER COMPREHENSIVE INCOME - LAND AND BUILDINGS

	AUDITED INFLATION ADJUSTED		
	Before tax amount ZWL'000	**Tax expense amount ZWL'000**	**Net tax amount ZWL'000**
Audited inflation adjusted December 2022			
Gains on revaluation of land and buildings	66 618	(580)	66 038
December 2021			
Gains on revaluation of land and buildings	1 151 973	(7 305)	1 144 668
Unaudited historical December 2022			
Gains on revaluation of land and buildings	2 211 430	(84 337)	2 127 093
December 2021			
Gains on revaluation of land and buildings	524 693	(14 694)	509 999

18 OTHER COMPREHENSIVE INCOME - EQUITY INVESTMENTS

	Before tax amount ZWL'000	**Tax expense amount ZWL'000**	**Net tax amount ZWL'000**
Audited inflation adjusted December 2022			
Fair value loss on equity investments	(456 166)	(9 364)	(465 530)
December 2021			
Fair value loss on equity investments	(133 705)	(5 817)	(139 522)
Unaudited historical December 2022			
Fair value gain on equity investments	128 129	(28 304)	99 825
December 2021			
Fair value loss on equity investments	(6 400)	-	(10 577)

19 CASH AND CASH EQUIVALENTS

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022	2021	2022	2021
	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Current balances with the Reserve Bank of Zimbabwe	8 593 317	3 277 818	8 593 317	953 520
Statutory reserves with the Reserve Bank of Zimbabwe	5 221 929	2 725 919	5 221 929	792 972
Foreign bank balances	60 866 890	29 094 850	60 866 890	8 463 716
	74 682 136	**35 098 587**	**74 682 136**	**10 210 208**
Stage 1: 12-month Expected Credit Loss Allowance	(11 508)	(6 119)	(11 508)	(1 780)
	74 670 628	**35 092 468**	**74 670 628**	**10 208 428**
Cash on hand	9 543 587	5 908 594	9 543 587	1 718 815
	84 214 215	**41 001 062**	**84 214 215**	**11 927 243**

Cash and cash equivalents comprise financial assets with maturity periods of less than three months from the date of acquisition, including cash on hand, balances with the Reserve Bank of Zimbabwe and local and foreign bank balances.

20 LOANS AND ADVANCES TO CUSTOMERS

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022	2021	2022	2021
	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Term loans	11 780 944	3 704 589	11 780 944	1 077 668
Overdrafts	3 334 385	3 112 016	3 334 385	905 288
Personal loans	1 936 326	1 196 356	1 936 326	348 021
Instalment credit loans	447 594	778 654	447 594	226 511
Equity release loans	135 747	1 715	135 747	499
Home loans	13 983	3 286	13 983	956
Gross loans and advances to customers	**17 648 979**	**8 796 616**	**17 648 979**	**2 558 943**
Stage 1- 12 Months Expected Credit Loss Allowance	(275 363)	(204 482)	(275 363)	(59 484)
Stage 2- Life-time Expected Credit Loss Allowance not credit impaired	(310 611)	(53 864)	(310 611)	(15 669)
Stage 3- Life-time Expected Credit Loss Allowance credit impaired	(61 746)	(95 294)	(61 746)	(27 721)
Carrying amount	**17 001 259**	**8 442 976**	**17 001 259**	**2 456 069**

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20 LOANS AND ADVANCES TO CUSTOMERS (continued)

20.1 Total impairment of financial assets (continued)

	AUDITED INFLATION ADJUSTED			
	12 month ECL ZWL'000	Lifetime ECL-not credit impaired ZWL'000	Lifetime ECL-credit impaired ZWL'000	Total ZWL'000
Balance as at 1 January 2022	**267 469**	**53 864**	**95 294**	**416 627**
Impairment charge for the year	307 778	325 795	51 425	**684 998**
Amounts written off	-	-	(162)	**(162)**
Effects of IAS 29	(218 769)	(69 048)	(84 811)	**(372 628)**
Balance at 31 December 2022	**356 478**	**310 611**	**61 746**	**728 835**
Balance as at 1 January 2021	**361 374**	**24 944**	**26 229**	**412 547**
Impairment charge for the year	49 852	44 785	95 655	**190 292**
Amounts written off	-	-	(93)	**(93)**
Effects of IAS 29	(143 757)	(15 865)	(26 497)	**(186 119)**
Balance at 31 December 2021	**267 469**	**53 864**	**95 294**	**416 627**

	UNAUDITED HISTORICAL			
	12 month ECL ZWL'000	Lifetime ECL-not credit impaired ZWL'000	Lifetime ECL-credit impaired ZWL'000	Total ZWL'000
Balance as at 1 January 2022	**77 807**	**15 669**	**27 721**	**121 197**
Impairment charge for the year	278 671	294 942	34 181	**607 794**
Amounts written off	-	-	(156)	**(156)**
Balance at 31 December 2022	**356 478**	**310 611**	**61 746**	**728 835**
Balance as at 1 January 2021	**65 401**	**4 514**	**4 747**	**74 662**
Impairment charge for the year	12 406	11 155	22 995	**46 556**
Amounts written off	-	-	(21)	**(21)**
Balance at 31 December 2021	**77 807**	**15 669**	**27 721**	**121 197**

20 LOANS AND ADVANCES TO CUSTOMERS (continued)

20.1 Total impairment of financial assets (continued)

20.1.1 Analysis of impairment by asset class

	AUDITED INFLATION ADJUSTED			
	12-month ECL ZWL'000	Lifetime ECL-not credit impaired ZWL'000	Lifetime ECL-credit impaired ZWL'000	Total ZWL'000
Loans and advances	275 363	310 611	61 746	**647 720**
Investment securities	61 684	-	-	**61 684**
Bank balances	11 508	-	-	**11 508**
Letters of credit and guarantees	7 923	-	-	**7 923**
31 December 2022	**356 478**	**310 611**	**61 746**	**728 835**
Loans and advances	204 482	53 864	95 294	**353 640**
Investment securities	47 779	-	-	**47 779**
Letters of credit and guarantees	9 089	-	-	**9 089**
Bank balances	6 119	-	-	**6 119**
31 December 2021	**267 469**	**53 864**	**95 294**	**416 627**

	UNAUDITED HISTORICAL			
	12-month ECL ZWL'000	Lifetime ECL-not credit impaired ZWL'000	Lifetime ECL-credit impaired ZWL'000	Total ZWL'000
Loans and advances	275 363	310 611	61 746	**647 720**
Letter of credit and guarantees	61 684	-	-	**61 684**
Investment securities	11 508	-	-	**11 508**
Bank balances	7 923	-	-	**7 923**
31 December 2022	**356 478**	**310 611**	**61 746**	**728 835**
Loans and advances	59 484	15 669	27 721	**102 874**
Investment securities	13 899	-	-	**13 899**
Letter of credit and guarantees	2 644	-	-	**2 644**
Bank balances	1 780	-	-	**1 780**
31 December 2021	**77 807**	**15 669**	**27 721**	**121 197**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

20 LOANS AND ADVANCES TO CUSTOMERS (continued)

20.2 Analysis of gross loans and advances

	AUDITED INFLATION ADJUSTED				
	Consumer ZWL'000	SME* ZWL'000	BBU** ZWL'000	CIB*** ZWL'000	Total ZWL'000
31 December 2022					
Term loans	109 769	1 346 459	7 972 711	2 352 005	**11 780 944**
Overdrafts	63 966	360 237	1 225 509	1 684 673	**3 334 385**
Personal loans	1 936 326	-	-	-	**1 936 326**
Instalment credit loans	140 241	166 533	140 379	441	**447 594**
Equity release	135 747	-	-	-	**135 747**
Home loans	13 983	-	-	-	**13 983**
	2 400 032	**1 873 229**	**9 338 599**	**4 037 119**	**17 648 979**
31 December 2021					
Term loans	4 355	285 152	1 357 799	2 057 282	**3 704 588**
Overdrafts	30 739	621 126	2 008 210	451 941	**3 112 016**
Personal loans	1 196 356	-	-	-	**1 196 356**
Instalment credit loans	110 148	191 491	463 086	13 929	**778 654**
Home loans	3 286	-	-	-	**3 286**
Equity release	1 716	-	-	-	**1 716**
	1 346 600	**1 097 769**	**3 829 095**	**2 523 152**	**8 796 616**

***SME-** Small to Medium Enterprises
****BBU-** Business Banking Units
***CIB- Corporate and Institutional Banking

20 LOANS AND ADVANCES TO CUSTOMERS (continued)

20.2 Analysis of gross loans and advances (continued)

	UNAUDITED HISTORICAL				
	Consumer ZWL'000	SME* ZWL'000	BBU** ZWL'000	CIB*** ZWL'000	Total ZWL
31 December 2022					
Term loans	109 769	1 346 459	7 972 711	2 352 005	**11 780 944**
Overdrafts	63 966	360 237	1 225 509	1 684 673	**3 334 385**
Personal loans	1 936 326	-	-	-	**1 936 326**
Instalment credit loans	140 241	166 533	140 379	441	**447 594**
Home loans	13 983	-	-	-	**13 983**
Equity release	135 747	-	-	-	**135 747**
	2 400 032	**1 873 229**	**9 338 599**	**4 037 119**	**17 648 979**
31 December 2021					
Term loans	1 267	82 951	394 985	598 465	**1 077 668**
Overdrafts	8 942	180 686	584 190	131 470	**905 288**
Personal loans	348 021	-	-	-	**348 021**
Instalment credit loans	32 042	55 705	134 712	4 052	**226 511**
Home loans	956	-	-	-'	**956**
Equity release	499	-	-	-	**499**
	391 727	**319 342**	**1 113 887**	**733 987**	**2 558 943**

***SME-** Small to Medium Enterprises
****BBU-** Business Banking Units
*****CIB-**Corporate and Institutional Banking

21 INVESTMENT SECURITIES AT AMORTISED COST

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Treasury Bills	13 209 137	13 556 506	13 209 137	3 943 598
RBZ - Exchange Linked Bond	-	11 356 647	-	3 303 658
RBZ Savings bonds	-	348 713	-	101 441
	13 209 137	**25 261 866**	**13 209 137**	**7 348 697**
Stage 1: 12-month Expected Credit Loss Allowance	(61 684)	(47 779)	(61 684)	(13 899)
	13 147 453	**25 214 087**	**13 147 453**	**7 334 798**

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For the year ended 31 December 2022

21 INVESTMENT SECURITIES AT AMORTISED COST (continued)

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Maturity analysis				
Less than one month	2 347 809	11 768 890	2 347 809	3 423 580
One to three months	6 478 466	2 451 406	6 478 466	713 116
Three months to one year	4 321 178	10 993 791	4 321 178	3 198 102
	13 147 453	**25 214 087**	**13 147 453**	**7 334 798**

22 INVESTMENT SECURITIES DESIGNATED AT FAIR VALUE THROUGH OCI

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Foreign currency denominated investment	304 662	411 367	88 626	74 449
Local currency denominated investments	45 719	107 576	13 300	19 469
Fair value (loss)/ gains	(456 166)	(133 705)	128 129	(6 400)
Disposal	(45 719)	(35 253)	(13 300)	(6 380)
Effects of changes in foreign exchange rates	819 499	396	451 240	20 788
	667 995	**350 381**	**667 995**	**101 926**

Effects of changes in foreign exchange rates relate to foreign currency denominated investments. The movement has been processed through profit or loss and the shares are carried at fair value. The fair valuation of the investment securities designated at fair value through OCI has been determined using unobservable inputs and thus fall under level 3 of the fair value hierarchy.

The Bank's investment securities and their fair values are disclosed in the table below:

	AUDITED INFLATION ADJUSTED	
Investment security description	**Fair value 2022 ZWL'000**	**Fair value 2021 ZWL'000**
Investment in a Pan African Trade Finance bank	522 426	232 942
Investments in a global payments platform	145 569	71 719
Investment in a private medical facility	-	45 720
Total	**667 995**	**350 381**

22 INVESTMENT SECURITIES DESIGNATED AT FAIR VALUE THROUGH OCI

Equity Investments

Investment Security description	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment in a Pan African Trade Finance bank	Market Based Approach	In arriving at the fair value, the following inputs were used: • Net asset value of proxy companies. • 20% minority discount factor was applied to the equity value.	The estimated fair value would increase (decrease) if: • Net assets were higher (lower); and • Number of shares increase (decrease). • Minority discount factor increase (decrease).
Investments in a global payments' platform	Income Based Approach	In arriving at the fair value, the following inputs were used: • Net asset value of the entity.	The estimated fair value would increase (decrease) if: • Net assets were higher (lower); and • Number of shares increase (decrease).

23 OTHER ASSETS

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Clearing accounts*	5 739 113	3 245 099	5 739 113	944 002
Security deposits-collateral accounts	953 587	748 004	953 587	217 595
Prepayments	364 987	67 755	364 014	19 439
Stationery inventory	30 342	177 817	25 522	51 045
	7 088 029	**4 238 675**	**7 082 236**	**1 232 081**

*Included in clearing accounts is an amount ZWL4.883 billion (2021: ZWL1.842 billion), which is in relation to the pre-funding of foreign exchange auction awards which are in arrears by the Reserve Bank of Zimbabwe. The pre-funded balances are settled either through RBZ auction receipts or export retentions.

Re-classification

During the year, the Bank reviewed its presentation of other assets to improve relevance, reliability, and alignment with the requirements of IAS- "Presentation of Financial Statements" on statement of financial position presentation. As a result of this review, placements with Nedbank Group Limited previously classified as "Other assets-intercompany assets" have been reclassified to "Cash and cash equivalents – foreign bank balances". Current taxation receivable previously classified as "Other assets" have been disclosed separately on the face on the statement of financial position to enhance transparency. To provide comparability, the prior-year balances has been reclassified accordingly.

NOTES TO THE FINANCIAL STATEMENTS
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24 DEFERRED TAX LIABILITY

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 24.72% (2021: 24.72%).

The movement on the deferred tax balance is as follows:

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Balance as at 1 January	**(822 291)**	**(1 312 629)**	**(204 310)**	**(165 284)**
Write back/ (charge) recognised in profit or loss	590 476	503 460	281 216	(20 155)
Movement through statement of changes in equity	(9 944)	(13 122)	(112 641)	(18 871)
Balance as at 31 December	**(241 759)**	**(822 291)**	**(35 735)**	**(204 310)**

Temporary differences are attributable to the following items:

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Deductible temporary differences				
Other provisions	124 396	72 843	124 396	15 204
Lease liability	99 167	77 164	99 167	22 459
Impairment provision	149 702	39 580	149 702	11 514
Deferred income	10 053	11 055		-
	383 318	**200 642**	**373 265**	**49 177**
Taxable temporary differences				
Unrealised exchange gains*	-	590 370	-	171 732
Property and equipment	389 711	238 947	176 338	26 864
Right of use asset	41 248	66 528	40 884	18 155
Other	194 118	127 088	191 778	36 736
	625 077	**1 022 933**	**409 000**	**253 487**
Closing deferred tax balance	**(241 759)**	**(822 291)**	**(35 735)**	**(204 310)**

* The Bank has reassessed the treatment of unrealised exchange gains and determined that unrealised exchange gains of a capital nature are excluded from the determination of taxable income. The unrealised exchange gains which are of a capital nature have been treated as a permanent difference, hence there is no deferred tax charge arising from the unrealised gains.

25 INVESTMENT PROPERTY

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Balance as at 1 January	653 144	465 468	190 000	84 240
Fair value gain	386 856	187 676	850 000	105 760
Balance as at 31 December	1 040 000	653 144	1 040 000	190 000

Investment property is measured at fair value, which has been determined based on valuations performed by an independent valuation expert, Integrated Properties (Pvt) Limited, as at 31 December 2022. The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe. The valuation of the Bank's investment property has been determined using unobservable inputs and thus falls under level 3 of the fair value hierarchy.

Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market comparison approach (adjusted market comparable)	In arriving at the Fair Value, market values ranging from ZWL1.2 billion to ZWL1.392 billion were used. Market values were adjusted for the location of property, quality of the building and size of property.	The estimated fair value would increase (decrease) if: • Expected market rentals were higher (lower); and • Capitalisation rates (yeilds) were lower (higher).

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For the year ended 31 December 2022

26 PROPERTY AND EQUIPMENT (continued)

31 December 2022	AUDITED INFLATION ADJUSTED					
	Land and buildings ZWL'000	Motor vehicles ZWL'000	Computer equipment ZWL'000	Furniture & fittings ZWL'000	Leasehold improvements ZWL'000	Total ZWL'000
Cost / valuation as at 1 January 2022	**2 981 428**	**746 580**	**1 717 841**	**766 354**	**529 557**	**6 741 760**
Additions	270 921	839 167	358 137	156 884	114 694	**1 739 803**
Revaluation surplus	22 851	-	-	-	-	**22 851**
Disposal	-	-	(7 007)	(15 944)	-	**(22 951)**
Cost / valuation as at 31 December 2022	**3 275 200**	**1 585 747**	**2 068 971**	**907 294**	**644 251**	**8 481 463**
Accumulated depreciation at 1 January 2022	**-**	**301 469**	**1 169 245**	**747 377**	**453 949**	**2 672 040**
Current year depreciation	43 767	262 680	398 607	89 709	124 941	**919 704**
Revaluation	(43 767)	-	-	-	-	**(43 767)**
Disposal	-	-	(3 504)	(6 377)	-	**(9 881)**
Accumulated depreciation at 31 December 2022	**-**	**564 149**	**1 564 348**	**830 709**	**578 890**	**3 538 096**
Carrying amount as at 31 December 2022	**3 275 200**	**1 021 598**	**504 623**	**76 585**	**65 361**	**4 943 367**

A full valuation of land and buildings was performed by an independent valuation expert, Integrated Properties Consultants (Private) Limited as at 31 December 2022.

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26 PROPERTY AND EQUIPMENT (continued)

31 December 2022	UNAUDITED HISTORICAL					
	Land and buildings ZWL'000	Motor vehicles ZWL'000	Computer equipment ZWL'000	Furniture & fittings ZWL'000	Leasehold improvements ZWL'000	Total ZWL'000
Cost / valuation as at 1 January 2022	**867 300**	**125 285**	**154 829**	**8 131**	**36 848**	**1 192 393**
Additions	210 243	455 721	146 643	54 687	40 561	**907 855**
Revaluation surplus	2 197 657	-	-	-	-	**2 197 657**
Disposal	-	-	(1 295)	(474)	-	**(1 769)**
Cost / valuation as at 31 December 2022	**3 275 200**	**581 006**	**300 177**	**62 344**	**77 409**	**4 296 136**
Accumulated depreciation at 1 January 2022	**-**	**15 772**	**34 144**	**1 622**	**6 336**	**57 874**
Current year depreciation	13 773	67 351	47 295	4 940	5 510	**138 869**
Revaluation	(13 773)	-	-	-	-	**(13 773)**
Disposal	-	-	(744)	(300)	-	**(1 044)**
Accumulated depreciation as at 31 December 2022	**-**	**83 123**	**80 695**	**6 262**	**11 846**	**181 926**
Carrying amount at 31 December 2022	**3 275 200**	**497 883**	**219 482**	**56 082**	**65 563**	**4 114 210**

26 PROPERTY AND EQUIPMENT (continued)

	UNAUDITED HISTORICAL					
31 December 2021	Land and buildings ZWL'000	Motor vehicles ZWL'000	Computer equipment ZWL'000	Furniture & fittings ZWL'000	Leasehold improvements ZWL'000	Total ZWL'000
Cost / valuation as at 1 January 2021	**293 995**	**20 170**	**70 223**	**4 078**	**4 603**	**393 069**
Additions	52 305	107 024	84 899	4 118	32 245	**280 591**
Revaluation surplus	521 000	-	-	-	-	**521 000**
Disposal	-	(1 909)	(293)	(65)	-	**(2 267)**
Cost / valuation as at 31 December 2021	**867 300**	**125 285**	**154 829**	**8 131**	**36 848**	**1 192 393**
Accumulated depreciation at 1 January 2021	**-**	**2 013**	**10 293**	**1 102**	**1 865**	**15 273**
Current year depreciation	3 693	14 014	24 000	538	4 471	**46 716**
Revaluation	(3 693)	-	-	-	-	**(3 693)**
Disposal	-	(255)	(149)	(18)	-	**(422)**
Accumulated depreciation at 31 December 2021	**-**	**15 772**	**34 144**	**1 622**	**6 336**	**57 874**
Carrying amount as at 31 December 2021	**867 300**	**109 513**	**120 685**	**6 509**	**30 512**	**1 134 519**

26 PROPERTY AND EQUIPMENT (continued)

Land and buildings carried at revalued amounts

The Bank's land and buildings and their fair values are disclosed in the table below:

Property description	Fair value 2022 ZWL'000	Fair value 2021 ZWL'000
Stand 1702, Salisbury Township	480 000	419 387
Stand 5332 Bulawayo Township, 61 Plumtree Road	251 200	405 637
Stand 33 Inyanga Downs- Brackenfell Cottage	216 000	182 193
Stand 15274 Bulawayo Township of Stand 82A Bulawayo- Merchant Bank Chambers	528 000	715 020
R/E of Stand 4 Inyanga Downs Lot 1 of Lot 1 of Stand 4 Inyanga Melbek Cottage	208 000	175 317
The remaining extent of Lot FB Colne Valley	1 176 000	1 007 216
Lot 1 of Lot 13 of Subdivision B of Jarvis and Shortt's Plot of Avondale	416 000	76 658
Total	**3 275 200**	**2 981 428**

The properties are valued annually on an open market basis by an independent professional valuer, Integrated Properties (Pvt) Limited, in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe. The valuation of the Bank's land and buildings has been determined using unobservable inputs and thus falls under level 3 of the fair value hierarchy.

Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows (Implicit investment approach based on capitalisation of income) and Market comparison approach (adjusted market comparable)	In arriving at the fair value, the following rentals were applied on the main space: Offices average ZWL4 209/sq.m Yield 11% which was arrived at after considering location, quality of the building and size of property. Market value ranging from ZWL216 million to ZWL1.392 billion. Market values were adjusted for the location of the property, quality of the building and size of theproperty.	The estimated fair value would increase (decrease) if: • Expected market rentals were higher (lower); and • Capitalisation rates (yields) were lower (higher).

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27 RIGHT-OF-USE ASSET

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Balance as at 1 January	**269 139**	**231 020**	**73 445**	**41 810**
Lease modification	8 213	156 290	163 849	60 665
Depreciation	(110 493)	(118 171)	(71 878)	(29 030)
Balance as at 31 December	**166 859**	**269 139**	**165 416**	**73 445**

27.1 Portfolio classification

The Bank grouped the leases into two portfolios with similar characteristics.

	AUDITED INFLATION ADJUSTED		
31 December 2022	Branches ZWL'000	Office and campus ZWL'000	Total ZWL'000
Opening balance	**219 102**	**50 037**	**269 139**
Lease modification	(96 595)	104 808	**8 213**
Depreciation	(31 132)	(79 361)	**(110 493)**
Closing balance	**91 375**	**75 484**	**166 859**

	AUDITED INFLATION ADJUSTED		
31 December 2021	Branches ZWL'000	Office and campus ZWL'000	Total ZWL'000
Opening balance	**121 598**	**109 422**	**231 020**
Lease modification	189 958	(33 668)	**156 290**
Depreciation	(92 454)	(25 717)	**(118 171)**
Closing balance	**219 102**	**50 037**	**269 139**

	UNAUDITED HISTORICAL		
31 December 2022	Branches ZWL'000	Office and campus ZWL'000	Total ZWL'000
Opening balance	**14 160**	**59 285**	**73 445**
Lease modification	80 002	83 847	**163 849**
Depreciation	(19 421)	(52 457)	**(71 878)**
Closing balance	**74 741**	**90 675**	**165 416**

	UNAUDITED HISTORICAL		
31 December 2021	Branches ZWL'000	Office and campus ZWL'000	Total ZWL'000
Opening balance	**22 007**	**19 803**	**41 810**
Lease modification	14 866	45 799	**60 665**
Depreciation	(22 713)	(6 317)	**(29 030)**
Closing balance	**14 160**	**59 285**	**73 445**

28 DEPOSITS FROM CUSTOMERS

28.1 Customer deposits

	AUDITED		INFLATION ADJUSTED	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Demand deposits	88 375 191	52 140 879	88 375 191	15 167 825
Term deposits	6 302 282	13 983 893	6 302 282	4 067 926
Savings deposits	611 736	710 768	611 736	206 763
	95 289 209	**66 835 540**	**95 289 209**	**19 442 514**

28.2 Deposits analysis

	AUDITED INFLATION ADJUSTED			
31 December 2022	Demand ZWL'000	Term ZWL'000	Savings ZWL'000	Total ZWL'000
Business Banking clients	37 115 885	2 953 297	8	**40 069 190**
CIB*- clients	25 806 353	2 763 139	-	**28 569 492**
Small to Medium Enterprises	15 824 366	581 617	2 472	**16 408 455**
Individuals	8 468 946	4 229	609 256	**9 082 431**
Local banks	491 721	-	-	**491 721**
Staff	340 374	-	-	**340 374**
Foreign banks	327 546	-	-	**327 546**
	88 375 191	**6 302 282**	**611 736**	**95 289 209**
31 December 2021				
CIB*- clients	18 957 653	7 861 205	-	**26 818 858**
Business Banking clients	21 336 752	4 244 171	-	**25 580 923**
Small to Medium Enterprises	7 816 073	379 274	-	**8 195 347**
Individuals	2 758 806	-	709 455	**3 468 261**
Local banks	1 173 053	1 117 666	-	**2 290 719**
Foreign banks	8 288	381 577	-	**389 865**
Staff	90 254	-	1 313	**91 567**
	52 140 879	**13 983 893**	**710 768**	**66 835 540**

***CIB** - Corporate and Institutional Banking

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28 DEPOSITS FROM CUSTOMERS (continued)

28.2 Deposits analysis (continued)

	UNAUDITED HISTORICAL			
	Demand	Term	Savings	Total
31 December 2022	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Business Banking clients	37 115 885	2 953 297	8	**40 069190**
CIB*- clients	25 806 353	2 763 139	-	**28 569 492**
Small to Medium Enterprises	15 824 366	581 617	2 472	**16 408 455**
Individuals	8 468 946	4 229	609 256	**9 082 431**
Local banks	491 721	-	-	**491 721**
Staff	340 374	-	-	**340 374**
Foreign banks	327 546	-	-	**327 546**
	88 375 191	**6 302 282**	**611 736**	**95 289 209**
31 December 2021				
CIB*- clients	5 514 797	2 286 831	-	**7 801 628**
Business Banking clients	6 206 879	1 234 633	-	**7 441 512**
Small to Medium Enterprises	2 273 702	110 331	-	**2 384 033**
Individuals	802 539	-	206 381	**1 008 920**
Local banks	341 242	325 130	-	**666 372**
Foreign banks	2 411	111 001	-	**113 412**
Staff	26 255	-	382	**26 637**
	15 167 825	**4 067 926**	**206 763**	**19 442 514**

28.3 Segmental analysis of deposits

	AUDITED INFLATION ADJUSTED				
	CB*	SME**	BBU***	CIB****	Total
	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000
31 December 2022					
Demand deposits	8 809 320	15 824 366	37 115 885	26 625 620	**88 375 191**
Term deposits	4 229	581 617	2 953 297	2 763 139	**6 302 282**
Savings deposits	609 256	2 472	8	-	**611 736**
	9 422 805	**16 408 455**	**40 069 190**	**29 388 759**	**95 289 209**
31 December 2021					
Demand deposits	2 849 060	7 816 073	21 336 752	20 138 994	**52 140 879**
Term deposits	-	379 274	4 244 171	9 360 448	**13 983 893**
Savings deposits	710 768	-	-	-	**710 768**
	3 559 828	**8 195 347**	**25 580 923**	**29 499 442**	**66 835 540**

***CB**- Consumer Banking clients
***CIB**- Corporate and Institutional Banking
****SME**-Small to Medium Enterprises
*****BBU**-Business Banking clients
******CIB**- Corporate and Institutional Banking clients

28 DEPOSITS FROM CUSTOMERS (continued)

28.3 Segmental analysis of deposits (continued)

	UNAUDITED HISTORICAL				
	CB* ZWL'000	SME** ZWL'000	BBU*** ZWL'000	CIB**** ZWL'000	Total ZWL'000
31 December 2022					
Demand deposits	8 809 320	15 824 366	37 115 885	26 625 620	**88 375 191**
Term deposits	4 229	581 617	2 953 297	2 763 139	**6 302 282**
Savings deposits	609 256	2 472	8	-	**611 736**
	9 422 805	**16 408 455**	**40 069 190**	**29 388 759**	**95 289 209**
31 December 2021					
Demand deposits	828 794	2 273 702	6 206 879	5 858 450	**15 167 825**
Term deposits	-	110 331	1 234 633	2 722 962	**4 067 926**
Savings deposits	206 763	-	-	-	**206 763**
	1 035 557	**2 384 033**	**7 441 512**	**8 581 412**	**19 442 514**

***CB**- Consumer Banking clients
****SME**-Small to Medium Enterprises
*****BBU**-Business Banking clients
******CIB**- Corporate and Institutional Banking clients

28.4 Sectoral analysis of deposits

	AUDITED INFLATION ADJUSTED				UNAUDITED HISTORICAL			
	ZWL'000	%	ZWL'000	%	ZWL'000	%	ZWL'000	%
Corporate and Trade	25 944 316	26	4 956 521	7	25 944 316	26	1 441 856	7
Mining and Quarrying	14 287 113	15	13 706 984	22	14 287 113	15	3 987 373	22
Agriculture Forestry and Fish	12 313 714	13	5 544 646	8	12 313 714	13	1 612 942	8
Individuals	9 422 797	10	3 559 828	5	9 422 797	10	1 035 557	5
Government and Public Sector	8 353 029	9	4 308 565	6	8 353 029	9	1 253 365	6
Retailers	7 149 312	8	6 911 702	10	7 149 312	8	2 010 620	10
Other	6 475 311	7	8 813 478	13	6 475 311	7	2 563 848	13
Financial Services and Insurance	5 946 609	6	6 047 848	9	5 946 609	6	1 759 324	9
Manufacturing	1 702 693	2	7 936 007	12	1 702 693	2	2 308 591	12
Transport	1 623 482	2	2 347 907	4	1 623 482	2	683 008	4
Building and Property Development	1 265 415	1	1 194 754	2	1 265 415	1	347 555	2
Banks- local and foreign	805 418	1	1 507 300	2	805 418	1	438 475	2
	95 289 209	**100**	**66 835 540**	**100**	**95 289 209**	**100**	**19 442 514**	**100**

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29 OTHER LIABILITIES

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Tax related liabilities	2 221 025	1 478 006	2 221 025	429 953
Clearing accounts	2 176 304	2 006 192	2 176 304	583 603
Staff related accruals	911 185	279 731	911 185	81 374
Accrued expenses	431 568	437 826	431 568	127 364
Deferred income	305 794	212 017	265 128	48 667
Intercompany creditors	145 589	185 421	145 589	53 939
	6 191 465	**4 599 193**	**6 150 799**	**1 324 900**

Re-classification

During the year, the Bank reviewed its presentation of other liabilities to improve relevance, reliability and alignment with the requirements of IAS1- "Presentation of Financial Statements" on statement of financial position presentation. As a result of this review, current taxation payable previously classified as "Other liabilities-tax related liabilities" has been disclosed separately on the face of the statement of financial position to enhance transparency. To provide comparability, the prior-year balances have been reclassified accordingly.

30 LEASE LIABILITY

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Balance as at 1 January	**312 317**	**234 558**	**90 853**	**42 450**
Interest expense	263 114	128 260	191 461	21 599
Lease modification	159 195	116 803	374 767	65 360
Lease payments	(333 467)	(167 304)	(255 922)	(38 556)
Balance as at 31 December	**401 159**	**312 317**	**401 159**	**90 853**

30.1 Reconciliation of the lease liability

The Bank grouped the leases into two portfolios with similar characteristics.

	AUDITED INFLATION ADJUSTED		
	Branches ZWL'000	Office and campus ZWL'000	Total ZWL'000
31 December 2022			
Opening balance	**230 153**	**82 164**	**312 317**
Interest expense	161 641	101 473	**263 114**
Lease modification	99 590	59 605	**159 195**
Lease payments	(317 400)	(16 067)	**(333 467)**
Closing balance	**173 984**	**227 175**	**401 159**
31 December 2021			
Opening balance	**125 486**	**109 072**	**234 558**
Interest expense	83 846	44 414	**128 260**
Lease modification	132 313	(15 510)	**116 803**
Lease payments	(111 492)	(55 812)	**(167 304)**
Closing balance	**230 153**	**82 164**	**312 317**

30 LEASE LIABILITY (continued)

30.1 Reconciliation of the lease liability (continued)

	UNAUDITED HISTORICAL		
	Branches ZWL'000	Office and campus ZWL'000	Total ZWL'000
31 December 2022			
Opening balance	**66 952**	**23 901**	**90 853**
Interest expense	117 622	73 839	**191 461**
Lease modification	54 922	319 845	**374 767**
Lease payments	(12 321)	(243 601)	**(255 922)**
Closing balance	**227 175**	**173 984**	**401 159**
31 December 2021			
Opening balance	**22 711**	**19 739**	**42 450**
Interest expense	14 120	7 479	**21 599**
Lease modification	55 992	9 368	**65 360**
Lease payments	(25 871)	(12 685)	**(38 556)**
Closing balance	**66 952**	**23 901**	**90 853**

30.2 Maturity analysis of lease payments

	UNAUDITED HISTORICAL		
Future lease payments (undiscounted)	Branches ZWL'000	Office and campus ZWL'000	Total ZWL'000
2022	30 048	9 413	**39 461**
2023	1 614 819	885 502	**2 500 321**
2024	810 145	884 126	**1 694 271**
2025	1 513 251	2 103 414	**3 616 665**
	3 968 263	**3 882 455**	**7 850 718**

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31 EQUITY

31.1 Authorised share capital

Number of shares	29 500 000

31.2 Issued and fully paid-up share capital and share premium

	AUDITED INFLATION ADJUSTED		
	Number of shares	**Share capital ZWL'000**	**Share premium ZWL'000**
Balance at 31 December 2022	28 040 028	2 681 101	3 260 145
Balance at 31 December 2021	9 346 676	17 092	3 260 145

	UNAUDITED HISTORICAL		
	Number of shares	**Share capital ZWL'000**	**Share premium ZWL'000**
Balance as at 1 January 2022	**9 346 676**	**93**	**17 785**
Rights offer	18 693 352	873 473	-
Balance as at 31 December 2022	**28 040 028**	**873 566**	**17 785**

In February 2022, the Bank made a rights offer of shares to its existing shareholder on the basis of 2 ordinary shares for every 1 share already held at a subscription price of USD0.43 per share. The subscription price was settled in USD or ZWL at the ruling RBZ auction rate on the record date.

31.3 Revaluation reserve

	AUDITED INFLATION ADJUSTED	
	2022 ZWL'000	**2021 ZWL'000**
Opening balance	**1 554 832**	**410 164**
Total comprehensive income	66 038	1 144 668
Closing balance	**1 620 870**	**1 554 832**

	UNAUDITED HISTORICAL	
	2022 ZWL'000	**2021 ZWL'000**
Opening balance	**785 383**	**275 384**
Movement through OCI	2 127 093	509 999
Closing balance	**2 912 476**	**785 383**

31 EQUITY (continued)

31.3 Revaluation reserve (continued)

The revaluation reserve includes all amounts arising from an increase in an asset's carrying amount and accumulating under this heading. The amount recognised in the revaluation reserve is the amount by which an asset's revalued amount exceeds the initial carrying amount due to the revaluation.

31.4 Fair value reserve

	AUDITED INFLATION ADJUSTED	
	2022 ZWL'000	2021 ZWL'000
Balance as at 1 January 2022	**(15 768)**	**123 753**
Derecognition of fair value on sale of financial asset	(14 711)	-
Total comprehensive income	(465 530)	(139 521)
Balance as at 31 December 2022	**(496 009)**	**(15 768)**

	UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000
Balance as at 1 January 2022	**14 622**	**25 199**
Derecognition of fair value on sale of financial asset	(12 480)	-
Total comprehensive income	99 825	(10 577)
Balance as at 31 December 2022	**101 967**	**14 622**

32 RELATED-PARTY DISCLOSURES

The ultimate controlling parent is Nedbank Group Limited (incorporated in South Africa) with a shareholding of 74.52% with the balance of 25.48% being shared among other investors.
Key management personnel (Executive Management or EXCO) as at 31 December 2022 comprised of the following individuals:

1.	Dr Sibongile Patience Moyo	Managing Director
2.	Fortune Nhamoinesu Takaindisa	Chief Financial Officer
3.	Farai Sithole	Company Secretary and Head Human Resources
4.	Edward Chitsuwa	Head Operations
5.	Mthabisi Sibanda	Chief Risk Officer
6.	Norman Gambiza	Head Corporate & Institutional Banking
7.	Heresy Herry	Head Origination and Sales
8.	Latifa Kassim	Head Treasury
9.	Patrick Manyumbu	Chief Credit Officer
10.	Viola Pamela Ndlovu	Head Compliance
11.	Ntombienhle Nobuhle Bindu	Head Internal Audit

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. The volumes of related-party transactions, outstanding balances at year-end and related expense and income for the year are as follows:

32.1 Loans and advances to key management personnel

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Loans outstanding as at 1 January	**20 982**	**19 556**	**6 104**	**3 540**
Loans issued during the year	96 164	27 865	83 633	6 696
Loan repayments during the year	(44 411)	(26 439)	(17 002)	(4 132)
Loans outstanding as at 31 December	**72 735**	**20 982**	**72 735**	**6 104**

Interest income earned from loans to key management personnel was ZWL97.03million (2021: ZWL47.02 million) in inflation adjusted terms. These loans are repayable monthly as follows:

- Up to 7 years for home loans;
- 5 years for car loans; and
- 3 years for all personal loans.

Home loans are secured by the properties that were financed. Impairment allowance has been recognised in line with the general approach under IFRS 9, applying ECL models which were used to compute impairments for loans granted to third parties. No loans have been provided to non-executive directors.

32 RELATED-PARTY DISCLOSURES (continued)

32.2 Executive members' shareholding

Executive members hold shares directly in the Bank and as at 31 December 2022, the holding was as follows:

Management	Position	Number of Shares Held as at 31 December 2022
Dr Sibongile Patience Moyo	Managing Director	-
Fortune Nhamoinesu Takaindisa	Chief Financial Officer	-
Farai Sithole	Company Secretary and Head Human Resources	54
Edward Chitsuwa	Head Operations	818
Mthabisi Sibanda	Chief Risk Officer	-
Norman Gambiza	Head Corporate and Institutional Banking	-
Heresy Herry	Head Origination and Sales	-
Latifa Kassim	Head Treasury	-
Patrick Manyumbu	Chief Credit Officer	-
Viola Pamela Ndlovu	Head Compliance	-
Ntombienhle Nobuhle Bindu	Head Internal Audit	-

32.3 Key management compensation

The remuneration of executive directors and other members of key management personnel during the year was as follows:

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022	2021	2022	2021
	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Salaries and other short-term employee benefits	728 490	438 249	521 790	99 573
Post-employment benefits, including defined contribution	98 142	46 769	70 295	10 626
	826 632	**485 018**	**592 085**	**110 199**

The remuneration of executive directors and key management personnel is determined by the board having regard to the performance of the Bank, individuals and market trends.

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32 RELATED-PARTY DISCLOSURES (continued)

32.4 Other related party transactions

32.4.1 Balances at the end of the year

	Due to the Bank				Owed by the Bank			
	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL		AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022	2021	2022	2021	2022	2021	2022	2021
	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000	ZWL'000
Nedbank Group Limited	30 473 326	1 175 586	30 473 326	341 979	445 440	193 709	445 440	56 350
Old Mutual Zimbabwe Limited ("OMZIL")	32	-	32	-	180 744	294 966	180 744	85 806
CABS	-	-	-	-	491 721	1 173 053	491 721	341 242
Nedbank Zimbabwe Limited Pension Fund	-	-	-	-	94 685	58 604	94 685	17 048
	30 473 358	**1 175 586**	**30 473 358**	**341 979**	**1 212 590**	**1 720 332**	**1 212 590**	**500 446**

The above deposits and balances are unsecured, carry variable interest rates and have variable repayments all made at arm's length.

32 RELATED-PARTY DISCLOSURES (continued)

32.4 Other related party transactions (continued)

32.4.2 Income and expenses transactions with the related parties

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Income				
Interest income on nostro balances [Nedbank Group Limited]	728 837	110 134	385 570	25 353
Commission [Old Mutual Zimbabwe Limited]	14 338	9 904	7 585	2 301
Account maintenance income [Nedbank Zimbabwe Limited Pension Fund, OMZIL, CABS]	1 136	629	601	145
	744 311	**120 667**	**393 756**	**27 799**
Expenses				
Interest expenses and nostro bank charges [Nedbank Group Limited, OMZIL, CABS]	54 053	29 532	28 595	6 799
Rentals [Old Mutual Zimbabwe Limited]	22 651	87 944	11 983	20 245
Service Level Agreement fees [Nedbank Group Limited]	2 195 932	1 071 252	1 161 693	246 603
Insurance expenses [Old Mutual Life Assaurance Company]	37 647	93 406	19 916	21 502
	2 310 283	**1 282 134**	**1 222 187**	**295 149**

32.5 Relationships with Nedbank Zimbabwe Limited:

The related parties disclosed above have the following relationships with Nedbank Zimbabwe Limited.

Company	Relationship – 2022 and 2021
Nedbank Group Limited	Holding company of Nedbank Zimbabwe Limited
Old Mutual Zimbabwe Limited	Minority interest in Nedbank Zimbabwe Limited
Old Mutual Life Assurance Company	A subsidiary of Old Mutual Zimbabwe Limited
CABS	A subsidiary of Old Mutual Zimbabwe Limited
Nedbank Zimbabwe Limited Pension Fund	A Pension Fund for the Bank's employees
Nedbank London	A London Branch of Nedbank Group Limited

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33 CONTINGENCIES AND COMMITMENTS

33.1 Capital expenditure commitments

The Bank has capital expenditure commitments amounting to ZWL65.729 million (2021:ZWL32.114 million) in historical terms for equipment that had been approved and ordered as at 31 December 2022.

33.2 Financial guarantees-off statement of financial position items

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2021 ZWL'000
Guarantees to third parties	1 086 472	230 749	1 086 472	67 125
Letters of credit	167 604	2 633 509	167 604	766 090
	1 254 076	**2 864 258**	**1 254 076**	**833 215**

33.3 Loan commitments

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL	
	2022 ZWL'000	2021 ZWL'000	2022 ZWL'000	2020 ZWL'000
Undrawn loan facilities	2 314 694	3 396 381	2 314 694	988 010
	2 314 694	**3 396 381**	**2 314 694**	**988 010**

34 CONTINGENT LIABILITIES

The Bank is party to actual and potential legal proceedings arising out of its normal business operations. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, no provisions are required in respect of these matters as at 31 December 2022.

Magic Software (Private) Limited vs Nedbank Zimbabwe Limited

Magic Software (Private) Limited, a client of the Bank approached the High Court on the 28 April 2022 seeking a declaratory order to the effect that Nedbank Zimbabwe Limited should be made to pay US$1.636 million for alleged failure to register its account as a non-resident escrow account with the Reserve Bank of Zimbabwe and subsequent failure to have its funds recognised as legacy debt.

The Bank is opposing the application. Based on legal advice management are confident that the case will be determined in favour of the Bank. As at 31 December 2022, a hearing date had not yet been set by the High Court and no provision has been made in the financial statements for the litigation since the outcome of this potential legal claim cannot be foreseen now.

35 BORROWING POWERS

The directors may exercise all the powers of the Bank to borrow money, to mortgage property or to change its undertaking. They may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Bank.

36 GOING CONCERN

Following the injection of additional capital through a rights offer by the shareholders in February 2022, the Bank is now compliant with the minimum capital requirement of US$30 million in ZWL equivalent.

The directors have made an assessment of the Bank's ability to continue as a going concern in light of current and anticipated economic conditions. The assessment included consideration of the impact of COVID-19 as described on **Note 37**, the ever-changing regulatory environment and budgets amongst other factors. On the basis of this review, the directors are satisfied that the Bank has adequate resources to continue in business for the foreseeable future. Therefore, the going concern basis continues to apply and has been adopted in the preparation of the annual financial statements.

37 COVID-19 PANDEMIC

Due to the dynamic nature of the COVID-19 pandemic, it is not possible to accurately predict the full extent, nor the duration, of its economic impact. While the virus remains a concern for global health, most countries have migrated from stiff COVID-19 restrictions to fully opening up their national economies and as such strong economic recovery has ensued albeit from a reduced base of the pandemic. Government authorities in Zimbabwe have not yet fully opened the national economy as some COVID-19 restrictions still exist. While judgments on the impact of COVID-19 on expected credit losses are still required, the impact is no longer considered significant as various economic players have adapted to operating in the "new normal".

The board's current assessment, as at 31 December 2022, is that the COVID-19 pandemic will not significantly impact key assumptions already made in valuation and measurement of financial assets presented as at the reporting date.

38 SUBSEQUENT EVENTS

The latest MPS which was announced on the 2nd of February 2023 clarified the position regarding the co-existence and the complementary role of both the auction exchange rate and the WBWS under the dual currency system as well as the modalities of operating the two systems. As part of the foreign currency liberalisation process, RBZ will avail foreign currency from the surrender portion of export receipts to augment foreign currency sourced from banks' own customers. The foreign currency will be sold to banks and Bureau de Change through auction on a wholesale basis. The WBWS exchange rate will act as the interbank exchange rate and the auction exchange rate will act as a foreign currency redistribution mechanism to gauge foreign currency demand in the economy. Pursuant to this clarification, the Bank adopted the WBWS exchange rate as its interbank exchange rate and is in line with SI 118A of 2022.

39 RATES OF EXCHANGE

The following ZWL closing cross rates with major transacting currencies, using the auction rate for the Bank, were applied as at 31 December 2022. From the assessment done, the difference between the auction rate and the willing buyer willing seller exchange rate is not quantitatively material.

	Average for the year	Closing
ZWL/ USD	370.82	671.45
ZWL/ EURO	416.67	714.62
ZWL/ GBP	476.67	833.33
ZWL/ ZAR	15.08	39.53

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