



# 2022

## ANNUAL REPORT

**WE'LL HELP YOU GET THERE**

**CABS** 

A Member of the  **OLD MUTUAL** Group

## CONTENTS

|           |                                                            |
|-----------|------------------------------------------------------------|
| <b>3</b>  | Directorate and Administration                             |
| <b>4</b>  | Notice to Members                                          |
| <b>5</b>  | Annual Financial Review                                    |
| <b>7</b>  | Chairman's Statement                                       |
| <b>9</b>  | Managing Director's Report                                 |
| <b>11</b> | Report of the Directors                                    |
| <b>13</b> | Corporate Governance Statement                             |
| <b>19</b> | Report of the Independent Auditors                         |
| <b>24</b> | Statement of Profit or Loss and Other Comprehensive Income |
| <b>25</b> | Statement of Financial Position                            |
| <b>26</b> | Statement of Changes in Equity                             |
| <b>27</b> | Statement of Cash Flows                                    |
| <b>28</b> | Notes to the Financial Statements                          |

## ABOUT THIS REPORT

# Enjoy effortless transactions **with the new CABS Prepaid Mastercard!**

**Sign up today at your nearest CABS Branch.**

Terms and Conditions Apply



This annual report can be viewed at [www.cabs.co.zw](http://www.cabs.co.zw)

# DIRECTORATE AND ADMINISTRATION

## Board of Directors

|                           |                                                 |
|---------------------------|-------------------------------------------------|
| W Matsaira***             | BA (UNISA), FIOBZ<br>[Chairman]                 |
| S Matsekete**             | BAcc. (UZ), MBL (UNISA), AIBZ, CA(Z)            |
| M Mpofu*                  | B Sc Eng., CFA, MBA<br>(Managing Director)      |
| CT Ndoro*                 | MBA, BBS (Hons)<br>(Deputy Managing Director)   |
| VC Muyambo*               | CA(Z), BCompt (Hons)<br>(Chief Finance Officer) |
| RCD Chitengu (Mrs) 1***   | BCom (Fin), GCMA                                |
| MJR Dube***               | BAcc (UZ), MBA (MSU) CA (Z)                     |
| W Gillwald ***            | Dip. Mech Eng, Dip. Agric                       |
| J Idesoh <sup>2</sup> **  | MBA, BSc (Eng.)                                 |
| DEB Long <sup>3</sup> *** | BL, MBA                                         |
| T Mutaviri (Mrs) **       | BBS (UZ), MBA(USA)                              |
| AE Siyavora***            | BAcc, CA(Z), MBL                                |
| JC Tapambgwa***           | BAcc, CA (Z)<br>(1 July 2022)                   |

## Board Audit Committee

|                    |          |
|--------------------|----------|
| RCD Chitengu (Mrs) | Chairman |
| DEB Long           | Member   |
| MJR Dube           | Member   |

## Board Risk and Compliance Committee

|                    |          |
|--------------------|----------|
| DEB Long           | Chairman |
| RCD Chitengu (Mrs) | Member   |
| J Idesoh           | Member   |

## Board Credit Committee

|             |          |
|-------------|----------|
| AE Siyavora | Chairman |
| DEB Long    | Member   |
| T Mutaviri  | Member   |

## Board Loans Review Committee

|                    |          |
|--------------------|----------|
| MJR Dube           | Chairman |
| RCD Chitengu (Mrs) | Member   |
| W Gillwald         | Member   |

## Board ICT Committee

|             |          |
|-------------|----------|
| AE Siyavora | Chairman |
| W Gillwald  | Member   |
| J Idesoh    | Member   |
| T Mutaviri  | Member   |

## Executive Committee Members

|                       |                                                  |
|-----------------------|--------------------------------------------------|
| M Mpofu               | Managing Director [Chairman]                     |
| CT Ndoro              | Deputy Managing Director                         |
| VC Muyambo            | Chief Finance Officer                            |
| C Nzombe <sup>4</sup> | Head of Human Capital                            |
| E Dzonga              | Head of Risk                                     |
| JTR Jabangwe          | General Manager Operations and Retail Banking    |
| P Kudakwashe          | Head of Credit                                   |
| S Manyoni             | Head of Custodial Services                       |
| FE Machawira          | Head of Compliance                               |
| B Gumbo <sup>5</sup>  | Head of Treasury                                 |
| B Sithole             | General Manager Commercial Services              |
| T Muzvidzwa           | Head of Information and Communication Technology |
| T Mutenga             | Chief Internal Auditor                           |
| L Thebethebe          | Head of Marketing                                |
| HR Nharingo           | Company Secretary                                |

## Asset and Liability Committee

|                      |          |
|----------------------|----------|
| M Mpofu              | Chairman |
| CT Ndoro             | Member   |
| VC Muyambo           | Member   |
| E Dzonga             | Member   |
| JTR Jabangwe         | Member   |
| P Kudakwashe         | Member   |
| FE Machawira         | Member   |
| B Gumbo <sup>6</sup> | Member   |
| P Koen               | Member   |
| B Sithole            | Member   |

## Regional Councils

|                   |          |
|-------------------|----------|
| <b>Manicaland</b> |          |
| FJ Meglic         | Chairman |
| CK Holland        | Member   |

## Matabeleland / Midlands

|             |          |
|-------------|----------|
| MT Jumo     | Chairman |
| BA Friend   | Member   |
| RL Kriel    | Member   |
| SM Mapuvire | Member   |
| NC Marsh    | Member   |

## Head Office and Registered Office

3 Northend Close, Northridge Park,  
Highlands P O Box 2798, Harare, Zimbabwe  
Telephone: +263 (242) 883823  
Fax: +263 (242) 883804  
Email: management@cabs.co.zw

## Auditors

Deloitte & Touche  
West Block, Borrowdale Office Park, Borrowdale,  
P.O. Box 267, Harare, Zimbabwe  
Tel: +263 (242) 8677000261  
Fax: +263 (242) 852130

## Preparation of annual report

This annual report has been prepared under the supervision of the Chief Finance Officer, Valerie Muyambo, a member of the Institute of Chartered Accountants of Zimbabwe, membership number M3336.

1. With effect from 31 December 2022, Mrs RCD Chitengu retired from the CABS Board after the expiry of her ten (10) year tenure as a director.
2. With effect from 31 December 2022, Mr Idesoh resigned from the CABS Board upon exiting the Old Mutual Africa Regions Group to pursue other opportunities.
3. With effect from 31 December 2022, Mr DEB Long retired from the CABS Board after the expiry of his ten (10) year tenure as a director.
4. Mr C Nzombe was appointed as Head of Human Capital with effect from 1 November 2022.

5. Mr B Gumbo was appointed as Head of Treasury with effect from 1 March 2023.
  6. See footnote No. 5 above.
- \* Executive Director  
\*\* Non-Executive Director  
\*\*\* Independent Non-Executive Director

# NOTICE TO MEMBERS

For the year ended 31 December 2022

Notice is hereby given that the sixty-eighth (68<sup>th</sup>) Annual General Meeting (AGM) of Members of CABS (the Society) will be held via Microsoft Teams on Monday, 8 May 2023.

## ORDINARY BUSINESS

### Minutes of last Annual General Meeting

1. To approve minutes of the Annual General Meeting held on Monday 3 May 2022.

### Financial statements and statutory reports

2. To receive, consider and adopt the financial statements, as well as Directors' and Auditors' Reports for the financial year ended 31 December 2022.

### Directorate

3. Mrs T Mutaviri, Mr W Gillwald and Mr JR Dube retire by rotation in terms of Rule 71 of the CABS Rules and, being eligible, offer themselves for re-election.
4. Mr JC Tapambgwa, having been appointed to the Board of Directors on 1 July 2022, retires in terms of Rule 63 of the CABS Rule Book and, being eligible, offers himself for re-election.
5. To confirm the remuneration of Directors amounting to ZWL111,493,842 for the year ended 31 December 2022.
6. To note the retirement of Mrs RCD Chitengu and Mr DEB Long and the resignation of Mr J Idesoh from the Board with effect from 31 December 2022.

### Dividends

7. To confirm the total dividend amounting to ZWL6.0 billion for the year ended 31 December 2022, comprising an interim dividend amounting to ZWL1.0 billion declared by the Board on 11 August 2022 and a final dividend amounting to ZWL5.0 billion, with a portion of this payable as US\$1.25 million, declared by the Board on 16 March 2023.

### External auditors

8. To approve the external auditors' remuneration amounting to ZWL388,491,317 for the year ended 31 December 2022.
9. To appoint Deloitte & Touche as the Society's auditors for the ensuing year.

### Any other business

10. To transact all such other business as may be transacted at an Annual General Meeting.

### Electronic Annual Report

The Society's 2022 Annual Report is now available on the Society's website [www.cabs.co.zw](http://www.cabs.co.zw).

By order of the Board

**H R NHARINGO**  
**COMPANY SECRETARY**

**Registered Office**  
**3 Northend Close**  
**Northridge Park**  
**Highlands**  
**HARARE**

**16 March 2023**

# ANNUAL FINANCIAL REVIEW

For the year ended 31 December 2022

|                                            | Audited Inflation Adjusted  |                             | Unaudited Historical        |                             |
|--------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                            | 31 December<br>2022<br>ZWLm | 31 December<br>2021<br>ZWLm | 31 December<br>2022<br>ZWLm | 31 December<br>2021<br>ZWLm |
| <b>ASSETS</b>                              |                             |                             |                             |                             |
| Cash and cash equivalents                  | 90 397.12                   | 39 341.66                   | 90 397.12                   | 11 444.58                   |
| Investment securities                      | 30 391.04                   | 12 702.68                   | 30 391.04                   | 3 695.24                    |
| Other assets                               | 28 010.84                   | 21 333.52                   | 21 946.57                   | 3 922.31                    |
| Loans and advances                         | 127 582.70                  | 94 640.67                   | 127 582.70                  | 27 531.19                   |
| Non-current assets held for sale           | 311.85                      | 178.69                      | 311.85                      | 51.98                       |
| Property and equipment                     | 35 810.75                   | 20 782.58                   | 32 223.06                   | 5 109.87                    |
| Investment property                        | 14 869.94                   | 8 188.63                    | 14 869.94                   | 2 382.09                    |
| Intangible assets                          | 779.67                      | 2 971.82                    | 161.85                      | 198.96                      |
| <b>Total assets</b>                        | <b>328 153.91</b>           | <b>200 140.25</b>           | <b>317 884.13</b>           | <b>54 336.22</b>            |
| <b>LIABILITIES</b>                         |                             |                             |                             |                             |
| Deposits                                   | 138 411.59                  | 96 921.34                   | 138 411.59                  | 28 194.64                   |
| Credit lines                               | 74 873.47                   | 33 447.41                   | 74 873.47                   | 9 729.93                    |
| Trade and other liabilities                | 12 859.62                   | 9 908.86                    | 12 315.07                   | 2 752.54                    |
| Deferred taxation                          | 2 428.63                    | 1 212.47                    | 2 428.63                    | 352.71                      |
| Shareholder's equity                       | 99 580.60                   | 58 650.17                   | 89 855.37                   | 13 306.40                   |
| <b>Total liabilities</b>                   | <b>328 153.91</b>           | <b>200 140.25</b>           | <b>317 884.13</b>           | <b>54 336.22</b>            |
| <b>Income and expenses</b>                 |                             |                             |                             |                             |
| Net interest income                        | 32 996.39                   | 19 441.82                   | 24 103.74                   | 4 565.07                    |
| Allowance for expected credit losses (ECL) | (2 459.88)                  | (3 104.86)                  | (2 430.21)                  | (903.18)                    |
| Income from lending activities             | 30 536.51                   | 16 336.96                   | 21 673.53                   | 3 661.89                    |
| Net non-interest income                    | 50 549.49                   | 28 679.80                   | 52 924.39                   | 7 871.51                    |
| Allowance for ECL                          | (825.79)                    | (172.39)                    | (825.79)                    | (50.15)                     |
| <b>Total income</b>                        | <b>80 260.21</b>            | <b>44 844.37</b>            | <b>73 772.13</b>            | <b>11 483.25</b>            |
| <b>Operating expenses</b>                  | <b>(28 691.07)</b>          | <b>(18 779.33)</b>          | <b>(20 089.36)</b>          | <b>(4 201.79)</b>           |
| - Administration                           | (14 095.65)                 | (8 642.63)                  | (10 845.69)                 | (2 124.07)                  |
| - Depreciation                             | (2 697.38)                  | (2 131.64)                  | (556.47)                    | (167.43)                    |
| - Staff costs                              | (11 898.04)                 | (8 005.06)                  | (8 687.20)                  | (1 910.29)                  |
| <b>Surplus before impairments</b>          | <b>51 569.14</b>            | <b>26 065.04</b>            | <b>53 682.77</b>            | <b>7 281.46</b>             |
| Impairment on non-financial assets         | (150.79)                    | (2 351.85)                  | (139.05)                    | (684.16)                    |
| Monetary loss                              | (21 861.09)                 | (3 484.10)                  | -                           | -                           |
| <b>Net surplus for the year</b>            | <b>29 557.26</b>            | <b>20 229.09</b>            | <b>53 543.72</b>            | <b>6 597.30</b>             |

# ANNUAL FINANCIAL REVIEW (continued)

For the year ended 31 December 2022

|                                                | <b>Unaudited Historical</b>          |                                      |
|------------------------------------------------|--------------------------------------|--------------------------------------|
|                                                | <b>31 December<br/>2022<br/>ZWLm</b> | <b>31 December<br/>2021<br/>ZWLm</b> |
| <b>Tier 1 capital</b>                          |                                      |                                      |
| Ordinary class "A" share capital               | 35.00                                | 35.00                                |
| Retained earnings                              | 59 463.65                            | 9 515.70                             |
| Exposures to insiders and connected parties    | (0.60)                               | (1.04)                               |
| Less Tier 1 allocated to market risk           | (3 663.67)                           | (378.02)                             |
| Less Tier 1 allocated for operational risk     | (2 147.13)                           | (601.68)                             |
| <b>Total Tier 1 capital</b>                    | <b>53 687.25</b>                     | <b>8 569.96</b>                      |
| <b>Tier 2 capital</b>                          |                                      |                                      |
| Revaluation reserve (limited by Tier 1)        | 28 883.06                            | 4 377.81                             |
| General provisions (limited to 1.25% of TRWA)  | 3 132.52                             | 629.16                               |
| Other                                          | 7.27                                 | 7.27                                 |
| <b>Total Tier 2 capital</b>                    | <b>32 022.85</b>                     | <b>5 014.24</b>                      |
| <b>Tier 3 capital</b>                          |                                      |                                      |
| Allocation of capital for market risk          | 3 663.67                             | 378.02                               |
| Allocation of capital for operational risk     | 2 147.13                             | 601.68                               |
| <b>Total Tier 3 capital</b>                    | <b>5 810.80</b>                      | <b>979.70</b>                        |
| <b>Deductions from total capital</b>           |                                      |                                      |
| Equity investments in non subsidiary companies | (3 326.42)                           | (1 016.78)                           |
| <b>Total from total capital</b>                | <b>(3 326.42)</b>                    | <b>(1 016.78)</b>                    |
| <b>Total regulatory capital</b>                | <b>88 194.48</b>                     | <b>13 547.12</b>                     |
| <b>Total risk weighted assets</b>              | <b>250 601.27</b>                    | <b>50 333.16</b>                     |
| Capital adequacy ratio                         | 35.19%                               | 26.91%                               |
| Regulatory minimum capital adequacy ratio      | 12.00%                               | 12.00%                               |
| <b>Liquidity ratio</b>                         | <b>77.81%</b>                        | <b>43.60%</b>                        |
| • Total liquid assets                          | 120 784.13                           | 16 533.50                            |
| • Total liabilities to the public              | 155 234.02                           | 37 924.57                            |
| <b>Return on average assets</b>                | <b>28.77%</b>                        | <b>17.07%</b>                        |
| • Surplus for the year                         | 53 543.72                            | 6 597.30                             |
| • Average assets                               | 186 110.17                           | 38 649.24                            |
| <b>Return on equity</b>                        | <b>53.77%</b>                        | <b>38.67%</b>                        |
| • Surplus for the year                         | 53 543.72                            | 6 597.30                             |
| • Shareholders' equity                         | 99 580.60                            | 17 061.46                            |
| <b>Cost to income ratio</b>                    | <b>34.4%</b>                         | <b>42.4%</b>                         |

# CHAIRMAN'S STATEMENT

For the year ended 31 December 2022



“ The Society continues to play an important role in supporting economic development through various investment initiatives. ”

## Dear Shareholder

### Financial results

The Society delivered good financial performance despite the challenging operating environment. Year-on-year inflation closed at 243.8% (2021: 60.74%). The Zimbabwe Dollar (ZWL) depreciated against the United States Dollar (US\$) from an official rate of 108 at the beginning of the year to close at 684 (interbank rate). The Society, as a result, witnessed a significant monetary loss in the value of its ZWL monetary assets and liabilities during the financial year.

### Inflation-adjusted results

Inflation-adjusted surplus improved to ZWL29.56bn (2021: ZWL20.23bn). The growth is mainly as a result of improvements in both net interest income and non-interest income which exceeded the increase in operating expenses. Net interest income increased by 70% to ZWL33.00bn, while net non-interest income grew by 76% to ZWL50.55bn. Net fee and commission income decreased by 5% to ZWL17.11bn due to higher growth in fee and commission-related expenses than the income. Operating costs grew by 53% from ZWL18.78bn to ZWL28.69bn.

Total assets grew by 64% to ZWL328.15bn (2021: ZWL200.14bn). The growth is mainly attributable to the increase in deposits and credit lines, which rose by 43% and 124% respectively. Loan book quality remained strong during the year, with a marginal change in the non-performing loans ratio to 0.31% (2021: 0.23%).

### Historical results

The Society recorded a surplus amounting to ZWL53.54bn (2021: ZWL6.60bn). Net interest income grew by 427% to ZWL24.10bn (2021: ZWL4.57bn), mainly due to the growth in digital lending such as EezyCredit and Flexicredit. Net fee and commission income increased by 189% to ZWL11.92bn (2021: ZWL4.13bn). Operating expenses increased by 378% to ZWL20.09bn.

The Society was compliant with the Reserve Bank of Zimbabwe's minimum Tier 1 capital requirement of the ZWL equivalence of US\$30m. A solid capital base was maintained throughout the year, with tier 1 capital decreasing marginally by 0.5% in US\$ terms to US\$78.45m at 31 December 2022.

### Human resources

The challenges in the macroeconomic environment have not spared our staff. The Society, however, remains committed to staff well-being by continuing to facilitate interventions through remuneration reviews and various wellness programmes. The industrial relations climate has remained largely harmonious due to continuous engagements with staff.

### Investing in the economy

The Society continues to play an important role in supporting economic development through various investment initiatives. These initiatives include:

- Lending to the productive sectors of the economy that directly contribute to the economic development of the country;
- Supporting the generation of foreign currency through advancing loans to the export sectors of the economy;

# CHAIRMAN'S STATEMENT (continued)

For the year ended 31 December 2022

- Advancing working capital and capital expenditure loans to businesses recovering from the COVID-19 pandemic;
- Structuring lines of credit and trade facilities for the benefit of local businesses. The Society continued to strengthen relationships with credit line providers, including European Investment Bank, Afreximbank, African Development Bank and Trade and Development Bank. We also established a new relationship with Norsad Capital and received a US\$10 million offshore credit line;
- Facilitating the inward remittance of funds from the diaspora through enhanced partnerships with money transfer agencies;
- Advancing mortgages and salary-based consumer loans to support cash flow requirements for civil servants and private sector employees through efficient technology-based platforms such as EzyCredit; and
- Investment in innovation and financial inclusion programmes.

## Corporate social responsibility

CABS recognises the need to invest in the communities in which it operates as a responsible corporate citizen. Through its corporate social responsibility initiatives, the Society during the period under review invested in the following causes:

- Drilling and installation of solar-powered boreholes, including a stand and a 5,000-litre tank, in 10 schools located in different provinces across the country. While these boreholes ensured provision of clean water to pupils in schools, the projects' impact spills over to the communities as they also access water from these boreholes in liaison with the school administration. Some of the schools that benefited from this initiative include Nuli Government Secondary School (Beitbridge), Nhwali High School (Gwanda), Sembeule Secondary School (Nkayi) and St Boniface High School (Hurungwe). This brings the number of boreholes drilled by CABS in schools to 17 in the last two years.
- In ensuring the promotion of sport in our communities:
  - CABS partnered with the Zimbabwe Chess Federation (ZCF) and hosted a tournament in Bulawayo that attracted participants from the country's ten provinces; and
  - With respect to cricket, the Society partnered the Academy of Cricket Excellence which promotes the sport at grassroots level. In addition, we also partnered St George's College for their T20 competition, among others.
- CABS participated in environmental initiatives by donating funds to Kwekwe Polytechnic towards the purchase of metal branded bins.
- The Society sponsored construction of the outreach block for the Dance Trust of Zimbabwe (DTZ). DTZ offers dance lessons to underprivileged children.
- The Society provided sponsorship to National Institute of Allied Arts (NIAA) which promotes Art and Culture

education amongst children.

- The Society participated in the Spar Rainbow Run, whose proceeds were channelled to Childline.
- CABS sponsored the fundraising golf day for King George VI Centre and School in Bulawayo which caters for children who are physically disabled and deaf.
- We also donated sanitary kits to underprivileged girls and young women with disabilities in the rural areas of Makoni and Goromonzi districts in Mashonaland East.

## Corporate governance

The Board of Directors and Management remain committed to best practice in corporate governance. The Audit, Risk and Compliance, Management and other Board Committees met regularly throughout the year under review to assess operations, evaluate risk, as well as to monitor and develop systems and procedures that safeguard the Society's assets.

## Compliance issues

The Society was largely compliant with regulatory requirements.

Following the retirement of three directors from the Board as at 31 December 2022, the Board Loans Review Committee comprises two independent directors, instead of the regulatory minimum of three members. The Board is in the process of appointing additional directors, which will regularise the membership of this committee.

## Outlook

Foreign currency shortages and the relationship between income and expenses under inflationary conditions continue to stress business operations. It is crucial that all stakeholders play their part to assist in strengthening and stabilising the platform on which strong and sustainable businesses can be built. The Society, however, continues to rely on the implementation of prudent fiscal and monetary policies and will continue to play its part by providing full banking services to its customers, as well as ensuring that shareholder value is preserved.

## Appreciation

I extend my sincere appreciation to my fellow Board members, management and staff for their resilience and diligence. Finally, I would like to thank our customers for their continued support and constructive engagement.

**Washington Matsaira**  
Chairman

16 March 2023

# MANAGING DIRECTOR'S REPORT

For the year ended 31 December 2022

The Society managed to achieve satisfactory financial results despite the difficulties in the macroeconomic environment.

## Investing in innovation

The year 2022 saw CABS intensifying its digital drive, along with implementation of other innovations, to enhance customer experience. These initiatives included but were not limited to:

- **EezyCredit**  
EezyCredit, an instant pay-day loan, was launched during the year under review. Our customers can now access pay-day loans by dialing \*227#. This has added convenience to our customers whilst improving overall satisfaction as they access loans digitally.
- **RTGS transfers on Mobile Banking**  
Customers can now make RTGS transfers in the comfort of their homes by dialing \*227#, in addition to using the internet banking platform. This initiative goes a long way in availing a seamless banking experience for our customers.
- **EezySend**  
CABS launched EezySend, a local remittance service, to allow both CABS and non-CABS customers to send US\$ cash across the country. The sender and receiver both visit their nearest CABS Branch nationwide to send or collect cash.
- **Western Union**  
CABS onboarded Western Union, a money transfer agency (MTA), during the year under review to further facilitate for customers in Zimbabwe to receive funds sent from abroad and collect cash at any CABS branch nationwide. This brings the number of onboarded MTAs to four, while more will be added in the coming year.
- **3D Secure on Visa and Mastercard products**  
The Society enabled 3D Secure on Mastercard and Visa cards, thereby offering enhanced security when customers transact on 3D secure sites. Customers now receive one-time passwords (OTPs) to authenticate transactions when making payments on 3D secure sites, helping mitigate cyber security risks which are on the rise globally.

These exciting initiatives were greatly welcomed by our customers. We continually evaluate our offerings, processes and systems to ensure that we offer our customers an unmatched banking experience.



|| The Society managed to achieve satisfactory financial results despite the difficulties in the macroeconomic environment. ||

# MANAGING DIRECTOR'S REPORT

For the year ended 31 December 2022

## Investing in our people

Priority continues to be placed on employee development and welfare, in line with the Society's thrust to look after its greatest asset, human capital. The Society has made significant investments towards capacity building and creating a future fit workforce. This was done by availing access to all employees' international online learning platforms. In response to mental well-being issues, the Society continued to support employees through various interventions such as burnout management, counselling and stress management, leveraging on its wellness partners. The culture development exercise remained a key initiative, with significant strides made towards transforming the Society's culture in pursuit of creating a values-driven organization.

## Our customers

CABS is committed to delivering value to its customers. The Society encouraged customers to use digital platforms for their transactions and only visit branches where face to face interaction is necessary. We serve our customers with respect and give them timely updates and responses to their queries. Feedback from customers on social media, emails, branch visits and feedback registers is a key input for continuous improvement to our service delivery.

The Society launched a tailor-made service pack for non-governmental organisations (NGOs) and embassies to holistically cater for their financial needs. The offering intends to satisfy the corporate NGO needs by facilitating correspondent banking relations with donors, together with scheme disbursement services for donor funds. The offering also ensures that NGO employees benefit from this relationship by accessing US\$ savings products, mortgages and other financing options.

## Financial performance

The Society achieved good performance as a result of the increase in lending and growth in the uptake of our digital

products. Lending-related income (net interest income) increased significantly in response to upwards review of the interest rates as promulgated by the RBZ in June 2022.

The digitalisation strategy resulted in positive customer experience by increasing transaction channel options. The nominal revenue relatively increased as transaction values increased due to inflation.

The Society's surplus increased by 46% to ZWL29.56bn (2021: ZWL20.23bn) in inflation-adjusted terms. This was mainly driven by the increase in net interest income due to growth in the loan book. Non-funded income grew due to increases in the nominal values of transactions, foreign currency translation gains as well as property fair value gains. The year ended with a strong core capital position.

## Appreciation

On behalf of management, I would like to thank our customers for their continued support and our Board for their guidance and leadership. CABS performed well from a committed staff complement and I want to express my sincere gratitude to all the employees. I would also like to thank our regulators for their continued support. The Society will continue to focus on delivering on its long-term strategy of meeting customers' needs and preserving shareholder value.



**M Mpofu**  
Managing Director

16 March 2023



# REPORT OF THE DIRECTORS

For the year ended 31 December 2022

## Overview

The separate financial statements of the Society are prepared based on IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29). These financial statements comply with IAS 29 in all material respects. The Society, in line with trends observed in the rest of the economy, has seen an increasing proportion of transactions denominated in United States Dollars, a currency which is not subject to hyperinflation. This has presented some practical challenges in the preparation of the financial statements, and it is the view of the directors that IAS 29 did not fully envisage a situation where a hyperinflationary economy effectively has other currencies besides the local currency in official circulation as mediums of exchange, and also in use in determining the price of goods and services. Users of the financial statements are advised to consider the implications of the multi-currency environment on the business and are also referred to notes 1.5 and 1.27 for further disclosures.

## Responsibility

The Directors are responsible for the preparation and fair presentation of the financial statements of the Society in accordance with the applicable Financial Reporting Framework for entities in Zimbabwe, including the requirements of Building Societies Act (Chapter 24:02), relevant sections of the Banking Act (Chapter 24:20) and the Securities and Exchange Act (Chapter 24:25). Financial statements comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the Notes to the Financial Statements.

The Directors are also responsible for such internal controls as they determine 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 risk management system.

Based on their assessment, the Directors are satisfied that the Society will continue to operate as a going concern into the foreseeable future.

The independent auditor is responsible for reporting on whether the separate financial statements approved by the Board are fairly presented in accordance with the applicable financial reporting framework.

## Compliance with legislation

These inflation adjusted financial statements are based on the application of the consumer price index on underlying accounting records that were maintained on the historical cost convention (except for fair value measurement where applicable), have been properly prepared in accordance with the Society's accounting policies, and comply with the disclosure requirements of the Building Societies Act (Chapter 24:02), relevant sections of the Banking Act (Chapter 24:20) and the Securities and Exchange Act (Chapter 24:25).

## Compliance with IFRSs

The financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs). IFRSs comprise interpretations adopted by the International Accounting Standards Board (IASB), which includes standards adopted by the International Accounting Standards Board (IASB) and interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC).

Complying with IFRSs achieves consistency with the financial reporting framework by the ultimate parent company, Old Mutual Limited, which is incorporated in South Africa. Using a globally recognised reporting framework also allows comparability with similar businesses and consistency in the interpretation of the financial statements.

The IFRS Conceptual Framework provides that, in applying fair presentation to the financial statements, entities should go beyond consideration of the legal form of transactions and other factors impacting on the financial statements to also consider the underlying economic substance therein. International Accounting Standard 21 *The Effects of Changes in Foreign Exchange Rates* (IAS 21) requires an entity to apply certain parameters in determining the functional currency of an entity, for use in preparing financial statements.

The directors are not aware of other areas of non-compliance with IFRS in the 2022 financial statements. However, the directors would like to draw the attention of users of the financial statements to the fact that prevailing market conditions in Zimbabwe have required the use of more judgement than would normally be the case around areas such as property valuations, valuation of unlisted investments as well as the carrying value of certain receivables. In addition, there is a wide range of views in the market concerning economic variables such as inflation and exchange rates. While management believes that these factors have been sufficiently taken into account in the 2022 financial statements and that the required accounting judgements are appropriate, additional disclosures and sensitivities have been provided and readers of the financial statements should pay close attention to these.

# REPORT OF THE DIRECTORS (continued)

For the year ended 31 December 2022

|                                           | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|-------------------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                                           | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| <b>Results from operations</b>            |                            |                          |                          |                          |
| Net interest income                       | 32 996.39                  | 19 441.82                | 24 103.74                | 4 565.07                 |
| Allowance for ECL                         | (2 459.88)                 | (3 104.86)               | (2 430.21)               | (903.18)                 |
| <b>Income from lending activities</b>     | <b>30 536.51</b>           | <b>16 336.96</b>         | <b>21 673.53</b>         | <b>3 661.89</b>          |
| Net non-interest income                   | 50 549.49                  | 28 679.80                | 52 924.39                | 7 871.51                 |
| Allowance for ECL                         | (825.79)                   | (172.39)                 | (825.79)                 | (50.15)                  |
| <b>Income from non-lending activities</b> | <b>49 723.70</b>           | <b>28 507.41</b>         | <b>52 098.60</b>         | <b>7 821.36</b>          |
| <b>Total income</b>                       | <b>80 260.21</b>           | <b>44 844.37</b>         | <b>73 772.13</b>         | <b>11 483.25</b>         |
| Operating expenses                        | (28 691.07)                | (18 779.33)              | (20 089.36)              | (4 201.79)               |
| Impairment on non-financial assets        | (150.79)                   | (2 351.85)               | (139.05)                 | (684.16)                 |
| Monetary loss                             | (21 861.09)                | (3 484.10)               | -                        | -                        |
| <b>Surplus for the year</b>               | <b>29 557.26</b>           | <b>20 229.09</b>         | <b>53 543.72</b>         | <b>6 597.30</b>          |

Restated net interest income increased substantially from ZWL19.44bn in 2021 to ZWL33.00bn in 2022 due to the significant increase in interest rates in 2022. Restated non-interest income improved from ZWL28.68bn in 2021 to ZWL50.55bn in 2022 due to increases in the nominal values of transactions. Asset quality declined marginally as reflected in the non-performing loans ratio which increased to 0.31% in 2022 from 0.23% in 2021. The Society recorded a restated surplus of ZWL29.56bn in 2022 compared to ZWL20.23bn achieved in 2021.

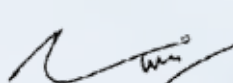
## Share capital and reserves

Details of share capital of the Society are set out in note 20 to the Society's separate financial statements. There were no movements during the year except for IAS 29 restatements.

The Directors have assessed the ability of the Society to

continue operating as a going concern and believe that the preparation of financial statements using the going concern assumption is still appropriate.

These financial statements were approved by the Board of Directors on 16 March 2023 and were signed on its behalf by:



**W MATSAIRA**  
**CHAIRMAN**

**16 March 2023**



**MJR DUBE**  
**NON-EXECUTIVE DIRECTOR**

**16 March 2023**

# CORPORATE GOVERNANCE STATEMENT

For the year ended 31 December 2022

The Board adheres to the principles of corporate governance derived from the Reserve Bank Corporate Governance Guidelines, the Banking Act [Chapter 24:20], the Building Societies Act [Chapter 24:02], the Zimbabwean National Code on Corporate Governance and the Old Mutual Group Governance Framework as well as corporate governance best practice. The CABS Code of Conduct and CABS Board Charter are available to Directors for reference regarding their fiduciary duties and obligations.

The Board and Director evaluation process is carried out annually as prescribed in the Reserve Bank of Zimbabwe Board and Director Evaluation Framework.

## Board Composition

For the year ended 31 December 2022, the Board comprised three (3) executive Directors, three (3) non-executive Directors and six (6) independent non-executive Directors, as shown in the table below. All Board Committees were chaired by independent non-executive Directors.

The Chairman of the Society is an independent non-executive Director. The Chairman does not have any relationship with the Society or with its Directors, staff, business associates or customers, which might reasonably be regarded as compromising his independence. The Board continues to monitor the independence of both the Chairman and all

|     |                                | Board    | Audit Committee | Risk and Compliance Committee | Credit Committee | Loans Review Committee | ICT Committee |
|-----|--------------------------------|----------|-----------------|-------------------------------|------------------|------------------------|---------------|
|     | <b>Number of meetings held</b> | <b>5</b> | <b>4</b>        | <b>4</b>                      | <b>4</b>         | <b>4</b>               | <b>4</b>      |
| 1.  | Mr W Matsaira***               | 5        | -               | -                             | -                | -                      | -             |
| 2.  | Mr M Mpofu*                    | 5        | -               | -                             | -                | -                      | -             |
| 3.  | Mr CT Ndoro*                   | 5        | -               | -                             | -                | -                      | -             |
| 4.  | Ms VC Muyambo*                 | 5        | -               | -                             | -                | -                      | -             |
| 5.  | Mrs RCD Chitengu****1          | 5        | 4               | 3                             | -                | 4                      | -             |
| 6.  | Mr J Idesoh**2                 | 3        | -               | 2                             | -                | -                      | 2             |
| 7.  | Mr MJR Dube***                 | 5        | 4               | -                             | -                | 4                      | -             |
| 8.  | Mr W Gillwald***               | 4        | -               | -                             | -                | 3                      | 4             |
| 9.  | Mr DEB Long***3                | 3        | 3               | 4                             | 4                | -                      | -             |
| 10. | Mr S Matsekete**               | 5        | -               | -                             | -                | -                      | -             |
| 11. | Mrs T Mutaviri**               | 4        | -               | -                             | 4                | -                      | 3             |
| 12. | Mr AE Siyavora***              | 3        | -               | -                             | 4                | -                      | 4             |
| 13. | Mr JC Tapambgwa****4           | 1        | -               | -                             | 1                | -                      | 1             |

1. With effect from 31 December 2022, Mrs RCD Chitengu retired from the CABS Board after the expiry of her ten (10) year tenure as a director.
2. With effect from 31 December 2022, Mr Idesoh resigned from the CABS Board upon exiting the Old Mutual Africa Regions Group to pursue other opportunities.
3. With effect from 31 December 2022, Mr DEB Long retired from the CABS Board after the expiry of his ten (10) year tenure as a director.
4. Mr JC Tapambgwa attended the Board, Board Credit and Board ICT Committee meetings by invitation.

other independent non-executive Directors through quarterly conflict of interest declarations presented to the Board.

## Board and Board Committee meeting attendance

During the year ended 31 December 2022, the Board and four (4) of its Committees met at least five (5) times.

## Board Committees

The Board has appointed the following Board and Management committees to assist it in discharging its responsibilities:

### Board Audit Committee

The Board Audit Committee is responsible for the integrity of the Society's financial statements and the effectiveness of the systems of governance, risk management and internal control, and for monitoring the effectiveness and objectivity of the internal and independent auditors. Every year the Board

Audit Committee reviews the authority, resources and scope of work of internal audit and approves the internal audit plan. It considers the appointment and fees of both audit and non-audit services for the independent auditors, who have unrestricted access to it. It also monitors internal and independent auditors' performance against expectations.

The members of this Committee comprise three independent non-executive Directors. The Committee met four (4) times during the year ended 31 December 2022.

### Board Risk and Compliance Committee

The primary purpose of the Committee is to review, on behalf of the Board, management's recommendations on risk, particularly in relation to the structure and implementation of the Society's risk framework, including the quality and effectiveness of internal controls, risk appetite limits, risk profile and capital management processes. The Committee

# CORPORATE GOVERNANCE STATEMENT (continued)

For the year ended 31 December 2022

reports to the Board, identifying any matters in respect of significant risks to the Society, for which it considers that action or improvement is needed, and makes recommendations as to the adequacy of the risk mitigation plans. The Committee works closely with the Board Audit Committee with regard to the systems of risk management and internal controls.

The Board Risk and Compliance Committee comprises three independent non-executive Directors. The Committee met four (4) times during the year ended 31 December 2022.

## Board Credit Committee

The Board Credit Committee is responsible for the management of credit risk. It reviews and recommends for approval by the Board, reasonable and prudent lending policies, strategies, standards and procedures in respect of loans, in order to avoid undue credit risks and potential losses and to obtain a reasonable return. It further reviews the loans granted to ensure that the Society's lending policies are adhered to and that loans are granted within normal risk parameters.

The Board Credit Committee currently comprises two independent non-executive Directors and one non-executive Director. The Board Credit Committee met four (4) times during the year ended 31 December 2022.

## Board Loans Review Committee

The primary role of the Committee is to review loans granted to ensure compliance with granting limits, strategy, processes and procedures and includes evaluation of the entire lending function in the Society.

As at 31 December 2022, the Committee comprised three independent non-executive directors. The Board Loans Review Committee met four (4) times during the year ended 31 December 2022.

Following the retirement of three Directors from the Board as at 31 December 2022, the Committee comprises two independent non-executive Directors, instead of the regulatory minimum of three members. The Board is in the process of appointing additional Directors which will regularise the membership of this Committee.

## Board ICT Committee

The primary role of the Committee is to oversee the activities and the impact of information technology on the business, as well as to review the cyber security measures implemented by the Society.

The Committee currently comprises two independent non-executive Directors and one non-executive Director. The ICT Committee met four (4) times during the year ended 31 December 2022.

## Management Executive Committee (EXCO)

The Committee comprises the Managing Director, the Deputy Managing Director, the Chief Finance Officer, Head of

Human Capital, Head of Risk, General Manager Operations and Retail Banking, Head of Credit, Head of Custodial Services, Head of Compliance, Head of Treasury, Head of Marketing, General Manager Commercial Services, Head of ICT and Company Secretary. The Committee meets monthly and provides a link between the Board and Management and undertakes, among other duties, risk policy reviews as well as the identification and management of key risks and opportunities. They give recommendations to the Board on appropriate properties for purchase and/or development and on capital expenditure. The Committee is also responsible for strategy implementation.

## Asset and Liability Committee (ALCO)

The Committee comprises the Managing Director, the Deputy Managing Director, the Chief Finance Officer, Head of Risk, General Manager Operations and Retail Banking, Head of Credit, Head of Compliance, Head of Treasury, General Manager Commercial Services and the Platinum Banking Executive. The Committee meets monthly to discuss money market activities and counterparty exposures. The Committee drives the most appropriate strategy for the Society in terms of the mix of assets and liabilities, determines the appropriate level of liquidity, ensures that agreed funding limits are not exceeded, and ensures the appropriate structure of the statement of financial position in terms of funding mix, capital adequacy and risk management policy.

## Management Credit Committee (MCC)

The MCC comprises voting and non-voting members. The voting members are the Managing Director, the Deputy Managing Director, Head of Credit, Head of Treasury and the Chief Finance Officer. Non-voting members are the General Manager Operations and Retail Banking and General Manager Operations and Retail Banking, with Head of Risk and Head of Compliance in attendance. The Committee is responsible for assessment and sanctioning of credit within its delegated lending discretion and recommending credit above its limit to the Board Credit Committee and to the main Board. The MCC also has the responsibility to set and review credit policy, monitor compliance with the policy, as well as oversee and approve changes to credit risk management systems.

## The Classified Accounts, Early Alert and Loan Loss Provisioning Committees

The main function of the Classified Accounts Committees is to review, monitor non-performing loans including the recovery progress thereof and recommend recovery strategies with a view to ensuring speedy and complete recoveries. The Early Alert Committee assists with timely identification, prompt reporting and proactively managing accounts which show deteriorating credit signs on an ongoing basis to protect the Society's interests. The Loan Loss Provisioning Committee ensures that the loan portfolio of CABS is appropriately provisioned, classified and that the extent of provisioning is in compliance with regulatory, statutory, and international

# CORPORATE GOVERNANCE STATEMENT (continued)

For the year ended 31 December 2022

accounting standards requirements as well as the Society's Credit Risk Management Policy.

## Risk Management System

The Board executes its mandate to oversee the Society's risk management as follows:

### 1. Credit risk

The MCC is responsible for implementing the Board approved risk management strategies and policies for the management of credit risk under the oversight of the Board Credit Committee. The applicable activities include:

- Formulating credit policies in consultation with business units covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to Senior Managers, members of MCC, the Board Credit Committee and the Board of Directors according to the size of facility;
- Reviewing and assessing credit risk. The Society's Board Credit Committee assesses all credit exposures in excess of designated limits prior to facilities being committed to customers. Renewal and review of facilities are subject to the same review process;
- Limiting concentration of exposure to counterparties, geographies and industries (for loans and advances) and by issuer, credit rating band, market and liquidity (for investment securities);
- Reviewing compliance with agreed exposure limits including those for selected industries and product types. Regular reports are provided to the Society's Board Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken;
- Providing advice, guidance and specialist skills to promote best practice throughout the Society in the management of credit risk; and
- Regular audits of the Society's credit processes are undertaken by the Old Mutual Group Internal Audit and the Society's Internal Audit.

Capital requirements for credit risk are subject to Basel II Modified Standardised approach.

### 2. Liquidity risk

By its role in the maturity transformation of short-term deposits into long-term loans, the Society is inherently vulnerable to liquidity risk. Therefore, the Society will always ensure that at any given time, there is sufficient liquidity to meet its obligations and sets aside a sufficient buffer to cater for unforeseen stress events that can

arise in the normal course of business. The Society performs extensive stress testing and scenario analysis to ensure regulatory compliance and the ability to meet future liquidity requirements. The Society's liquidity risk framework ensures that there is clarity and consistency within CABS on liquidity risk identification, measurement, control, monitoring and reporting.

ALCO is responsible for the management of liquidity risk under the oversight of the Board Risk and Compliance Committee and the Board. All liquidity policies and procedures are subject to review and approval by ALCO, the Board Risk and Compliance Committee and the Board.

The Society's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Society's reputation. The daily liquidity position of the Society is managed by the treasury department in liaison with the relevant departments.

The Society monitors liquidity risk by compliance with liquidity regulations of the Building Societies Act (Chapter 24:02) as well as the submission of monthly liquidity returns to the Reserve Bank of Zimbabwe (RBZ). In addition, the Society matches long term liabilities to long term investments and this is monitored through the Board Risk and Compliance Committee.

### 3. Compliance risk

The Society has an independent compliance function that ensures compliance with all regulatory requirements, under the oversight of the Board Risk and Compliance and the Board Audit Committees and the Board.

### 4. Market risk (foreign exchange and interest rate)

The Society's transactions are mainly exposed to the following risk types:

- Foreign exchange risk, which is the risk to earnings or capital arising from the translation of the Society's assets and liabilities to local currency.
- Interest rate risk (IRRBB) arising from repricing and/or maturity mismatches of on and off balance sheet components across the Society.

CABS uses the Standardised Approach to calculate regulatory capital requirements relating to market risks.

Market risk is governed by board-approved policies that cover management, identification, measurement and monitoring. Market risk limits are approved at board

# CORPORATE GOVERNANCE STATEMENT (continued)

For the year ended 31 December 2022

level and are reviewed periodically, but at least annually.

These limits include the following:

- Dealer and trading limits
- Counterparty limits
- Limits by type of instruments
- Limits on maturity profiles.

The Society employs both an earnings and economic-value perspective to measure interest rate sensitivity on a monthly basis. This includes a repricing profile analysis, simulated modelling of the bank's NII and EVE for a standard interest rate shock, and stress- testing of NII and EVE for multiple stressed-interest-rate scenarios.

Overall authority for managing market risk is vested in ALCO under the oversight of the Board Risk and Compliance Committee and the Board. The Society separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the treasury department and include positions arising from market making and proprietary position taking (on the money market), together with financial assets and liabilities that are managed on a fair value basis.

## 5. Operational risk

The primary responsibility for the development and implementation of controls to address operational risk is assigned to EXCO under the oversight of the Board Risk and Compliance Committee. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Reconciliation and monitoring of transactions;
- Appropriate segregation of duties, including the independent authorisation of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation including insurance where it is effective;
- Development of contingency plans; and
- Reporting of risks and operational losses to the risk department.

Compliance with the Society's operational policies and standards is supported by periodic reviews undertaken by Group Internal Audit. The results of these audits are discussed with management of the department to which they relate, and summaries are submitted to EXCO and the Board Audit Committee. Capital requirements for operational risk are subject to Basel II Alternative Standardised approach.

## 6. Strategic risk

EXCO is responsible for the implementation of the Board approved strategic risk policy under the oversight of the

Board Risk and Compliance Committee and the Board. In implementing the Society's strategy, the Board and EXCO determine and allocate financial and operating targets to departments. Monitoring of progress against the action plans is done on a monthly basis and strategic risk mitigation is done through the formulation and implementation of operational (action) plans.

## 7. Reputational risk

The Board has delegated responsibility for effective management of reputational risk to the Board Risk and Compliance Committee and to EXCO. Board-approved reputational risk related policies are in place. Line management has the primary responsibility for reputational risk identification and mitigation. Reputational risk management and monitoring is done in the following ways:

- Communication of information about the Society to the public or press releases is done in line with the provisions of the internal and external communications guidelines and with approval from EXCO. This facilitates building the Society's reputational capital (through positive information) and minimising the impact of adverse reputational risk events;
- All material events that have a potential to impact the Society's reputation are immediately escalated to the Head of Marketing, Managing Director, Head of Compliance and Head of Risk; and
- Any exposures to reputational risk are captured in the events log, with controls to mitigate the risk.

## Risks and ratings

The RBZ is mandated to conduct regular examinations of the banks and financial institutions it regulates. The latest Onsite Examination of the Society was in May 2018 and the overall assessment resulted in a rating of 2 (Satisfactory) on the CAMELS scale. The CAMELS rating evaluates financial institutions on capital adequacy, asset quality, management, earnings, liquidity and sensitivity to market risk.

The CAMELS and Risk Assessment ratings are summarised below:

| CAMELS Component                | May 2018 Ratings        |
|---------------------------------|-------------------------|
| Capital                         | 1 - Strong              |
| Asset quality                   | 3 - Fair                |
| Management                      | 3 - Fair                |
| Earnings                        | 1 - Strong              |
| Liquidity                       | 2 - Satisfactory        |
| Sensitivity to market risk      | 2 - Satisfactory        |
| <b>Overall composite rating</b> | <b>2 - Satisfactory</b> |

## Key

# CORPORATE GOVERNANCE STATEMENT (continued)

For the year ended 31 December 2022

|           |                 |         |         |             |
|-----------|-----------------|---------|---------|-------------|
| 1. Strong | 2. Satisfactory | 3. Fair | 4. Weak | 5. Critical |
|-----------|-----------------|---------|---------|-------------|

## Summary of risk matrix from RBZ Onsite Inspection of May 2018

| Type of risk         | Level of inherent risk | Adequacy of risk management systems | Overall composite risk | Direction of overall composite risk |
|----------------------|------------------------|-------------------------------------|------------------------|-------------------------------------|
| Credit               | Moderate               | Acceptable                          | Moderate               | Increasing                          |
| Liquidity            | Moderate               | Acceptable                          | Moderate               | Stable                              |
| Foreign exchange     | Low                    | Acceptable                          | Low                    | Stable                              |
| Interest rate        | Moderate               | Acceptable                          | Moderate               | Increasing                          |
| Strategic risk       | Moderate               | Acceptable                          | Moderate               | Stable                              |
| Operational risk     | High                   | Acceptable                          | High                   | Stable                              |
| Legal and compliance | Moderate               | Acceptable                          | Moderate               | Stable                              |
| Reputation           | Moderate               | Acceptable                          | Moderate               | Stable                              |
| Overall              | Moderate               | Acceptable                          | Moderate               | Stable                              |

## Interpretation of the Risk Matrix

### Levels of inherent risk

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

|            |                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Weak       | Risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects, particularly as indicated by continued exceptions or by the failure to adhere to written policies and procedures. |
| Acceptable | Management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, those have to be recognised and are being addressed. Management information systems are generally adequate.                                                                                                                                                                                       |
| Strong     | Management effectively identifies and controls all types of risk areas 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 in place. The policies comprehensively define the banking institution's risk tolerance. Responsibilities and accountabilities are effectively communicated.                                   |

### Overall composite risk

# CORPORATE GOVERNANCE STATEMENT (continued)

For the year ended 31 December 2022

|          |                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Low      | This would be assigned to low-risk areas. Moderate risk areas may be assigned to a low composite risk where internal controls and risk management systems are strong and effectively mitigate much 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 level of risk, thus, the activity could potentially result in a financial loss that would have a significant impact on the banking institution's overall condition.                                                                                                                                                                                          |

## Direction of overall composite risk

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

## Internal control environment

The Board is ultimately responsible for the Society's systems of internal control and for reviewing their effectiveness. The internal control systems are designed to meet the particular needs of the Society and its business operations and the risks to which they are exposed. However, these systems can only provide reasonable but not absolute assurance against material misstatement or loss, since they are designed to manage rather than eliminate the risks of pursuing chosen business objectives.

The Combined Code requires that Directors review the effectiveness of the Society's systems of internal control, which include financial, operational, compliance and risk management.

## Monitoring of controls

The Society's internal audit function carries out regular reviews of operational and control procedures. The internal audit function operates independently of executive management, reporting to the Board Audit Committee, with unrestricted access to the Board Audit Committee Chair, and reporting on operational lines to the Managing Director. The Internal Audit Charter is reviewed by the Board Audit Committee and the Board of Directors regularly and governs audit activities within the Society. The audit work programme is integrated with the work of the independent auditors to enhance the combined effectiveness of their respective functions. A formal report is prepared for each audit assignment and corrective actions agreed with management in response to its recommendations. Key findings are provided to the Board Audit Committee.

## Management structures

The Society has an appropriate organisational structure for planning, controlling and monitoring its business operations

in order to achieve its objectives. Within the overall strategic and financial objectives of the Society, agreed by the Board, the management of the Society is delegated to the Managing Director who also governs the conduct and performance of the executive managers of the Society's business operations within the agreed business strategy.

The Society's strategic direction is regularly reviewed by the Board, and the Managing Director considers the strategy for the individual business operations with executive management on a disciplined basis. Annual budgets are prepared with performance targets for each business operation set by the Managing Director in conjunction with the executive managers. The Society's plan is then reviewed by the Board in light of the Society's objectives. Performance against the plan is monitored actively at Board level.

The Managing Director receives monthly summaries of the financial results of the Society's business operations and supplies them to all members of the Board. Additionally, the Managing Director, in conjunction with executive management, formally reviews the progress of the business operations on a monthly basis including a review of key risk factors. The Society and its business operations have implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud.

## Client relations

The Society is committed to a process of continuing dialogue with its clients to enhance existing services and introduce new products as required.

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF THE CENTRAL AFRICA BUILDING SOCIETY  
REPORT ON THE AUDIT OF THE INFLATION ADJUSTED FINANCIAL STATEMENTS**

**Opinion**

We have audited the inflation adjusted financial statements of Central Africa Building Society ("the Society"), set out on pages 24 to 91, which comprise the inflation adjusted statement of financial position as at 31 December 2022, and 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 inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, the inflation adjusted financial statements present fairly, in all material aspects, the inflation adjusted financial position of the Society 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 Building Societies Act (Chapter 24:02), relevant sections of the Banking Act (Chapter 24:20) and the Securities and Exchange Act (Chapter 24:25).

**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 Society in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of 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 for the current period. 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.



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF THE CENTRAL AFRICA BUILDING SOCIETY  
REPORT ON THE AUDIT OF THE INFLATION ADJUSTED FINANCIAL STATEMENTS**

| Key audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | How the matter was addressed in the audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1. Valuation of expected credit losses on financial assets</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p>As detailed in note 3, the Society reported expected credit losses of ZW\$ 3 436.46 million on the inflation adjusted statement of financial position (2021: ZW\$ 5 629.10 million).</p> <p>This was considered a key audit matter as the determination of the expected credit losses (ECL) requires significant judgment. The models used to determine provisions are complex and might not have taken into account all relevant factors such as macroeconomic data for forecasts, and the data used for historical analysis might not be accurate.</p> <p>Furthermore, the Society adopted a new ECL model during the current year.</p> <p>Due to the judgement applied in determining the complex ECL, we have determined this to be a key audit matter.</p> <p>Note 11.6 to the inflation adjusted financial statements provides detailed information with respect to the determination of the expected credit losses.</p> | <p>To address the key audit matter, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>Reviewed the Society's IFRS 9 based impairment provisioning policy and compared it with the requirements of IFRS 9;</li> <li>Obtained an understanding of the robustness of internal controls over financial reporting including critical inputs and the model used which support the Society's assertions with respect to completeness, compliance and consistent application of the methodology;</li> <li>Tested the design and implementation of controls with respect to the determination of the expected credit losses;</li> <li>Involved our internal information technology experts to test design and implementation of controls with respect to the general information controls (GITCs) in the Oracle System;</li> <li>Tested the completeness and accuracy of loans and advances, treasury bills, off balance sheet items, and other financial assets included in the ECL calculations;</li> </ul> <p>With the assistance of an auditors' expert, performed an independent assessment of the appropriateness of the model by performing the following:</p> <ul style="list-style-type: none"> <li>Obtained an understanding of the Society's internal rating models for financial assets to assess whether the rating model was appropriate;</li> <li>Reviewed the appropriateness of the Society's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages;</li> <li>For a sample of exposures, tested the appropriateness of the Society's staging;</li> <li>Tested assumptions used in the ECL calculations and assessed them for reasonableness;</li> <li>For a sample of exposures, tested the appropriateness of determining exposure at default, and probability of default;</li> <li>Assessed the completeness of collateral recognised during the period under review;</li> <li>Assessed the consistency of inputs and assumptions used by the Society's management to determine expected credit losses; and</li> <li>Assessed whether the required IFRS disclosure and presentation requirements have been properly reflected in the financial statements.</li> </ul> <p>The valuation was found to be appropriate in terms of the relevant accounting standards, and management's estimates and judgements were deemed to be prudent.</p> |

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF THE CENTRAL AFRICA BUILDING SOCIETY  
REPORT ON THE AUDIT OF THE INFLATION ADJUSTED FINANCIAL STATEMENTS**

| Key audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | How the matter was addressed in the audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2. Valuation of owner-occupied property and Investment property</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p>As detailed in notes 14 and 13, at 31 December 2022, the Society reported Investment properties at fair value of ZW\$ 14 869.94 million and Owner-occupied property of ZW\$ 30 674.10 million (2021 - ZW\$ 8 188.63 million and ZW\$ 15 283.70 million respectively).</p> <p>The valuation of owner-occupied and investment property was an area which required significant judgements by management and required the involvement of valuation experts. The Society measures owner occupied property and investment property at fair value at each reporting date which is determined using either valuation techniques, or the market comparison approach.</p> <p>We identified the valuation of investment properties and owner-occupied property as representing a key audit matter. The valuation of investment properties is subjective as a result of judgements made in respect of future cash flows, the timing of those cash flows and the determination of appropriate discount rates.</p> <p>Judgements and estimates used in the valuation of properties have been disclosed in notes 13 and 21 of the inflation adjusted financial statements.</p> | <p>To address the key audit matter, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Convened meetings with management's internal valuation experts to obtain an understanding of the assumptions employed in the valuation of investment and owner-occupied property;</li> <li>• Performed an assessment of the management's external valuer's competence, capabilities and objectivity; who were additionally engaged to sense check the assumptions applied by management's internal valuation experts;</li> <li>• Engaged with management's external valuation experts to obtain an understanding of their own independent assumptions, and valuation conclusions; then proceeded to compare them to management's internal valuation experts and challenged any noted deviations in approach or valuation outcomes;</li> <li>• Performed an assessment of the Society's valuation techniques against acceptable industry practice and IFRS requirements and where applicable compared derived property values with similar properties within the market and/or recently settled market transactions;</li> <li>• Evaluated consistency in the Society's valuation techniques with prior years;</li> <li>• Evaluated the accuracy, completeness and reasonability of input data from which the valuations are derived and inspected source documents where applicable; and</li> <li>• Evaluated whether disclosures made in the financial statements are in accordance with requirements of International Financial Reporting Standards (IFRS).</li> </ul> <p>The valuation of the owner-occupied property and investment property was found to be appropriate in terms of the relevant accounting standards.</p> |

**Other Information**

The Directors are responsible for the other information. The other information comprises the Notice to Members, Annual Financial Review, Chairman's statement, Managing Director's report, Report of the Directors, Corporate Governance statement, the Statement of Foreign Currency Denominated Transactions and Balances (note 29) and the historical cost financial information which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. 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 nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF THE CENTRAL AFRICA BUILDING SOCIETY  
REPORT ON THE AUDIT OF THE INFLATION ADJUSTED FINANCIAL STATEMENTS**

**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 Building Societies Act (Chapter 24:02), relevant sections of the Banking Act (Chapter 24:20) and the Securities and Exchange Act (Chapter 24:25), 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 Society'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 Society 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 scepticism 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 Society'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 Society'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 Society 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.

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF THE CENTRAL AFRICA BUILDING SOCIETY  
REPORT ON THE AUDIT OF THE INFLATION ADJUSTED FINANCIAL STATEMENTS**

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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 inflation adjusted 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 matters**

The Inflation adjusted financial statements of the Society are properly drawn up in accordance with the disclosure requirements required by the Building Societies Act (Chapter 24:02), relevant sections of the Banking Act (Chapter 24:20) and the Securities and Exchange Act (Chapter 24:25).



---

**DELOITTE & TOUCHE  
CHARTERED ACCOUNTANTS (ZIMBABWE)  
REGISTERED AUDITOR  
PER: TAPIWA CHIZANA  
PARTNER  
PAAB CERTIFICATE NUMBER: 0444**

**27 MARCH 2023**

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

|                                                                                       |       | Audited Inflation Adjusted |                  | Unaudited Historical |                  |
|---------------------------------------------------------------------------------------|-------|----------------------------|------------------|----------------------|------------------|
|                                                                                       |       | 31 December 2022           | 31 December 2021 | 31 December 2022     | 31 December 2021 |
|                                                                                       | Notes | ZWLm                       | ZWLm             | ZWLm                 | ZWLm             |
| Interest income                                                                       | 2     | 40 118.67                  | 21 476.80        | 29 603.56            | 5 039.38         |
| Interest expense                                                                      | 2     | (7 122.28)                 | (2 034.98)       | (5 499.82)           | (474.31)         |
| Net interest income before impairment on financial assets                             |       | 32 996.39                  | 19 441.82        | 24 103.74            | 4 565.07         |
| Allowance for ECL                                                                     | 3     | (2 459.88)                 | (3 104.86)       | (2 430.21)           | (903.18)         |
| <b>Income from lending activities</b>                                                 |       | <b>30 536.51</b>           | <b>16 336.96</b> | <b>21 673.53</b>     | <b>3 661.89</b>  |
| Fee and commission income                                                             | 4.1   | 26 016.67                  | 25 757.72        | 18 212.50            | 5 931.28         |
| Fee and commission expense                                                            | 4.1   | (8 903.09)                 | (7 780.83)       | (6 289.65)           | (1 804.37)       |
| Net fee and commission income                                                         |       | 17 113.58                  | 17 976.89        | 11 922.85            | 4 126.91         |
| Other income                                                                          | 4.2   | 33 435.91                  | 10 702.91        | 41 001.54            | 3 744.60         |
| Net non-interest income before impairment on financial assets                         |       | 50 549.49                  | 28 679.80        | 52 924.39            | 7 871.51         |
| Allowance for ECL                                                                     | 3     | (825.79)                   | (172.39)         | (825.79)             | (50.15)          |
| <b>Income from non-lending activities</b>                                             |       | <b>49 723.70</b>           | <b>28 507.41</b> | <b>52 098.60</b>     | <b>7 821.36</b>  |
| <b>Operating income for the year</b>                                                  |       | <b>80 260.21</b>           | <b>44 844.37</b> | <b>73 772.13</b>     | <b>11 483.25</b> |
| Operating expenses                                                                    | 5     | (28 691.07)                | (18 779.33)      | (20 089.36)          | (4 201.79)       |
| Impairment on non-financial assets                                                    | 3     | (150.79)                   | (2 351.85)       | (139.05)             | (684.16)         |
| Monetary loss                                                                         |       | (21 861.09)                | (3 484.10)       | -                    | -                |
| <b>Surplus for the year</b>                                                           |       | <b>29 557.26</b>           | <b>20 229.09</b> | <b>53 543.72</b>     | <b>6 597.30</b>  |
| <b>Other comprehensive income</b>                                                     |       |                            |                  |                      |                  |
| <b>Items that will not be reclassified subsequently to profit or loss, net of tax</b> |       | <b>12 219.42</b>           | <b>2 062.31</b>  | <b>23 034.62</b>     | <b>2 017.79</b>  |
| Movement in revaluation reserve                                                       |       | 13 690.05                  | 2 062.31         | 24 505.25            | 2 017.79         |
| Movement in regulatory reserve                                                        |       | (1 470.63)                 | -                | (1 470.63)           | -                |
| <b>Total comprehensive income for the year</b>                                        |       | <b>41 776.68</b>           | <b>22 291.40</b> | <b>76 578.34</b>     | <b>8 615.09</b>  |

**You are a few  
clicks away from  
real convenience.**

Get the new CABS Prepaid Mastercard and save time while making payments.

Sign up today at your nearest CABS Branch.

Terms and Conditions Apply



# STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

|                                  |       | Audited Inflation Adjusted |                     | Unaudited Historical |                     |
|----------------------------------|-------|----------------------------|---------------------|----------------------|---------------------|
|                                  |       | 31 December<br>2022        | 31 December<br>2021 | 31 December<br>2022  | 31 December<br>2021 |
|                                  | Notes | ZWLm                       | ZWLm                | ZWLm                 | ZWLm                |
| ASSETS                           |       |                            |                     |                      |                     |
| Cash and cash equivalents        | 8     | 90 397.12                  | 39 341.66           | 90 397.12            | 11 444.58           |
| Investment securities            | 9     | 30 391.04                  | 12 702.68           | 30 391.04            | 3 695.24            |
| Other assets                     | 10    | 28 010.84                  | 21 333.52           | 21 946.57            | 3 922.31            |
| Loans and advances               | 11    | 127 582.70                 | 94 640.67           | 127 582.70           | 27 531.19           |
| Non-current assets held for sale | 12    | 311.85                     | 178.69              | 311.85               | 51.98               |
| Property and equipment           | 13    | 35 810.75                  | 20 782.58           | 32 223.06            | 5 109.87            |
| Investment property              | 14    | 14 869.94                  | 8 188.63            | 14 869.94            | 2 382.09            |
| Intangible assets                | 15    | 779.67                     | 2 971.82            | 161.85               | 198.96              |
| Total assets                     |       | 328 153.91                 | 200 140.25          | 317 884.13           | 54 336.22           |
| LIABILITIES                      |       |                            |                     |                      |                     |
| Deposits                         | 16    | 138 411.59                 | 96 921.34           | 138 411.59           | 28 194.64           |
| Credit lines                     | 17    | 74 873.47                  | 33 447.41           | 74 873.47            | 9 729.93            |
| Trade and other liabilities      | 18    | 12 859.62                  | 9 908.86            | 12 315.07            | 2 752.54            |
| Deferred taxation                | 19    | 2 428.63                   | 1 212.47            | 2 428.63             | 352.71              |
| Total liabilities                |       | 228 573.31                 | 141 490.08          | 228 028.76           | 41 029.82           |
| SHAREHOLDER'S EQUITY             |       |                            |                     |                      |                     |
| Ordinary class "A" share capital | 20.1  | 7 659.38                   | 7 659.38            | 35.00                | 35.00               |
| Retained earnings                | 20.2  | 64 605.29                  | 38 835.54           | 59 459.41            | 8 887.99            |
| Regulatory provision reserve     | 20.3  | 1 470.63                   | -                   | 1 470.63             | -                   |
| Non-distributable reserve        | 20.4  | 316.50                     | 316.50              | 1.45                 | 1.45                |
| Revaluation reserve              | 20.5  | 24 258.48                  | 10 568.43           | 28 883.06            | 4 376.14            |
| Share-based payment reserve      | 20.6  | 1 270.32                   | 1 270.32            | 5.82                 | 5.82                |
|                                  |       | 99 580.60                  | 58 650.17           | 89 855.37            | 13 306.40           |
| Total equity and liabilities     |       | 328 153.91                 | 200 140.25          | 317 884.13           | 54 336.22           |

**W MATSAIRA**  
**CHAIRMAN**  
Harare

16 March 2023

**MJR DUBE**  
**NON-EXECUTIVE DIRECTOR**

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

|                                       | Audited Inflation Adjusted |                           |                                      |                                   |                             |                                     |                      |
|---------------------------------------|----------------------------|---------------------------|--------------------------------------|-----------------------------------|-----------------------------|-------------------------------------|----------------------|
|                                       | Share capital<br>ZWLm      | Retained earnings<br>ZWLm | Regulatory provision reserve<br>ZWLm | Non distributable reserve<br>ZWLm | Revaluation reserve<br>ZWLm | Share based payment reserve<br>ZWLm | Total equity<br>ZWLm |
| <b>Balance as at 1 January 2022</b>   | <b>7 659.38</b>            | <b>38 835.54</b>          | <b>-</b>                             | <b>316.50</b>                     | <b>10 568.43</b>            | <b>1 270.32</b>                     | <b>58 650.17</b>     |
| Surplus for the year                  | -                          | 29 557.26                 | -                                    | -                                 | -                           | -                                   | 29 557.26            |
| Transfer between reserves             | -                          | (1 470.63)                | 1 470.63                             | -                                 | -                           | -                                   | -                    |
| Dividend                              | -                          | (2 316.88)                | -                                    | -                                 | -                           | -                                   | (2 316.88)           |
| Revaluation                           | -                          | -                         | -                                    | -                                 | 13 690.05                   | -                                   | 13 690.05            |
| <b>Balance as at 31 December 2022</b> | <b>7 659.38</b>            | <b>64 605.29</b>          | <b>1 470.63</b>                      | <b>316.50</b>                     | <b>24 258.48</b>            | <b>1 270.32</b>                     | <b>99 580.60</b>     |

|                                       | Audited Inflation Adjusted |                           |                                      |                                   |                             |                                     |                      |
|---------------------------------------|----------------------------|---------------------------|--------------------------------------|-----------------------------------|-----------------------------|-------------------------------------|----------------------|
|                                       | Share capital<br>ZWLm      | Retained earnings<br>ZWLm | Regulatory provision reserve<br>ZWLm | Non distributable reserve<br>ZWLm | Revaluation reserve<br>ZWLm | Share based payment reserve<br>ZWLm | Total equity<br>ZWLm |
| <b>Balance as at 1 January 2021</b>   | <b>7 659.38</b>            | <b>20 272.82</b>          | <b>-</b>                             | <b>316.50</b>                     | <b>8 506.12</b>             | <b>1 270.32</b>                     | <b>38 025.14</b>     |
| Surplus for the year                  | -                          | 20 229.09                 | -                                    | -                                 | -                           | -                                   | 20 229.09            |
| Transfer between reserves             | -                          | -                         | -                                    | -                                 | -                           | -                                   | -                    |
| Dividend                              | -                          | (1 666.37)                | -                                    | -                                 | -                           | -                                   | (1 666.37)           |
| Revaluation                           | -                          | -                         | -                                    | -                                 | 2 062.31                    | -                                   | 2 062.31             |
| <b>Balance as at 31 December 2021</b> | <b>7 659.38</b>            | <b>38 835.54</b>          | <b>-</b>                             | <b>316.50</b>                     | <b>10 568.43</b>            | <b>1 270.32</b>                     | <b>58 650.17</b>     |

|                                       | Unaudited Historical  |                           |                                      |                                   |                             |                                     |                      |
|---------------------------------------|-----------------------|---------------------------|--------------------------------------|-----------------------------------|-----------------------------|-------------------------------------|----------------------|
|                                       | Share capital<br>ZWLm | Retained earnings<br>ZWLm | Regulatory provision reserve<br>ZWLm | Non distributable reserve<br>ZWLm | Revaluation reserve<br>ZWLm | Share based payment reserve<br>ZWLm | Total equity<br>ZWLm |
| <b>Balance as at 1 January 2022</b>   | <b>35.00</b>          | <b>8 887.99</b>           | <b>-</b>                             | <b>1.45</b>                       | <b>4 376.14</b>             | <b>5.82</b>                         | <b>13 306.40</b>     |
| Surplus for the year                  | -                     | 53 543.72                 | -                                    | -                                 | -                           | -                                   | 53 543.72            |
| Transfer between reserves             | -                     | (1 472.30)                | 1 470.63                             | -                                 | 1.67                        | -                                   | -                    |
| Dividend                              | -                     | (1 500.00)                | -                                    | -                                 | -                           | -                                   | (1 500.00)           |
| Revaluation                           | -                     | -                         | -                                    | -                                 | 24 505.25                   | -                                   | 24 505.25            |
| <b>Balance as at 31 December 2022</b> | <b>35.00</b>          | <b>59 459.41</b>          | <b>1 470.63</b>                      | <b>1.45</b>                       | <b>28 883.06</b>            | <b>5.82</b>                         | <b>89 855.37</b>     |

|                                       | Unaudited Historical  |                           |                                      |                                   |                             |                                     |                      |
|---------------------------------------|-----------------------|---------------------------|--------------------------------------|-----------------------------------|-----------------------------|-------------------------------------|----------------------|
|                                       | Share capital<br>ZWLm | Retained earnings<br>ZWLm | Regulatory provision reserve<br>ZWLm | Non distributable reserve<br>ZWLm | Revaluation reserve<br>ZWLm | Share based payment reserve<br>ZWLm | Total equity<br>ZWLm |
| <b>Balance as at 1 January 2021</b>   | <b>35.00</b>          | <b>2 640.69</b>           | <b>-</b>                             | <b>1.45</b>                       | <b>2 358.35</b>             | <b>5.82</b>                         | <b>5 041.31</b>      |
| Surplus for the year                  | -                     | 6 597.30                  | -                                    | -                                 | -                           | -                                   | 6 597.30             |
| Transfer between reserves             | -                     | -                         | -                                    | -                                 | -                           | -                                   | -                    |
| Dividend                              | -                     | (350.00)                  | -                                    | -                                 | -                           | -                                   | (350.00)             |
| Revaluation                           | -                     | -                         | -                                    | -                                 | 2 017.79                    | -                                   | 2 017.79             |
| <b>Balance as at 31 December 2021</b> | <b>35.00</b>          | <b>8 887.99</b>           | <b>-</b>                             | <b>1.45</b>                       | <b>4 376.14</b>             | <b>5.82</b>                         | <b>13 306.40</b>     |

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

| Notes                                                         | Audited Inflation Adjusted     |                                | Unaudited Historical           |                                |
|---------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                                                               | 31<br>December<br>2022<br>ZWLm | 31<br>December<br>2021<br>ZWLm | 31<br>December<br>2022<br>ZWLm | 31<br>December<br>2021<br>ZWLm |
| <b>Cash flows from operating activities</b>                   |                                |                                |                                |                                |
| Surplus for the year                                          | 29 557.26                      | 20 229.09                      | 53 543.72                      | 6 597.30                       |
| <b>Adjustments for:</b>                                       |                                |                                |                                |                                |
| Net interest income                                           | 2 (32 996.39)                  | (19 441.82)                    | (24 103.74)                    | (4 565.07)                     |
| Allowance for ECL on interest earning financial assets        | 3 2 459.88                     | 3 104.86                       | 2 430.21                       | 903.18                         |
| Allowance for ECL on non-interest earning financial assets    | 3 825.79                       | 172.39                         | 825.79                         | 50.15                          |
| Fair value gain on investment property                        | 4.2 (6 681.31)                 | (1 074.45)                     | (12 487.85)                    | (1 094.02)                     |
| Fair value gain on non-current assets held for sale           | 4.2 (133.16)                   | (22.10)                        | (259.87)                       | (23.64)                        |
| Fair value gain on equity investments                         | 4.2 (110.79)                   | (2 830.57)                     | (2 774.34)                     | (917.69)                       |
| Depreciation and amortisation                                 | 5 2 697.38                     | 2 131.64                       | 556.47                         | 167.43                         |
| Interest on lease liability                                   | 91.97                          | 79.34                          | 63.21                          | 20.38                          |
| Other non-cash items                                          | 4.83                           | (350.73)                       | 346.06                         | 5.12                           |
| Unrealised foreign currency exchange gains                    | (23 360.72)                    | (1 809.92)                     | (23 360.72)                    | (526.51)                       |
| <b>Operating cash flows before working capital changes</b>    | <b>(27 645.26)</b>             | <b>187.73</b>                  | <b>(5 221.06)</b>              | <b>616.63</b>                  |
| (Increase)/decrease in other assets                           | (1 033.29)                     | 6 091.56                       | (11 555.18)                    | 258.96                         |
| Decrease/(increase) in loans and advances                     | 22 852.96                      | (46 917.16)                    | (44 028.81)                    | (17 933.28)                    |
| Increase in deposits                                          | 1 502.39                       | 15 784.82                      | 70 245.06                      | 12 652.19                      |
| (Decrease)/increase in other liabilities                      | (1 602.27)                     | (1 429.45)                     | 4 979.69                       | 1 135.99                       |
| <b>Operating cash flows after working capital changes</b>     | <b>(5 925.47)</b>              | <b>(26 282.50)</b>             | <b>14 419.70</b>               | <b>(3 269.51)</b>              |
| Interest income received                                      | 38 623.44                      | 21 476.80                      | 27 778.16                      | 5 039.38                       |
| Dividend received                                             | (296.93)                       | (822.75)                       | (206.57)                       | (202.25)                       |
| Interest expense paid                                         | (7 769.18)                     | (2 034.98)                     | (6 162.70)                     | (474.31)                       |
| <b>Net cash flows from operating activities</b>               | <b>24 631.86</b>               | <b>(7 663.43)</b>              | <b>35 828.59</b>               | <b>1 093.31</b>                |
| <b>Cash flows from investing activities</b>                   |                                |                                |                                |                                |
| Additions to property and equipment                           | 13 (2 470.52)                  | (1 794.03)                     | (1 397.45)                     | (385.07)                       |
| Additions to investment property                              | 14 -                           | (10.66)                        | -                              | (2.48)                         |
| Additions to intangible assets                                | 15 -                           | (500.58)                       | -                              | (123.63)                       |
| (Purchase)/maturity of investment securities                  | (13 710.16)                    | 6 780.94                       | (22 585.42)                    | (121.51)                       |
| Dividend received                                             | 296.93                         | 822.75                         | 206.57                         | 202.25                         |
| <b>Net cash flows from investing activities</b>               | <b>(15 883.75)</b>             | <b>5 298.42</b>                | <b>(23 776.30)</b>             | <b>(430.44)</b>                |
| <b>Cash flows from financing activities</b>                   |                                |                                |                                |                                |
| Dividends paid                                                | (2 316.88)                     | (1 666.37)                     | (1 500.00)                     | (350.00)                       |
| Lease payments                                                | (258.97)                       | (129.18)                       | (200.40)                       | (30.75)                        |
| Credit lines received                                         | 37 905.35                      | -                              | 26 604.15                      | -                              |
| Credit lines (paid)/received                                  | (39 169.05)                    | 7 763.43                       | (4 150.40)                     | 4 174.01                       |
| <b>Net cash flows from financing activities</b>               | <b>(3 839.55)</b>              | <b>5 967.88</b>                | <b>20 753.35</b>               | <b>3 793.26</b>                |
| <b>Net increase in cash and cash equivalents</b>              | <b>4 908.56</b>                | <b>3 602.87</b>                | <b>32 805.64</b>               | <b>4 456.13</b>                |
| Effects of exchange rate changes on cash and cash equivalents | 46 146.90                      | 5 400.74                       | 46 146.90                      | 1 497.89                       |
| <b>Cash and cash equivalents at the beginning of the year</b> | <b>39 341.66</b>               | <b>30 338.05</b>               | <b>11 444.58</b>               | <b>5 490.56</b>                |
| <b>Cash and cash equivalents at the end of the year</b>       | <b>8 90 397.12</b>             | <b>39 341.66</b>               | <b>90 397.12</b>               | <b>11 444.58</b>               |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies

### 1.1 Reporting entity

CABS (the Society) is a registered Building Society in terms of the Building Societies Act (Chapter 24:02) in Zimbabwe.

The parent company is Old Mutual Zimbabwe Limited (OMZIL), a company registered and incorporated in Zimbabwe.

#### Nature of business

The Society conducts principal businesses of mortgage lending, other lending, custodial services, deposit acceptance and investing. The Society provides loans and advances to individuals, corporates and investment institutions.

### 1.2 Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently followed in all material respects.

### 1.3 Basis of preparation

#### Statement of compliance

The Society's financial statements have been prepared with a view of complying with International Financial Reporting Standards (IFRSs). IFRSs comprise of International Accounting Standards and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC). These financial statements have been prepared in accordance with the requirements of the Building Societies Act (Chapter 24:02), relevant sections of the Banking Act (Chapter 24:20) and the Securities and Exchange Act (Chapter 24:25).

#### Basis of measurement

The financial statements are prepared from statutory records that are maintained under the historical cost convention as modified by the revaluation of properties and fair value adjustment of financial instruments. The Public Accountants and Auditors Board (PAAB) in October 2019 confirmed the market consensus that the Zimbabwean economy had met the characteristics of a hyperinflationary economy and prescribed the application of inflation accounting for years ended on or after 1 July 2019. The Society continues to adopt guidance as issued by the PAAB. For the year ended 31 December 2022, the country continued experiencing hyperinflationary pressures, with the inflation rate closing at 243.8% as at 31 December 2022 from 60.74% recorded in the prior year.

Accordingly, the inflation adjusted financial statements represent the principal financial statements of the Society. IAS 29 discourages the presentation of historical cost financial statements when inflation adjusted financial statements are presented, however, these have been presented as supplementary information to the IAS 29 restated financial statements.

IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date and that corresponding figures for previous years be restated in the same terms.

The restatement of the historical cost numbers is based on the conversion factors derived from the consumer price index (CPI) issued by the Zimbabwe Central Statistical Office (CSO). Notwithstanding the fact that the change in prices of some commodities were directly linked to exchange rate movements, the Society does not support using exchange rate movements as a direct proxy for average price movements in the economy. The Society believes the CPI best represents average price movements in the economy during 2022 and have thus applied it in the preparation of these financial statements. The indices and conversion factors used to restate the accompanying financial statements as at 31 December 2022 are given below.

| Dates            | Indices   | Conversion Factors |
|------------------|-----------|--------------------|
| 31 December 2022 | 13 672.91 | 1.0000             |
| 31 December 2021 | 3 977.48  | 3.4376             |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.3 Basis of preparation (continued)

The main procedures applied for the above-mentioned IAS 29 restatement are as follows:

- a) All transactions and balances for the year ended 31 December 2022 have been restated as follows:
  - i. Monetary assets and liabilities that were carried at amounts current at reporting date were not restated because they were already expressed in terms of the monetary unit current at the reporting date.
  - ii. Non-monetary assets and liabilities that were not carried at amounts current at the reporting date and components of Shareholder's equity are restated by applying the change in the index from the date of the transaction or if applicable from the date of their most recent revaluation to 31 December 2022.
  - iii. Property and equipment were restated by applying the change in the index from the date of purchase to 31 December 2022. Depreciation amounts are based on restated costs. Owner-occupied buildings are revalued the end of each quarter, and therefore are being carried at amounts current at the reporting date and are not restated. The depreciation charges are based on the opening revalued amounts for each quarter.
  - iv. Deferred tax was calculated on restated carrying amounts,
  - v. Profit or loss items/transactions, except the depreciation and amortisation charges explained above, were restated by applying the change in the index from the date of the transaction to 31 December 2022.
  - vi. The effect of inflation on the net monetary position of the entity is included in the Statement of Profit or Loss and Other Comprehensive Income as a loss on monetary position.
  - vii. All items in the Statement of Cash Flows are expressed in terms of the measuring unit current at the reporting date.
- b) All transactions and balances for the year ended 31 December 2021 have been restated as follows:
  - i. Monetary assets and liabilities and items that are carried at fair value or at amounts that were current at 31 December 2021 were restated by applying the change in the index from 31 December 2021 to 31 December 2022;
  - ii. Non-monetary assets and liabilities that were not carried at amounts current at 31 December 2022 and components of shareholders equity were restated by applying the change in the index from the date of the transaction that gave rise to them or if applicable from the date of their most recent revaluation to 31 December 2022.
  - iii. Profit or loss items/transactions, except depreciation and amortisation, were restated by applying the change in the index from the date of the transaction to 31 December 2022. Depreciation and amortisation charges are based on restated costs.
  - iv. Deferred tax was calculated based on restated carrying amounts.

The Society's financial statements have been prepared on a going concern basis which the directors believe to be appropriate.

### 1.4 Approval of financial statements

The financial statements were approved by the Board on 16 March 2023.

### 1.5 Functional and presentation currency

The separate financial statements of the Society are prepared based on IAS 29 Financial Reporting in Hyperinflationary Economies. These financial statements comply with IAS 29 in all material respects. The Society, in line with trends observed in the rest of the economy, has seen an increasing proportion of transactions denominated in United States Dollars, a currency which is not subject to hyperinflation. This has presented some practical challenges in the preparation of the financial statements, and it is the view of the directors that IAS 29 did not fully envisage a situation where a hyperinflationary economy effectively has other currencies besides the local currency in official circulation as mediums of exchange, and also in use in determining the price of goods and services. Users of the financial statements are advised to consider the implications of the multi-currency environment on the business and are also referred to notes 1.5 and 1.27 for further disclosures.

Complying with IFRSs achieves consistency with the financial reporting framework adopted by the ultimate parent company, Old Mutual Limited, which is incorporated in South Africa. Using a globally recognised reporting framework also allows comparability with similar businesses and consistency in the interpretation of the financial statements.

The IFRS Conceptual Framework provides that, in applying fair presentation to the financial statements, entities should go beyond consideration of the legal form of transactions and other factors impacting on the financial statements to also consider the underlying economic substance therein. International Accounting Standard 21 *The Effects of Changes in Foreign Exchange Rates* (IAS 21), requires an entity to apply certain parameters in determining the functional currency of a company, for use in preparing financial statements. IAS 21 also requires an entity to make certain judgements around appropriate exchange rates to be applied between currencies where exchangeability through a legal exchange mechanism (such as a formal currency market) is not achievable.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.5 Functional and presentation currency (continued)

In February 2019, the interbank market was introduced, for trading of currencies, for which the starting exchange rate was ZWL2.5 to US\$1. The exchange rate closed the year 2019 at ZWL16.774 to US\$1. On 26 March 2020, the RBZ suspended the managed floating exchange rate system and adopted a fixed exchange rate system at the rate of ZWL25 to US\$1 with effect from 27 March 2020. This rate was in use until 23 June 2020. The exchange differences that arose on translating foreign currency denominated assets and liabilities on the date of change in the Society's functional currency (February 2019) were accounted for through the currency conversion reserve. The accumulated reserves thereof were netted off against retained earnings in December 2020.

On 23 June 2020, the RBZ introduced a weekly foreign exchange auction. The trades are conducted weekly, with the exchange rate from the last auction being the official rate for the week. The auction determined rate was the official exchange rate used in converting foreign denominated transactions and balances in these financial statements. The Society actively participated in the weekly foreign exchange throughout 2021.

On 27 June 2022, the Zimbabwe Government issued Statutory Instrument (SI) 118A of 2022 that sought to amend the Exchange Control Act, and gazetted the use and reference rate to be the interbank rate. The change meant the market was to recognise foreign currency transactions at the interbank rate with immediate effect and the Society complied with this directive.

The table below shows the official closing exchange rates against US\$1 since 2019 and the closing interbank rate as at 31 December 2022.

| Year end         | Closing rate |
|------------------|--------------|
| 31 December 2022 | 684.3339     |
| 31 December 2021 | 108.6660     |
| 31 December 2020 | 81.7866      |
| 31 December 2019 | 16.7734      |

SI 185 of 2020 paved way for the use of a multi-currency system for domestic transactions. IAS 21 requires entities to assess what their functional currency is. The Society's assessment was based on weighting the value of local currency transactions against the foreign currency ones. Foreign currency transactions make up 22.3% of the total value of transactions for the year ended 31 December 2022. It is management's view that this does not constitute a significant weighting and the use of the interbank exchange rate does not materially impact on the accuracy of the financial statements.

The ZWL remains the Society's functional and presentation currency. Except as otherwise indicated, financial information is presented in millions of ZWL rounded to two decimal places.

### 1.6 Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future affected period.

#### A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 1.5 - Determination of the Society's functional currency;
- Note 1.3 - Hyperinflationary considerations; and
- Note 1.20 - Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payments of principal and interest on the principal amount outstanding.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.6 Use of judgements and estimates (continued)

#### B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2022 is included in determination of fair value on financial and non-financial assets with significant unobservable inputs i.e. investment property and owner-occupied properties.

- Note 1.20 - Impairment of financial instruments: assessment of whether credit risk on the financial asset has increased significantly since initial recognition;
- Note 21 - Determination of fair value on financial and non-financial assets with significant unobservable inputs i.e. investment property and owner-occupied properties; and
- Note 10.2 - Determination of fair value on investment equity.

### 1.7 Cash and cash equivalents

Cash and cash equivalents comprise bank notes, balances at banks, money at call, unrestricted balances held with the central bank and highly liquid financial assets with original maturities of less than three months. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment or other purposes.

### 1.8 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the ruling exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Exchange gains or losses on foreign currency transactions are recognised in the statement of profit or loss and other comprehensive income.

### 1.9 Taxation

In terms of the third schedule paragraph 2(c) of the Income Tax Act (Chapter 23:06), the Society is exempt from income tax. However, the Society is subject to capital gains tax on the sale of specified assets as per the Capital Gains Act (Chapter 23:01). IAS 12 **Income Taxes** requires the provision of deferred tax on all temporary differences. Since the Society is exempt from income tax, only deferred capital gains tax is provided on certain qualifying temporary differences. Deferred capital gains tax is provided on those temporary differences which are expected to reverse as a result of the Society's intention to sell the specified assets.

### 1.10 Revenue

IFRS 15:114 requires an entity to disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The Society's revenue is made up of interest and non-interest income.

#### Interest income and expense

Interest income and expense are recognised in the statement of profit or loss and other comprehensive income using the effective interest rate.

#### Fee and commission income

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Society recognises revenue when it transfers control over a service to a customer. Fee and commission income is recognised as the related services are performed.

Fee and commission income is for banking services provided to retail and corporate customers, including account management, provision of overdraft facilities, local and foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account monthly. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged monthly. The rates for fee and commission income are set and reviewed by the Society on a need basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.10 Revenue (continued)

Revenue from account maintenance services fees is recognised over time as the service is provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

Revenue from custodial and trustee services is recognised over time as the service is provided based on the size of the portfolio and agreed rates.

#### Trading income

Trading income comprises net sales from housing units and gains from dealing activities.

Revenue from sale of housing units is recognised at the point in time when the transaction takes place and after payment of full amount. There are no significant credit terms.

### 1.11 Employee benefits

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

#### Short term benefits

Short term benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months after the year in which the employees render the related services. Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plan if the Society has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### Termination benefits

Termination benefits are employee benefits payable as a result of the Society'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. Termination benefits are recognised as an expense when the Society is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Society has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Defined contribution pension funds are post-employment benefit plans under which the Society pays fixed contributions into a separate fund and will have no obligation to pay further contributions if the fund does not have sufficient assets to pay all employee benefits relating to employees' services in current and prior years.

The Society provides for retirement benefit obligations in respect of its employees as follows:

- Old Mutual Group Pension Fund - Defined Contribution Fund (note 23).
- National Social Security Authority Fund (NSSA) (note 23).

Collect money at CABS.



Cash Guaranteed.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.11 Employee benefits (continued)

The defined contribution pension fund is funded at agreed fixed rates of contribution of 12.0% and 7.5% of pensionable salary by the Society and eligible employee respectively. The Society's contribution is charged to the Statement of Profit or Loss and Other Comprehensive Income in the year to which it relates.

The National Social Security Authority Fund has legislated contribution rates.

Contributions by the Society are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year to which they relate.

### 1.12 Share-based payments

#### *Equity settled share-based payment transactions with employees*

The Society receives services from employees as consideration for equity instruments of OMZIL. The fair value of the employee services is measured at the grant date, by reference to the fair value of the equity instruments. If the equity instruments granted vest immediately and an employee is not required to complete a specified year of service before becoming unconditionally entitled to the instruments, the services received are recognised in profit or loss for the year in full on the grant date, with a corresponding increase in equity. Where the equity instruments do not vest until the employee has completed a specified year of service, it is assumed that the services rendered by the employee, as consideration for the equity instruments, will be received in the future during the vesting year. The services are accounted for in profit or loss in the statement of comprehensive income as they are rendered during the vesting year, with a corresponding increase in equity. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service and non-market performance conditions at the vesting date. Where the equity instruments are no longer outstanding, the accumulated share-based payment reserve in respect of those equity instruments is transferred to retained earnings.

#### *Cash settled share-based payment transactions with employees*

The cost of cash-settled transactions is measured initially at fair value at the grant date. The fair value is expensed over the year until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in the statements of comprehensive income as staff costs.

#### *Measurement of fair value of equity instruments guaranteed*

The equity instruments granted by the Society are measured at fair value at the measurement date using standard option pricing valuation models. The valuation technique is consistent with generally acceptable valuation methodologies for pricing financial instruments and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments. Vesting conditions, other than market conditions, are not taken into account in determining fair value. Vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount.

The parent company, OMZIL, issues equity settled share-based payments to certain employees of the Society. A liability equal to the portion for the services received is recognised at the current fair value determined at each financial year end date for the cash settled share-based payments. Until the liability is settled, the fair value of the liability is remeasured at each reporting date and at the date of settlement, with any changes in fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income. Where appropriate, fair value is measured using the Black-Scholes pricing model. The liability is transferred to equity on the exercise date.

### 1.13 Non-current assets held for sale

The Society classifies a non-current asset as held for sale if its carrying amount will be recovered mainly through selling the asset rather than through use.

#### **Classification**

The conditions for a non-current asset to be classified as held for sale are as follows:

- The assets must be available for immediate sale in their present condition and its sale must be highly probable;
- The asset must be currently marketed actively at a price that is reasonable in relation to its current fair value;
- The sale should be completed, or expected to be so, within a year from the date of the classification;
- The actions required to complete the planned sale will have been made; and
- It is unlikely that the plan will be significantly changed or withdrawn.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.13 Non-current assets held for sale (continued)

#### Measurement

- a) Immediately prior to classification as held for sale, the carrying amount of the asset is measured in accordance with applicable IFRSs;
- b) After classification, it is measured at the lower of carrying amount and fair value less costs to sell;
- c) Impairment must be considered at the time of classification as held for sale and subsequently;
- d) Subsequent increases in fair value cannot be recognised in profit or loss in excess of the cumulative impairment that has been recognised with this IFRS or with IAS 36 *Impairment of Assets*; and
- e) Non-current assets (or disposal groups) classified as held for sale are not depreciated.

### 1.14 Property and equipment

#### Recognition and measurement

Office equipment and vehicles are measured at cost less accumulated depreciation and accumulated impairment. Items of freehold land and buildings are carried at revalued amount.

Costs include expenditures that are directly attributable to the acquisition of the asset. Purchased software that is an integral part to the functionality of the related equipment is capitalised as part of the equipment.

Where items of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount. The gain or loss is recognised on a net basis in profit or loss.

#### Revaluation of freehold land and buildings

Revaluations of land and buildings are conducted on the basis of estimated open market values by the Society's and Old Mutual Group's own professionally qualified valuers at the end of each financial year. A selected number of valuations are verified by independent qualified valuers with knowledge and experience in the locations of the relevant properties. The accumulated depreciation on buildings is eliminated against the gross carrying amount of the asset. The effects of revaluation of freehold land and buildings are either credited or debited to other comprehensive income to reflect change of value. The revaluation reserve is utilised when the asset is sold.

#### Depreciation

Depreciation is recognised in the statement of profit or loss on straight line method over the estimated useful lives of each part of an item of property and equipment at such rates as are considered appropriate to write off the cost or valuation of such assets over the expected useful lives. Leased assets are depreciated over the shorter of the lease term or their useful life.

The rates of depreciation are applied as follows for current and comparative years:

|                  |               |
|------------------|---------------|
| Buildings        | 2% per annum  |
| Vehicles         | 20% per annum |
| Office equipment | 20% per annum |

Depreciation method, useful lives and residual values are reassessed and adjusted at each financial year end and adjusted if appropriate.

#### Reclassification of owner-occupied property to investment property

When an item of property and equipment is transferred to investment property following a change in use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised as follows: any gain is recognised in equity to the extent that it does not constitute an impairment reversal which is recognised in profit or loss while any loss is recognised in equity to the extent that the amount is not greater than previous revaluation gains with the excess loss being recognised in profit or loss.

#### Subsequent expenditure

Subsequent expenditure is capitalised when it will result in probable future economic benefits and has a cost which can be measured reliably. Expenditure incurred to replace a separate component of an item of property or equipment is capitalised to the cost of the item and the component replaced is derecognised. All other expenditure is recognised in the Statement of Profit or Loss and Other Comprehensive Income when incurred.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.14 Property and equipment (continued)

#### Derecognition

On derecognition of property or equipment, any gain or loss on disposal, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the Statement of Profit or Loss and Other Comprehensive Income in the year of derecognition. In the case of owner-occupied property, any surplus in the revaluation reserve in respect of the individual property is transferred to retained earnings upon disposal.

### 1.15 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation, or for both. Investment properties are measured initially at cost, including transaction costs. After initial recognition investment properties are measured at fair value by professionally qualified valuers. The valuations are prepared by considering the aggregate of the net annual rentals receivable from the properties and, where relevant, associated costs. A yield which reflects the specific risks inherent in the cash flows is then applied to the net annual rentals to arrive at the property valuation. Any gain or loss arising from a change in fair value is recognised in profit or loss in the statement of profit or loss.

#### Reclassification of investment property to owner-occupied property

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. When the Society begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on the fair value model, and is not reclassified as property and equipment during redevelopment.

#### Disposal of investment property

Gains or losses arising from the retirement or disposal of investment property shall be recognised in the Statement of Profit or Loss and Other Comprehensive Income in the year of retirement or disposal.

### 1.16 Impairment of non-financial assets

The carrying amounts for the Society's tangible, intangible assets and statutory receivables are reviewed at each statement of financial position date to determine whether there is indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment is recognised whenever the carrying amount of an asset or its cash-generating ability exceeds the recoverable amount.

The recoverable amount of impaired non-financial assets is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

For an asset that does not independently generate cash inflows, the recoverable amount is determined from the cash generating unit to which the asset belongs.

An impairment is reversed if there has been a change in the estimates used to determine recoverable amounts and only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment had been recognised.

### 1.17 Provisions

Provisions are recognised when the Society 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.

### 1.18 Related party disclosures

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 operating decisions. The Society has related party relationships with fellow subsidiaries of OMZIL, the parent company and key management employees and their close family members. Transactions and balances with related parties are shown in note 22.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.19 Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

At inception of a contract, the Society 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 year in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Society uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into on or after 1 January 2019.

#### i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Society allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Society has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Society 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 the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. 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 that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment, if any, and adjusted for certain remeasurements 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, the Society's incremental borrowing rate. Generally, the Society uses its incremental borrowing rate as the discount rate. The Society determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Society is reasonably certain to exercise, lease payments in an optional renewal year if the Society is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Society is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured 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 Society's estimate of the amount expected to be payable under a residual value guarantee, if the Society 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 remeasured 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. The Society presents right-of-use assets that do not meet the definition of investment property in property and equipment and lease liabilities in other liabilities in the statement of financial position.

**CABS  
MOBILE  
BANKING**

**Transact on Mobile Banking  
wherever you are.**

Download CABS Mobile App Dial \*227#



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.19 Leases (continued)

#### Short-term leases and leases of low-value assets

The Society has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Society recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Society allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Society acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Society makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease if not, then it is an operating lease. As part of this assessment, the Society considers certain indicators such as whether the lease is for the major part of the economic life of the asset. When the Society is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Society applies the exemption described above, then it classifies the sub-lease as an operating lease. If an arrangement contains lease and non-lease components, then the Society applies IFRS 15 to allocate the consideration in the contract. The Society applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Society further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. The Society recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'. Generally, the accounting policies applicable to the Society as a lessor in the comparative year were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting year that resulted in a finance lease classification.

### 1.20 Financial instruments

Financial instruments are accounted for in terms of IFRS 9 *Financial Instruments*, which became effective from 1 January 2018.

#### Recognition and initial measurement

The Society initially recognises loans and advances and debt securities issued on the date when they are originated. All other financial assets and liabilities are initially recognised on the trade date when the Society becomes party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value, plus or less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

#### Financial assets

On initial recognition, a financial asset is classified as measured at either: amortised cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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

A financial asset is measured at fair value through other comprehensive income if it meets the following conditions and is not designated as at fair value through profit or loss:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are 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 Society may irrevocably elect to present subsequent changes in fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.20 Financial instruments (continued)

All other financial assets are classified as measured at fair value through profit or loss.

In addition, on initial recognition, the Society may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### Business model assessment

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

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

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

#### Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular year of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Society considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Society considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Society's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

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

#### Financial liabilities

The Society classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss.

#### Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the year after the Society changes its business model for managing financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.20 Financial instruments (continued)

#### Derecognition of financial instruments

##### Financial assets

The Society derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Society neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

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

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

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

The Society securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the Society transferring substantially all of the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are recognised as investment securities and carried at FVOCI. Gains or losses on securitisation are recorded in other revenue.

##### Financial liabilities

The Society derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

#### Modifications of financial assets and financial liabilities

##### Financial assets

If the terms of a financial asset are modified, the Society evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

##### Financial liabilities

The Society derecognises a financial liability when its contractual obligation is discharged or cancelled or expired.

The Society derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

##### Offsetting

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.20 Financial instruments (continued)

#### Impairment of financial assets - Expected Credit Losses (ECL)

The Society recognises loss allowances for ECL on the following financial instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment is recognised on equity investments.

#### Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Society in accordance with the contract and the cash flows that the Society expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Society if the commitment is drawn down and the cash flows that the Society expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Society expects to recover.

The Society measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

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

The Society considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of investment grade (a rating that indicates that a debt instrument has a relatively low risk of default).

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Society has adopted the General Approach in the measurement of ECL. Under the General Approach, the Society determines whether the financial asset is in one of three stages in order to determine both the amount of ECL to recognise as well as how interest income should be recognised.

Stage 1 is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Society recognises a 12 month ECL and recognises interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2 is where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2 the Society recognises lifetime ECL but interest income will continue to be recognised on a gross basis.

Stage 3 is where the financial asset is credit-impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Society continues to recognise lifetime ECL but will now recognise interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.20 Financial instruments (continued)

#### Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Society considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis (internal and external), based on the Society's historical experience and expert credit assessment and including forward-looking information. The Society also takes into account the 30 day past due backstop indicator and credit risk grades. A loan is considered to be in default when the borrower is 30 days past due on any material credit obligation to the Society.

#### Credit risk grades

The Society allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

#### Key inputs into the measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables: probability of default (PD); loss given default (LGD), and exposure at default (EAD).

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

LGD is the magnitude of the likely loss if there is a default. The Society estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan to value (LTV) ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Society derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

Subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Society measures ECL considering the risk of default over the maximum contractual year (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Society considers a longer year. The maximum contractual year extends to the date at which the Society has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include: instrument type; credit risk gradings; collateral type; date of initial recognition; remaining term to maturity; industry; and geographic location of the borrower.

For portfolios in respect of which the Society has limited historical data, external benchmark information is used to supplement the internally available data.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.20 Financial instruments (continued)

#### Restructured financial assets

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

#### Credit-impaired financial assets

At each reporting date, the Society assesses whether financial assets carried at amortised cost and debt financial assets carried at fair value through other comprehensive income are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

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

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

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Society considers the following factors:

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

#### Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision; and
- Where a financial instrument includes both a drawn and an undrawn component, and the Society cannot identify the ECL on the loan commitment component separately from those on the drawn component:
  - The Society presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
  - Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

#### Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Society determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Society's procedures for recovery of amounts due.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.20 Financial instruments (continued)

#### Portfolio impairment

The portfolio impairment relates to the inherent risks of losses which although not specifically identified, are known to be present in any loan portfolio.

### 1.21 Sale and repurchase agreements

The Society enters into purchases (sales) of the investments under agreements to resell (repurchase) identical investments at a certain date in the future at a fixed price. Investments sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the applicable accounting policy as appropriate. The proceeds from the sale of the investments are reported under deposits. The difference between the sale and repurchase agreement is treated as interest and accrued over the life of the agreement using the effective interest rate method. Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in net interest income. The obligation to return them is recorded at fair value as a trading liability.

### 1.22 Inventories

Inventories comprise largely costs for the construction of houses for sale under housing projects. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. The cost of inventories is based on the first in first out principle and includes borrowing costs capitalised in accordance with the Society's accounting policies and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Additional disclosure in respect of inventory are included in note 9.3.

### 1.23 Paid up permanent shares

Paid up permanent share capital is classified as equity if it is non-redeemable and any dividends are discretionary at the option of the Directors. Paid up permanent share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders and dividends thereon are recognised in the Statement of Profit or Loss and Other Comprehensive Income as interest expense.

#### Dividends

Dividends on paid up permanent shares are recognised as a liability in the year in which they are declared. Dividends are paid out of the surplus generated by the Society during the year.

### 1.24 Intangible assets

Intangible assets are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment.

Intangible assets are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method are reviewed at least each financial year-end. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation year or method, as appropriate, and treated as changes in accounting estimates.

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognized only when the Society can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. The carrying value of capitalised development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

#### Amortisation of intangible assets

Amortisation expense is recognised in the statement of profit or loss on straight line method over the estimated useful life of the intangible assets at such rates as are considered appropriate to write off the cost or valuation of such assets over the expected useful lives.

The rate of amortisation is applied at 20% per annum.

Amortisation method, useful lives and residual values are reassessed and adjusted at each financial year end and adjusted if appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.25 Fair value hierarchy

IFRS 13 *Fair Value Measurement* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The disclosure is included in note 21.

### 1.26 Hyperinflationary accounting

#### Initial application

In the reporting year in which the Society identifies the existence of hyperinflation in the economy of its functional currency, not having been hyperinflationary in the prior reporting year, the Society shall apply the requirements of this policy as if the economy had always been hyperinflationary.

Therefore, in relation to non-monetary items measured at unaudited historical cost, the Society's opening statement of financial position at the beginning of the earliest year presented in the financial statements shall be restated to reflect the effect of inflation from the date the assets were acquired and the liabilities were incurred or assumed until the end of the reporting year.

For non-monetary items carried in the opening statement of financial position at amounts current at dates other than those of acquisition or incurrence, that restatement shall reflect instead the effect of inflation from the dates those carrying amounts were determined until the end of the reporting year.

Profit or loss items/transactions, except the depreciation and amortisation charges, are to be restated by applying the change in the index from the date of the transaction to the current report year. Depreciation and amortisation amounts are based on restated costs.

At the end of the reporting year, deferred tax items are recognised and measured in accordance with IAS 12. However, the deferred tax figures in the opening statement of financial position for the reporting year shall be determined as follows:

- the Society remeasures the deferred tax items in accordance with IAS 12 after it has restated the nominal carrying amounts of its non-monetary items at the date of the opening statement of financial position of the reporting year by applying the measuring unit at that date.
- the deferred tax items remeasured in accordance with (i) are restated for the change in the measuring unit from the date of the opening statement of financial position of the reporting year to the end of that reporting year.

The Society applies the approach in (i) and (ii) in restating the deferred tax items in the opening statement of financial position of any comparative years presented in the restated financial statements for the reporting year in which the Society applies this policy.

#### Subsequent application

After the Society has restated its financial statements, all corresponding figures in the financial statements for a subsequent reporting year, including deferred tax items, are restated by applying the change in the measuring unit for that subsequent reporting year only to the restated financial statements for the previous reporting period.

#### Monetary loss or gain

The effect of inflation on the net monetary position of the Society is included in the income statement as loss or gain on monetary position.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 Significant Accounting Policies (continued)

### 1.27 Application of new and revised International Financial Reporting Standards (IFRSs) that are effective for the current year

In the current year, the Society has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. Below are the standards that were effective in the current year:

| Pronouncement                                                                      | Effective date  |
|------------------------------------------------------------------------------------|-----------------|
| Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37)             | 01 January 2022 |
| Annual Improvements to IFRS 2018-2020                                              | 01 January 2022 |
| Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) | 01 January 2022 |
| Reference to the Conceptual Framework (Amendments to IFRS 3)                       | 01 January 2022 |

### Application of new and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective

A number of new standards or revised/amended standards are effective for annual years beginning after 01 January 2023 and earlier application is permitted.

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

New and revised IFRSs not yet effective:

| Pronouncement                                                                 | Effective date  |
|-------------------------------------------------------------------------------|-----------------|
| Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) | 01 January 2023 |
| Amendments to IFRS 17                                                         | 01 January 2023 |
| Amendments to IAS 1 and IFRS Practice Statement                               | 01 January 2023 |
| Amendments to IAS 8 (Definition of accounting estimate)                       | 01 January 2023 |

Online payments  
made easy with  
CABS Visa cards.



WE'LL HELP YOU GET THERE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

|                                                                   | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|-------------------------------------------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                                                                   | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| <b>2 Net interest income</b>                                      |                            |                          |                          |                          |
| <b>Interest income</b>                                            | <b>40 118.67</b>           | <b>21 476.80</b>         | <b>29 603.56</b>         | <b>5 039.38</b>          |
| <i>Loans and advances</i>                                         | 37 606.93                  | 20 331.12                | 27 714.40                | 4 783.59                 |
| Mortgage loans                                                    | 3 266.43                   | 1 474.14                 | 2 567.91                 | 348.65                   |
| Term loans and overdrafts                                         | 34 340.50                  | 18 856.98                | 25 146.49                | 4 434.94                 |
| <i>Investment securities</i>                                      | 2 511.74                   | 1 145.68                 | 1 889.16                 | 255.79                   |
| Treasury bills                                                    | 1 375.32                   | 594.84                   | 1 076.00                 | 136.56                   |
| Money market investments                                          | 1 136.42                   | 550.84                   | 813.16                   | 119.23                   |
| <b>Interest expense</b>                                           | <b>(7 122.28)</b>          | <b>(2 034.98)</b>        | <b>(5 499.82)</b>        | <b>(474.31)</b>          |
| Credit lines                                                      | (4 845.94)                 | (1 441.00)               | (3 730.86)               | (333.70)                 |
| Money market deposits                                             | (2 103.95)                 | (543.45)                 | (1 631.76)               | (126.42)                 |
| Savings deposits                                                  | (172.39)                   | (50.53)                  | (137.20)                 | (14.19)                  |
| <b>Net interest income</b>                                        | <b>32 996.39</b>           | <b>19 441.82</b>         | <b>24 103.74</b>         | <b>4 565.07</b>          |
| <b>3 Impairment reconciliation</b>                                |                            |                          |                          |                          |
| <b>Allowance for ECL on interest earning financial assets</b>     | <b>2 459.88</b>            | <b>3 104.86</b>          | <b>2 430.21</b>          | <b>903.18</b>            |
| Loans and advances                                                | 2 041.93                   | 3 222.28                 | 2 011.63                 | 937.29                   |
| Recovery of loans previously written off                          | (1.76)                     | (1.20)                   | (1.13)                   | (0.30)                   |
| Investment securities                                             | 419.71                     | (116.22)                 | 419.71                   | (33.81)                  |
| <b>Allowance for ECL on non-interest earning financial assets</b> |                            |                          |                          |                          |
| Unauthorised overdrafts and accrued rental income                 | 825.79                     | 172.39                   | 825.79                   | 50.15                    |
| <b>Impairment on non-financial assets</b>                         |                            |                          |                          |                          |
| Reconciling items and cloned cards                                | 150.79                     | 2 351.85                 | 139.05                   | 684.16                   |
|                                                                   | <b>3 436.46</b>            | <b>5 629.10</b>          | <b>3 395.05</b>          | <b>1 637.49</b>          |

### A+ Banking for your child!

Get your child an A+ Student debit card today!



**CABS**  
A MEMBER OF THE OLD MUTUAL GROUP

WE'LL HELP YOU GET THERE

A Member of the Deposit Protection Scheme.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

|                                                     | Notes | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|-----------------------------------------------------|-------|----------------------------|--------------------------|--------------------------|--------------------------|
|                                                     |       | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| <b>4 Net non-interest income</b>                    |       |                            |                          |                          |                          |
| <b>4.1 Net fee and commission income</b>            |       |                            |                          |                          |                          |
| <b>Fee and commission income</b>                    |       | <b>26 016.67</b>           | <b>25 757.72</b>         | <b>18 212.50</b>         | <b>5 931.28</b>          |
| Commission fees                                     |       | 5 960.36                   | 11 078.08                | 3 996.68                 | 2 695.01                 |
| Service fees                                        |       | 16 864.02                  | 6 958.42                 | 12 098.82                | 1 590.51                 |
| Administration fees                                 |       | 3 192.29                   | 7 721.22                 | 2 117.00                 | 1 645.76                 |
| <b>Fee and commission expense</b>                   |       | <b>(8 903.09)</b>          | <b>(7 780.83)</b>        | <b>(6 289.65)</b>        | <b>(1 804.37)</b>        |
| Transactional commission expense                    |       | (8 155.86)                 | (6 746.25)               | (5 807.40)               | (1 570.47)               |
| Other commissions and fee expense                   |       | (747.23)                   | (1 034.58)               | (482.25)                 | (233.90)                 |
| <b>Net fee and commission expense</b>               |       | <b>17 113.58</b>           | <b>17 976.89</b>         | <b>11 922.85</b>         | <b>4 126.91</b>          |
| <b>4.2 Other income</b>                             |       |                            |                          |                          |                          |
| Housing projects trading profit                     | 4.2.1 | 509.87                     | 784.46                   | 365.91                   | 172.62                   |
| Rental income from investment property              | 4.2.2 | 175.62                     | 150.57                   | 101.26                   | 38.42                    |
| Fair value gain from equity investments             | 10.2  | 110.79                     | 2 830.57                 | 2 774.34                 | 917.69                   |
| Fair value gain on non-current assets held for sale | 12    | 133.16                     | 22.10                    | 259.87                   | 23.64                    |
| Fair value gain on investment property              | 14    | 6 681.31                   | 1 074.45                 | 12 487.85                | 1 094.02                 |
| Dividend and other income from equity investments   |       | 296.93                     | 822.75                   | 206.57                   | 202.25                   |
| Foreign exchange gain                               |       | 25 528.23                  | 5 018.01                 | 24 805.74                | 1 295.96                 |
| <b>Net other income</b>                             |       | <b>33 435.91</b>           | <b>10 702.91</b>         | <b>41 001.54</b>         | <b>3 744.60</b>          |
| Rental income is ancillary to the Society's income. |       |                            |                          |                          |                          |
| <b>4.2.1 Trading income</b>                         |       |                            |                          |                          |                          |
| Housing projects sales                              |       | 607.18                     | 960.36                   | 441.79                   | 216.11                   |
| Cost of housing units sold                          |       | (3.36)                     | (8.97)                   | (2.22)                   | (2.87)                   |
| <b>Gross profit</b>                                 |       | <b>603.82</b>              | <b>951.39</b>            | <b>439.57</b>            | <b>213.24</b>            |
| Project operating expenses                          |       | (93.95)                    | (166.93)                 | (73.66)                  | (40.62)                  |
| <b>Net trading profit</b>                           |       | <b>509.87</b>              | <b>784.46</b>            | <b>365.91</b>            | <b>172.62</b>            |
| <b>4.2.2 Investment property</b>                    |       |                            |                          |                          |                          |
| Rental income                                       |       | 2 324.67                   | 1 126.91                 | 1 340.37                 | 287.52                   |
| Less expenses                                       |       | (2 149.05)                 | (976.34)                 | (1 239.11)               | (249.10)                 |
| <b>Net rental income</b>                            |       | <b>175.62</b>              | <b>150.57</b>            | <b>101.26</b>            | <b>38.42</b>             |

Transact securely  
home and away.

The CABS Mastercard allows you to make:

- ✓ USD cash withdrawals on ATM
- ✓ Online payments on e-commerce sites
- ✓ Payments on local and international POS



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

| Notes                                | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|--------------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                                      | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| <b>5 Operating expenses</b>          |                            |                          |                          |                          |
| Advertising and marketing            | 1 521.07                   | 467.92                   | 1 159.76                 | 108.13                   |
| Auditors' remuneration               | 388.49                     | 210.28                   | 388.49                   | 49.32                    |
| Buildings security cost              | 695.30                     | 531.83                   | 517.33                   | 132.30                   |
| Cash in transit cost                 | 354.19                     | 199.62                   | 255.38                   | 47.82                    |
| Deposit protection premium           | 321.06                     | 175.49                   | 226.41                   | 51.05                    |
| Directors' remuneration              | 111.49                     | 109.35                   | 111.49                   | 25.18                    |
| Other expenses                       | 585.43                     | 107.25                   | 811.20                   | 103.37                   |
| Information systems maintenance      | 2 809.83                   | 2 264.30                 | 2 093.89                 | 529.45                   |
| Insurance premiums                   | 1 066.44                   | 654.93                   | 747.97                   | 147.78                   |
| Maintenance of vehicles              | 780.18                     | 491.33                   | 576.34                   | 116.08                   |
| Occupancy cost                       | 1 511.52                   | 972.56                   | 1 102.51                 | 219.53                   |
| Old Mutual Foundation                | 309.77                     | 306.22                   | 184.94                   | 69.33                    |
| Outsourced services                  |                            |                          |                          |                          |
| - Old Mutual Group                   | 1 957.11                   | 1 070.12                 | 1 425.65                 | 270.54                   |
| Stationery and printing              | 315.59                     | 267.41                   | 230.92                   | 63.45                    |
| Telephones and postage               | 215.63                     | 198.97                   | 157.48                   | 45.44                    |
| Travelling and subsistence           | 1 152.55                   | 615.05                   | 855.93                   | 145.30                   |
| <b>Administration</b>                | <b>14 095.65</b>           | <b>8 642.63</b>          | <b>10 845.69</b>         | <b>2 124.07</b>          |
| Property and equipment               | 13 2 343.73                | 1 869.15                 | 519.36                   | 155.09                   |
| Intangible assets                    | 15 353.65                  | 262.49                   | 37.11                    | 12.34                    |
| <b>Depreciation and amortisation</b> | <b>2 697.38</b>            | <b>2 131.64</b>          | <b>556.47</b>            | <b>167.43</b>            |
| Salaries wages and bonuses           | 10 567.88                  | 7 187.22                 | 7 735.71                 | 1 716.88                 |
| Pension contributions                | 264.20                     | 249.43                   | 179.80                   | 58.68                    |
| Cash-settled share based payments    | -                          | 0.48                     | -                        | 0.14                     |
| Other staff costs                    | 1 065.96                   | 567.93                   | 771.69                   | 134.59                   |
| <b>Staff costs</b>                   | <b>11 898.04</b>           | <b>8 005.06</b>          | <b>8 687.20</b>          | <b>1 910.29</b>          |
| <b>Total operating expenses</b>      | <b>28 691.07</b>           | <b>18 779.33</b>         | <b>20 089.36</b>         | <b>4 201.79</b>          |

The number of persons employed by the Society as at 31 December 2022 was 680 (2021: 719).

## 6 Custodial and trustee services

The Society provides custodial and trustee services to individuals and institutions by holding assets on behalf of customers. Included in fee and commission income, as well as operating expenses, are CABS custodial and trustee revenue and expenses as detailed below:

|                                                 | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|-------------------------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                                                 | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| <b>Statement of trading income and expenses</b> |                            |                          |                          |                          |
| <b>Income</b>                                   | <b>928.02</b>              | <b>279.56</b>            | <b>562.54</b>            | <b>176.72</b>            |
| Custodial revenue                               | 839.47                     | 279.56                   | 497.88                   | 176.72                   |
| Trustee revenue                                 | 88.55                      | -                        | 64.66                    | -                        |
| <b>Less operating expenses</b>                  | <b>(288.03)</b>            | <b>(113.04)</b>          | <b>(190.32)</b>          | <b>(80.49)</b>           |
| Custodial expenses                              | (222.49)                   | (113.04)                 | (147.65)                 | (80.49)                  |
| Trustee expenses                                | (65.54)                    | -                        | (42.67)                  | -                        |
| <b>Net trading profit</b>                       | <b>639.99</b>              | <b>166.52</b>            | <b>372.22</b>            | <b>96.23</b>             |
| <b>Analysis of funds under management</b>       |                            |                          |                          |                          |
| Funds held for related parties                  | 328 711.13                 | 483 485.54               | 328 711.13               | 140 647.06               |
| Funds held for third parties                    | 304 429.67                 | 313 088.92               | 304 429.67               | 91 078.29                |
| <b>Total funds under management</b>             | <b>633 140.80</b>          | <b>796 574.46</b>        | <b>633 140.80</b>        | <b>231 725.35</b>        |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 7 Financial instruments analysis

#### 7.1 Classification of financial assets and liabilities

|                               |       | Audited Inflation Adjusted                      |                           |                                     |
|-------------------------------|-------|-------------------------------------------------|---------------------------|-------------------------------------|
|                               | Notes | Fair value<br>through<br>profit or loss<br>ZWLm | Amortised<br>cost<br>ZWLm | Total<br>carrying<br>amount<br>ZWLm |
| <b>As at 31 December 2022</b> |       |                                                 |                           |                                     |
| <b>Assets</b>                 |       |                                                 |                           |                                     |
| Cash and cash equivalents     | 8     | -                                               | 90 397.12                 | 90 397.12                           |
| Investment securities         | 9     | -                                               | 30 391.04                 | 30 391.04                           |
| Other financial assets        |       | -                                               | 12 098.87                 | 12 098.87                           |
| Loans and advances            | 11    | -                                               | 127 582.70                | 127 582.70                          |
|                               |       | -                                               | <b>260 469.73</b>         | <b>260 469.73</b>                   |
| <b>Liabilities</b>            |       |                                                 |                           |                                     |
| Deposits                      | 16    | -                                               | 138 411.59                | 138 411.59                          |
| Credit lines                  | 17    | -                                               | 74 873.47                 | 74 873.47                           |
| Other liabilities             | 18    | -                                               | 11 315.46                 | 11 315.46                           |
|                               |       | -                                               | <b>224 600.52</b>         | <b>224 600.52</b>                   |
| <b>As at 31 December 2021</b> |       |                                                 |                           |                                     |
| <b>Assets</b>                 |       |                                                 |                           |                                     |
| Cash and cash equivalents     | 8     | -                                               | 39 341.66                 | 39 341.66                           |
| Investment securities         | 9     | -                                               | 12 702.68                 | 12 702.68                           |
| Other financial assets        |       | 3 449.96                                        | -                         | 3 449.96                            |
| Loans and advances            | 11    | -                                               | 94 640.67                 | 94 640.67                           |
|                               |       | <b>3 449.96</b>                                 | <b>146 685.01</b>         | <b>150 134.97</b>                   |
| <b>Liabilities</b>            |       |                                                 |                           |                                     |
| Deposits                      | 16    | -                                               | 96 921.34                 | 96 921.34                           |
| Credit lines                  | 17    | -                                               | 33 447.41                 | 33 447.41                           |
| Other liabilities             | 18    | -                                               | 7 963.77                  | 7 963.77                            |
|                               |       | -                                               | <b>138 332.52</b>         | <b>138 332.52</b>                   |
| <b>As at 31 December 2022</b> |       |                                                 |                           |                                     |
| <b>Assets</b>                 |       |                                                 |                           |                                     |
| Cash and cash equivalents     | 8     | -                                               | 90 397.12                 | 90 397.12                           |
| Investment securities         | 9     | -                                               | 30 391.04                 | 30 391.04                           |
| Other financial assets        |       | -                                               | 12 098.87                 | 12 098.87                           |
| Loans and advances            | 11    | -                                               | 127 582.70                | 127 582.70                          |
|                               |       | -                                               | <b>260 469.73</b>         | <b>260 469.73</b>                   |
| <b>Liabilities</b>            |       |                                                 |                           |                                     |
| Deposits                      | 16    | -                                               | 138 411.59                | 138 411.59                          |
| Credit lines                  | 17    | -                                               | 74 873.47                 | 74 873.47                           |
| Other liabilities             | 18    | -                                               | 11 315.46                 | 11 315.46                           |
|                               |       | -                                               | <b>224 600.52</b>         | <b>224 600.52</b>                   |
| <b>As at 31 December 2021</b> |       |                                                 |                           |                                     |
| <b>Assets</b>                 |       |                                                 |                           |                                     |
| Cash and cash equivalents     | 8     | -                                               | 11 444.58                 | 11 444.58                           |
| Investment securities         | 9     | -                                               | 3 695.24                  | 3 695.24                            |
| Other financial assets        |       | 1 003.60                                        | -                         | 1 003.60                            |
| Loans and advances            | 11    | -                                               | 27 531.19                 | 27 531.19                           |
|                               |       | <b>1 003.60</b>                                 | <b>42 671.01</b>          | <b>43 674.61</b>                    |
| <b>Liabilities</b>            |       |                                                 |                           |                                     |
| Deposits                      | 16    | -                                               | 28 194.64                 | 28 194.64                           |
| Credit lines                  | 17    | -                                               | 9 729.93                  | 9 729.93                            |
| Other liabilities             | 18    | -                                               | 2 312.22                  | 2 312.22                            |
|                               |       | -                                               | <b>40 236.79</b>          | <b>40 236.79</b>                    |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 7 Financial instruments analysis (continued)

### 7.2 Composition of gains and losses on financial instruments

Financial Instruments

|                             |       | Audited Inflation Adjusted                      |                                               |                                                    |                    |
|-----------------------------|-------|-------------------------------------------------|-----------------------------------------------|----------------------------------------------------|--------------------|
|                             | Notes | Fair value<br>through<br>profit or loss<br>ZWLm | Amortised<br>cost financial<br>assets<br>ZWLm | Amortised<br>cost financial<br>liabilities<br>ZWLm | Total<br>ZWLm      |
| <b>December 2022</b>        |       |                                                 |                                               |                                                    |                    |
| Interest income             | 2     | -                                               | 40 118.67                                     | -                                                  | 40 118.67          |
| Dividends received          | 4.2   | 296.93                                          | -                                             | -                                                  | 296.93             |
| Fair value gain             | 4.2   | 110.79                                          | -                                             | -                                                  | 110.79             |
| <b>Total income</b>         |       | <b>407.72</b>                                   | <b>40 118.67</b>                              | <b>-</b>                                           | <b>40 526.39</b>   |
| Interest expense            | 2     | -                                               | -                                             | (7 122.28)                                         | (7 122.28)         |
| Allowance for ECL           | 3     | -                                               | (3 285.67)                                    | -                                                  | (3 285.67)         |
| <b>Total expenses</b>       |       | <b>-</b>                                        | <b>(3 285.67)</b>                             | <b>(7 122.28)</b>                                  | <b>(10 407.95)</b> |
| <b>December 2021</b>        |       |                                                 |                                               |                                                    |                    |
| Interest income             | 2     | -                                               | 21 476.80                                     | -                                                  | 21 476.80          |
| Dividends received          | 4.2   | 822.75                                          | -                                             | -                                                  | 822.75             |
| Fair value gain             | 4.2   | 2 830.57                                        | -                                             | -                                                  | 2 830.57           |
| <b>Total income</b>         |       | <b>3 653.32</b>                                 | <b>21 476.80</b>                              | <b>-</b>                                           | <b>25 130.12</b>   |
| Interest expense            | 2     | -                                               | -                                             | (2 034.98)                                         | (2 034.98)         |
| Allowance for ECL           | 3     | -                                               | (3 277.25)                                    | -                                                  | (3 277.25)         |
| <b>Total expenses</b>       |       | <b>-</b>                                        | <b>(3 277.25)</b>                             | <b>(2 034.98)</b>                                  | <b>(5 312.23)</b>  |
| <b>Unaudited Historical</b> |       |                                                 |                                               |                                                    |                    |
|                             |       | Fair value<br>through<br>profit or loss<br>ZWLm | Amortised<br>cost financial<br>assets<br>ZWLm | Amortised<br>cost financial<br>liabilities<br>ZWLm | Total<br>ZWLm      |
| <b>December 2022</b>        |       |                                                 |                                               |                                                    |                    |
| Interest income             | 2     | -                                               | 29 603.56                                     | -                                                  | 29 603.56          |
| Dividends received          | 4.2   | 206.57                                          | -                                             | -                                                  | 206.57             |
| Fair value gain             | 4.2   | 2 774.34                                        | -                                             | -                                                  | 2 774.34           |
| <b>Total income</b>         |       | <b>2 980.91</b>                                 | <b>29 603.56</b>                              | <b>-</b>                                           | <b>32 584.47</b>   |
| Interest expense            | 2     | -                                               | -                                             | (5 499.82)                                         | (5 499.82)         |
| Allowance for ECL           | 3     | -                                               | (3 256.00)                                    | -                                                  | (3 256.00)         |
| <b>Total expenses</b>       |       | <b>-</b>                                        | <b>(3 256.00)</b>                             | <b>(5 499.82)</b>                                  | <b>(8 755.82)</b>  |
| <b>December 2021</b>        |       |                                                 |                                               |                                                    |                    |
| Interest income             | 2     | -                                               | 5 039.38                                      | -                                                  | 5 039.38           |
| Dividends received          | 4.2   | 202.25                                          | -                                             | -                                                  | 202.25             |
| Fair value gain             | 4.2   | 917.69                                          | -                                             | -                                                  | 917.69             |
| <b>Total income</b>         |       | <b>1 119.94</b>                                 | <b>5 039.38</b>                               | <b>-</b>                                           | <b>6 159.32</b>    |
| Interest expense            | 2     | -                                               | -                                             | (474.31)                                           | (474.31)           |
| Allowance for ECL           | 3     | -                                               | (953.33)                                      | -                                                  | (953.33)           |
| <b>Total expenses</b>       |       | <b>-</b>                                        | <b>(953.33)</b>                               | <b>(474.31)</b>                                    | <b>(1 427.64)</b>  |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

|                                      | Note | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|--------------------------------------|------|----------------------------|--------------------------|--------------------------|--------------------------|
|                                      |      | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| <b>8 Cash and cash equivalents</b>   |      |                            |                          |                          |                          |
| Cash balances                        |      | 20 599.65                  | 11 066.77                | 20 599.65                | 3 219.35                 |
| Bank balances                        |      | 62 241.27                  | 22 192.74                | 62 241.27                | 6 455.92                 |
| Statutory reserves                   |      | 7 556.20                   | 6 082.15                 | 7 556.20                 | 1 769.31                 |
|                                      |      | <b>90 397.12</b>           | <b>39 341.66</b>         | <b>90 397.12</b>         | <b>11 444.58</b>         |
| <b>9 Investment securities</b>       |      |                            |                          |                          |                          |
| Money market investments             |      | 7 870.16                   | 2 889.46                 | 7 870.16                 | 840.55                   |
| Treasury bills                       |      | 23 008.77                  | 10 019.31                | 23 008.77                | 2 914.64                 |
|                                      |      | 30 878.93                  | 12 908.77                | 30 878.93                | 3 755.19                 |
| Allowance for ECL                    | 9.2  | (487.89)                   | (206.09)                 | (487.89)                 | (59.95)                  |
|                                      |      | <b>30 391.04</b>           | <b>12 702.68</b>         | <b>30 391.04</b>         | <b>3 695.24</b>          |
| <b>9.1 Maturity analysis - gross</b> |      |                            |                          |                          |                          |
| On demand to 3 months                |      | 28 068.70                  | 6 653.30                 | 28 068.70                | 1 935.46                 |
| 1 to 3 months                        |      | 184.15                     | 5 484.18                 | 184.15                   | 1 595.36                 |
| 3 months to 6 months                 |      | 2 626.08                   | 771.29                   | 2 626.08                 | 224.37                   |
| 6 months to 1 year                   |      | -                          | -                        | -                        | -                        |
| 1 year to five years                 |      | -                          | -                        | -                        | -                        |
| Over 5 years                         |      | -                          | -                        | -                        | -                        |
|                                      |      | <b>30 878.93</b>           | <b>12 908.77</b>         | <b>30 878.93</b>         | <b>3 755.19</b>          |

The Society classifies bankers' acceptances as loans and advances. The Society does not, at present, trade in derivatives of any form.

### 9.2 Impairment analysis

|                                       | Audited Inflation Adjusted<br>31 December 2022<br>Stage 1 |                           | Audited Inflation Adjusted<br>31 December 2021<br>Stage 1 |                           |
|---------------------------------------|-----------------------------------------------------------|---------------------------|-----------------------------------------------------------|---------------------------|
|                                       | Gross carrying amount<br>ZWLm                             | Allowance for ECL<br>ZWLm | Gross carrying amount<br>ZWLm                             | Allowance for ECL<br>ZWLm |
| <b>At the beginning of the period</b> | <b>12 908.77</b>                                          | <b>(206.09)</b>           | <b>19 619.65</b>                                          | <b>(569.06)</b>           |
|                                       | 17 970.16                                                 | (281.80)                  | (6 710.88)                                                | 362.97                    |
| Purchases and interest accruals       | 56 079.09                                                 | -                         | 12 908.77                                                 | -                         |
| Repayments                            | (6 448.50)                                                | -                         | (12 205.99)                                               | -                         |
| Monetary adjustment                   | (31 660.43)                                               | (281.80)                  | (7 413.66)                                                | 362.97                    |
| <b>At the end of the period</b>       | <b>30 878.93</b>                                          | <b>(487.89)</b>           | <b>12 908.77</b>                                          | <b>(206.09)</b>           |
|                                       | Unaudited Historical<br>31 December 2022<br>Stage 1       |                           | Unaudited Historical<br>31 December 2021<br>Stage 1       |                           |
|                                       | Gross carrying amount<br>ZWLm                             | Allowance for ECL<br>ZWLm | Gross carrying amount<br>ZWLm                             | Allowance for ECL<br>ZWLm |
| <b>At the beginning of the year</b>   | <b>3 755.19</b>                                           | <b>(59.95)</b>            | <b>3 550.75</b>                                           | <b>(7.01)</b>             |
|                                       | <b>27 123.74</b>                                          | <b>(427.94)</b>           | <b>204.44</b>                                             | <b>(52.94)</b>            |
| Purchases and interest accruals       | 30 878.93                                                 | (487.89)                  | 3 755.19                                                  | (59.95)                   |
| Repayments                            | (3 755.19)                                                | 59.95                     | (3 550.75)                                                | 7.01                      |
| <b>At the end of the year</b>         | <b>30 878.93</b>                                          | <b>(487.89)</b>           | <b>3 755.19</b>                                           | <b>(59.95)</b>            |

The Society does not have any investment securities that were subject to stage 2 and 3 ECL.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 10 Other assets

|                            | Notes | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|----------------------------|-------|----------------------------|--------------------------|--------------------------|--------------------------|
|                            |       | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| Investment in equity       | 10.2  | 3 867.04                   | 3 756.25                 | 3 867.04                 | 1 092.70                 |
| Housing projects           | 10.3  | 3 305.78                   | 3 627.03                 | 375.07                   | 31.35                    |
| Statutory receivable       | 10.4  | 3 169.95                   | 4 241.70                 | 3 169.95                 | 1 233.92                 |
| Prepayments                |       | 2 333.47                   | 3 909.00                 | 1 901.99                 | 223.26                   |
| Other financial assets     |       | 8 231.84                   | 3 449.96                 | 8 231.83                 | 1 003.60                 |
| Other non-financial assets |       | 7 102.76                   | 2 349.58                 | 4 400.69                 | 337.48                   |
|                            |       | <b>28 010.84</b>           | <b>21 333.52</b>         | <b>21 946.57</b>         | <b>3 922.31</b>          |

- Included in other financial assets are amounts receivable with respect to daily settlements from payment platforms.
- Included in other non-financial assets are prepayments with respect to capital expenditure and services.

### 10.1 Other overdrafts and accrued rental income

|                                                     | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|-----------------------------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                                                     | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| Other overdrafts                                    | 816.14                     | 244.75                   | 816.14                   | 71.20                    |
| Tenant debtors                                      | 33.40                      | 33.04                    | 33.40                    | 9.61                     |
| Gross other financial assets at amortised cost      | 849.54                     | 277.79                   | 849.54                   | 80.81                    |
| Allowance for ECL                                   | (849.54)                   | (277.79)                 | (849.54)                 | (80.81)                  |
| <b>Net other financial assets at amortised cost</b> | <b>-</b>                   | <b>-</b>                 | <b>-</b>                 | <b>-</b>                 |

The Society sets aside 100% provisions for accrued rental income and unauthorised overdrafts.

### 10.2 Investment in equity

|                        | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                        | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| Opening balance        | 3 756.25                   | 751.90                   | 1 092.70                 | 136.08                   |
| Additional investment  | -                          | 173.78                   | -                        | 38.93                    |
| Fair value gain        | 110.79                     | 2 830.57                 | 2 774.34                 | 917.69                   |
| <b>Closing balance</b> | <b>3 867.04</b>            | <b>3 756.25</b>          | <b>3 867.04</b>          | <b>1 092.70</b>          |

CABS' investments in equity are neither listed nor are they tracked on an active market. All investments in equity are valued at fair value and the resulting gains or losses are included in other income in the profit and loss statement. Dividend income is recognised when the right to receive income is established, and this is also presented in other income.

### 10.3 Inventory work in progress

- Hatcliffe housing project
- Budiro housing project
- Pumula housing project

|  | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|--|----------------------------|--------------------------|--------------------------|--------------------------|
|  | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
|  | 5.89                       | 17.22                    | 5.89                     | 5.01                     |
|  | 2 191.67                   | 2 670.11                 | 8.37                     | 9.86                     |
|  | 1 108.22                   | 939.70                   | 360.81                   | 16.48                    |
|  | <b>3 305.78</b>            | <b>3 627.03</b>          | <b>375.07</b>            | <b>31.35</b>             |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

|                                    | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|------------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                                    | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| <b>10 Other assets (continued)</b> |                            |                          |                          |                          |
| <b>10.3.1 Housing projects</b>     |                            |                          |                          |                          |
| - inventory work in progress       |                            |                          |                          |                          |
| Opening balance                    | 3 627.03                   | 3 607.16                 | 31.35                    | 21.57                    |
| (Sales)/additions                  | (317.89)                   | 27.81                    | 345.94                   | 12.40                    |
| Cost of sales                      | (3.36)                     | (7.94)                   | (2.22)                   | (2.62)                   |
|                                    | <b>3 305.78</b>            | <b>3 627.03</b>          | <b>375.07</b>            | <b>31.35</b>             |

Inventory is held at the lower of cost and net realisable value.

### 10.4 Statutory receivable

|                         | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|-------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                         | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| Principal amount        | 5.12                       | 42.21                    | 5.12                     | 12.28                    |
| Exchange gain           | 3 526.39                   | 4 542.56                 | 3 526.39                 | 1 321.44                 |
| <b>Gross amount due</b> | <b>3 531.51</b>            | <b>4 584.77</b>          | <b>3 531.51</b>          | <b>1 333.72</b>          |
| Impairment              | (361.56)                   | (343.07)                 | (361.56)                 | (99.80)                  |
| <b>Net amount due</b>   | <b>3 169.95</b>            | <b>4 241.70</b>          | <b>3 169.95</b>          | <b>1 233.92</b>          |

In January 2022, the Finance Act No. 7 of 2021 was gazetted into law. The Act provides for the discharging of outstanding registered blocked funds on the RBZ's balance sheet by the Government of Zimbabwe. A total of US\$27.73m was approved by the RBZ in 2019 for CABS, while a balance amounting to US\$5.12m was outstanding as at 31 December 2022. The terms of discharge of the blocked funds are yet to be determined by the Minister of Finance and Economic Development.

The Society recognised a foreign currency denominated statutory receivable with respect to funds transferred to RBZ. Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and are settled in cash or through another financial asset. This statutory receivable is measured at cost. The instrument has been assessed for impairment in line with IAS 36 and the assessment complies with IAS 36 in all material aspects. It is management's view that the carrying value under IAS 36 is a reliable estimation of the recoverable amount of the statutory receivable.

|                               | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|-------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                               | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| <b>11 Loans and advances</b>  |                            |                          |                          |                          |
| Gross amount owing            | 130 864.31                 | 99 687.93                | 130 864.31               | 28 999.45                |
| Allowance for ECL             | (3 281.61)                 | (5 047.26)               | (3 281.61)               | (1 468.26)               |
| <b>Loans and advances</b>     | <b>127 582.70</b>          | <b>94 640.67</b>         | <b>127 582.70</b>        | <b>27 531.19</b>         |
| <b>11.1 Maturity analysis</b> |                            |                          |                          |                          |
| Less than one month           | 5 771.42                   | 4 268.62                 | 5 771.42                 | 1 241.75                 |
| 1 to 3 months                 | 11 501.40                  | 9 095.67                 | 11 501.40                | 2 645.95                 |
| 3 to 6 months                 | 14 638.05                  | 10 613.56                | 14 638.05                | 3 087.51                 |
| 6 months to 1 year            | 22 542.50                  | 16 834.90                | 22 542.50                | 4 897.31                 |
| 1 year to five years          | 73 856.33                  | 58 110.09                | 73 856.33                | 16 904.36                |
| Over 5 years                  | 2 554.61                   | 765.09                   | 2 554.61                 | 222.57                   |
|                               | <b>130 864.31</b>          | <b>99 687.93</b>         | <b>130 864.31</b>        | <b>28 999.45</b>         |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 11 Loans and advances (continued)

|                           | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|---------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                           | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| <b>11.2 Concentration</b> |                            |                          |                          |                          |
| Housing                   | 9 780.03                   | 5 243.38                 | 9 780.03                 | 1525.31                  |
| Individuals               | 15 339.13                  | 12 565.70                | 15 339.13                | 3655.39                  |
| Commercial and industrial | 105 745.15                 | 81 878.85                | 105 745.15               | 23 818.75                |
|                           | <b>130 864.31</b>          | <b>99 687.93</b>         | <b>130 864.31</b>        | <b>28 999.45</b>         |

## 11.3 Sectorial analysis of loans and advances

The Society monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances at the balance sheet date is shown below:

| Sector                                 | Note | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|----------------------------------------|------|----------------------------|--------------------------|--------------------------|--------------------------|
|                                        |      | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| Agriculture                            |      | 50 702.47                  | 32 235.05                | 50 702.47                | 9 377.25                 |
| Construction Transport & Communication |      | 4 129.44                   | 1 273.21                 | 4 129.44                 | 370.38                   |
| Distribution                           |      | 8 843.93                   | 21 471.13                | 8 843.93                 | 6246.00                  |
| Financial Service                      |      | -                          | 50.09                    | -                        | 14.57                    |
| Manufacturing                          |      | 7 439.32                   | 16 159.34                | 7 439.32                 | 4700.79                  |
| Mortgages                              |      | 12 813.83                  | 6 243.06                 | 12 813.83                | 1816.12                  |
| Private/Individuals                    |      | 16 868.59                  | 13 785.97                | 16 868.59                | 4010.37                  |
| Services                               |      | 3 166.52                   | 2 804.38                 | 3 166.52                 | 815.80                   |
| Mining                                 |      | 5 854.52                   | 5 665.70                 | 5 854.52                 | 1648.17                  |
| Energy                                 |      | 21 045.69                  | -                        | 21 045.69                | -                        |
| <b>Total</b>                           |      | <b>130 864.31</b>          | <b>99 687.93</b>         | <b>130 864.31</b>        | <b>28 999.45</b>         |
| Allowance for ECL                      | 11.6 | (3 281.61)                 | (5 047.26)               | (3 281.61)               | (1 468.26)               |
|                                        |      | <b>127 582.70</b>          | <b>94 640.67</b>         | <b>127 582.70</b>        | <b>27 531.19</b>         |

## 11.4 Age analysis of loans and advances

The table below gives an aged analysis of loans and advances representing primarily the exposures of the Society's operations:

|                                                       | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|-------------------------------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                                                       | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| Neither past due nor impaired                         | 129 141.35                 | 98 761.88                | 129 141.35               | 28 730.06                |
| Past due but not impaired                             | 1 315.47                   | 701.64                   | 1 315.47                 | 204.11                   |
| Past due but less than 1 month                        | 25.71                      | 15.16                    | 25.71                    | 4.41                     |
| Past due, greater than 1 month but less than 3 months | 1 289.76                   | 686.48                   | 1 289.76                 | 199.70                   |
| Impaired loans and advances (non-performing loans)    | 407.49                     | 224.41                   | 407.49                   | 65.28                    |
| <b>Gross loans and advances</b>                       | <b>130 864.31</b>          | <b>99 687.93</b>         | <b>130 864.31</b>        | <b>28 999.45</b>         |
| Allowance for ECL                                     | (3 281.61)                 | (5 047.26)               | (3 281.61)               | (1 468.26)               |
| <b>Total net loans and advances</b>                   | <b>127 582.70</b>          | <b>94 640.67</b>         | <b>127 582.70</b>        | <b>27 531.19</b>         |

The book continues to be short term in nature reflecting the obtaining operating environment. Despite interest rate changes during the year, the quality of the book remained good.

## 11.5 Commitment for loans and advances

|  | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|--|----------------------------|--------------------------|--------------------------|--------------------------|
|  | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
|  | <b>3 658.42</b>            | <b>13 064.74</b>         | <b>3 658.42</b>          | <b>3 800.56</b>          |

US\$ loans demand was on the increase during the year. However, the Society remains cautious, and is limiting exposure to foreign currency earning companies and individuals.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 11 Loans and advances (continued)

### 11.6 ECL analysis

|                                   | Audited Inflation Adjusted - Unsecured loans |                        |                            |                        |                            |                        |                            |                        |
|-----------------------------------|----------------------------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|
|                                   | Stage 1                                      |                        | Stage 2                    |                        | Stage 3                    |                        | Total                      |                        |
|                                   | Gross carrying amount ZWLm                   | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm |
| <b>As at 1 January 2022</b>       | <b>12 656.39</b>                             | <b>(1 354.59)</b>      | <b>113.42</b>              | <b>(60.08)</b>         | <b>158.07</b>              | <b>(85.63)</b>         | <b>12 927.88</b>           | <b>(1 500.30)</b>      |
|                                   | <b>65 397.54</b>                             | <b>1 589.28</b>        | <b>2 613.32</b>            | <b>(995.94)</b>        | <b>149.14</b>              | <b>(77.00)</b>         | <b>68 160.00</b>           | <b>516.34</b>          |
| Originations an interest accruals | 153 260.62                                   | (658.16)               | 2 317.38                   | (140.66)               | 262.65                     | (52.15)                | 155 840.65                 | (850.97)               |
| Repayments and derecognitions     | (16 852.97)                                  | 1 106.20               | 1 454.65                   | 10.53                  | (8.89)                     | 19.53                  | (15 407.21)                | 1 136.26               |
| Transfer to:                      |                                              |                        |                            |                        |                            |                        |                            |                        |
| Stage 1                           | 230.92                                       | (1.89)                 | (225.12)                   | 92.84                  | (5.80)                     | 2.98                   | -                          | 93.93                  |
| Stage 2                           | (1 357.79)                                   | 90.58                  | 1 363.07                   | (365.37)               | (5.28)                     | 2.44                   | -                          | (272.35)               |
| Stage 3                           | (213.86)                                     | 8.32                   | (17.84)                    | 7.50                   | 231.70                     | (179.93)               | -                          | (164.11)               |
| Changes in risk parameters        | -                                            | 596.84                 | -                          | (1 490.91)             | -                          | (43.00)                | -                          | (937.07)               |
| Write-offs                        | -                                            | -                      | -                          | -                      | -                          | -                      | -                          | -                      |
| Monetary adjustment               | (69 669.38)                                  | 447.39                 | (2 278.82)                 | 890.13                 | (325.24)                   | 173.13                 | (72 273.44)                | 1 510.65               |
| <b>As at 31 December 2022</b>     | <b>78 053.93</b>                             | <b>234.69</b>          | <b>2 726.74</b>            | <b>(1 056.02)</b>      | <b>307.21</b>              | <b>(162.63)</b>        | <b>81 087.88</b>           | <b>(983.96)</b>        |

|                                   | Audited Inflation Adjusted - Secured loans |                        |                            |                        |                            |                        |                            |                        |
|-----------------------------------|--------------------------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|
|                                   | Stage 1                                    |                        | Stage 2                    |                        | Stage 3                    |                        | Total                      |                        |
|                                   | Gross carrying amount ZWLm                 | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm |
| <b>As at 1 January 2022</b>       | <b>83 173.54</b>                           | <b>(2 966.20)</b>      | <b>3 522.79</b>            | <b>(555.14)</b>        | <b>63.72</b>               | <b>(25.62)</b>         | <b>86 760.05</b>           | <b>(3 546.96)</b>      |
|                                   | <b>(38 035.28)</b>                         | <b>2 457.84</b>        | <b>1 014.82</b>            | <b>(1 152.17)</b>      | <b>36.84</b>               | <b>(56.36)</b>         | <b>(36 983.62)</b>         | <b>1 249.31</b>        |
| Originations an interest accruals | 16 196.88                                  | (120.79)               | 898.43                     | (350.84)               | 24.70                      | (17.99)                | 17 120.01                  | (489.62)               |
| Repayments and derecognitions     | 22 968.35                                  | 375.79                 | 4 383.70                   | (88.70)                | 90.81                      | (1.12)                 | 27 442.86                  | 285.97                 |
| Transfer to:                      |                                            |                        |                            |                        |                            |                        |                            |                        |
| Stage 1                           | 41.73                                      | (4.94)                 | (41.53)                    | 15.20                  | (0.20)                     | 0.15                   | -                          | 10.41                  |
| Stage 2                           | (1 136.90)                                 | 236.44                 | 1 146.83                   | (1 908.16)             | (9.93)                     | 4.25                   | -                          | (1 667.47)             |
| Stage 3                           | (35.82)                                    | 11.71                  | (7.78)                     | 3.96                   | 43.60                      | (98.53)                | -                          | (82.86)                |
| Changes in risk parameters        | -                                          | 145.50                 | -                          | (478.78)               | -                          | (22.07)                | -                          | (355.35)               |
| Write-offs                        | -                                          | -                      | -                          | -                      | -                          | -                      | -                          | -                      |
| Monetary adjustment               | (76 069.52)                                | 1 814.13               | (5 364.83)                 | 1 655.15               | (112.14)                   | 78.95                  | (81 546.49)                | 3 548.23               |
| <b>As at 31 December 2022</b>     | <b>45 138.26</b>                           | <b>(508.36)</b>        | <b>4 537.61</b>            | <b>(1 707.31)</b>      | <b>100.56</b>              | <b>(81.98)</b>         | <b>49 776.43</b>           | <b>(2 297.65)</b>      |

**CABS**  
**BUSINESS**  
**BANKING**

Trust us to deliver on your  
Business Banking needs.

\* Short-term and long-term financing  
\* Trade & International Payments  
\* Transactional Accounts



WE'LL HELP YOU GET THERE

**CABS**  
A Member of the **OLD MUTUAL** Group

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 11 Loans and advances (continued)

### 11.6 ECL analysis (continued)

|                                    | Audited Inflation Adjusted - Unsecured loans |                        |                            |                        |                            |                        |                            |                        |
|------------------------------------|----------------------------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|
|                                    | Stage 1                                      |                        | Stage 2                    |                        | Stage 3                    |                        | Total                      |                        |
|                                    | Gross carrying amount ZWLm                   | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm |
| <b>As at 1 January 2021</b>        | <b>7 188.91</b>                              | <b>(1 144.44)</b>      | <b>251.12</b>              | <b>(41.49)</b>         | <b>119.42</b>              | <b>(94.19)</b>         | <b>7 559.45</b>            | <b>(1 280.12)</b>      |
| <b>Net movement</b>                | <b>5 467.48</b>                              | <b>(210.15)</b>        | <b>(137.70)</b>            | <b>(18.59)</b>         | <b>38.65</b>               | <b>8.56</b>            | <b>5 368.43</b>            | <b>(220.18)</b>        |
| Originations and interest accruals | 14 098.71                                    | (1 037.58)             | 87.25                      | (37.88)                | 103.85                     | (4.78)                 | 14 289.81                  | (1 080.24)             |
| Repayments and derecognitions      | (3 510.35)                                   | 204.71                 | (125.61)                   | 28.39                  | (40.22)                    | 15.09                  | (3 676.18)                 | 248.19                 |
| Transfer to:                       |                                              |                        |                            |                        |                            |                        |                            |                        |
| Stage 1                            | 91.09                                        | (2.13)                 | (77.79)                    | 9.83                   | (13.30)                    | 8.73                   | -                          | 16.43                  |
| Stage 2                            | (72.98)                                      | 4.30                   | 74.94                      | (45.99)                | (1.96)                     | 1.07                   | -                          | (40.62)                |
| Stage 3                            | (45.66)                                      | 1.48                   | (14.09)                    | 1.38                   | 59.75                      | (54.97)                | -                          | (52.11)                |
| Changes in risk parameters         | -                                            | -                      | -                          | -                      | -                          | -                      | -                          | -                      |
| Write-offs                         | -                                            | -                      | -                          | -                      | -                          | -                      | -                          | -                      |
| Monetary adjustment                | (5 093.33)                                   | 619.07                 | (82.40)                    | 25.68                  | (69.47)                    | 43.42                  | (5 245.20)                 | 688.17                 |
| <b>As at 31 December 2021</b>      | <b>12 656.39</b>                             | <b>(1 354.59)</b>      | <b>113.42</b>              | <b>(60.08)</b>         | <b>158.07</b>              | <b>(85.63)</b>         | <b>12 927.88</b>           | <b>(1 500.30)</b>      |

|                                    | Audited Inflation Adjusted - Secured loans |                        |                            |                        |                            |                        |                            |                        |
|------------------------------------|--------------------------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|
|                                    | Stage 1                                    |                        | Stage 2                    |                        | Stage 3                    |                        | Total                      |                        |
|                                    | Gross carrying amount ZWLm                 | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm |
| <b>As at 1 January 2021</b>        | <b>27 405.49</b>                           | <b>(1 172.15)</b>      | <b>6 268.46</b>            | <b>(564.04)</b>        | <b>773.21</b>              | <b>(8.46)</b>          | <b>34 447.16</b>           | <b>(1 744.65)</b>      |
| <b>Net movement</b>                | <b>55 768.05</b>                           | <b>(1 794.05)</b>      | <b>(2 745.67)</b>          | <b>8.90</b>            | <b>(709.49)</b>            | <b>(17.16)</b>         | <b>52 312.89</b>           | <b>(1 802.31)</b>      |
| Originations and interest accruals | 77 794.16                                  | (4 075.96)             | 909.41                     | (360.19)               | -                          | -                      | 78 703.57                  | (4 436.15)             |
| Repayments and derecognitions      | 5 593.94                                   | (357.06)               | 2.30                       | (6.29)                 | 2.10                       | (15.88)                | 5 598.34                   | (379.23)               |
| Transfer to:                       |                                            |                        |                            |                        |                            |                        |                            |                        |
| Stage 1                            | 2 217.75                                   | (129.32)               | (1 930.85)                 | 258.57                 | (286.90)                   | (0.62)                 | -                          | 128.63                 |
| Stage 2                            | (247.98)                                   | (1.79)                 | 538.08                     | (155.65)               | (290.10)                   | 0.58                   | -                          | (156.86)               |
| Stage 3                            | (30.93)                                    | 0.14                   | (5.47)                     | -                      | 36.40                      | (24.89)                | -                          | (24.75)                |
| Changes in risk parameters         | -                                          | 1 677.44               | -                          | -                      | -                          | -                      | -                          | 1 677.44               |
| Write-offs                         | -                                          | -                      | -                          | -                      | -                          | -                      | -                          | -                      |
| Monetary adjustment                | (29 558.89)                                | 1 092.50               | (2 259.14)                 | 272.46                 | (170.99)                   | 23.65                  | (31 989.02)                | 1 388.61               |
| <b>As at 31 December 2021</b>      | <b>83 173.54</b>                           | <b>(2 966.20)</b>      | <b>3 522.79</b>            | <b>(555.14)</b>        | <b>63.72</b>               | <b>(25.62)</b>         | <b>86 760.05</b>           | <b>(3 546.96)</b>      |

**Your CABS card  
swipes for less on a  
CABS POS machine.**

Did you know that you are charged  
less when you swipe on a CABS POS?

Exclusive to CABS Accountholders.



**CABS**  
A MEMBER OF THE OLD MUTUAL GROUP

WE'LL HELP YOU GET THERE  
A Member of the Deposit Protection Scheme.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 11 Loans and advances (continued)

### 11.6 ECL analysis (continued)

|                                    | Unaudited Historical - Unsecured loans |                        |                            |                        |                            |                        |                            |                        |
|------------------------------------|----------------------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|
|                                    | Stage 1                                |                        | Stage 2                    |                        | Stage 3                    |                        | Total                      |                        |
|                                    | Gross carrying amount ZWLm             | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm |
| <b>As at 1 January 2022</b>        | <b>3 681.82</b>                        | <b>(394.06)</b>        | <b>32.96</b>               | <b>(17.50)</b>         | <b>45.99</b>               | <b>(24.90)</b>         | <b>3 760.77</b>            | <b>(436.46)</b>        |
|                                    | <b>74 372.14</b>                       | <b>628.76</b>          | <b>2 693.77</b>            | <b>(1 038.53)</b>      | <b>261.20</b>              | <b>(137.73)</b>        | <b>77 327.11</b>           | <b>(547.50)</b>        |
| Originations and interest accruals | 84 390.16                              | (362.41)               | 1 276.02                   | (77.45)                | 144.62                     | (28.71)                | 85 810.80                  | (468.57)               |
| Repayments and derecognitions      | (9 279.77)                             | 609.11                 | 800.98                     | 5.80                   | (4.90)                     | 10.75                  | (8 483.69)                 | 625.66                 |
| Transfer to:                       |                                        |                        |                            |                        |                            |                        | -                          | -                      |
| Stage 1                            | 127.15                                 | (1.04)                 | (123.96)                   | 51.12                  | (3.19)                     | 1.64                   | -                          | 51.72                  |
| Stage 2                            | (747.64)                               | 49.88                  | 750.55                     | (201.19)               | (2.91)                     | 1.34                   | -                          | (149.97)               |
| Stage 3                            | (117.76)                               | 4.58                   | (9.82)                     | 4.13                   | 127.58                     | (99.07)                | -                          | (90.36)                |
| Changes in risk parameters         | -                                      | 328.64                 | -                          | (820.94)               | -                          | (23.68)                | -                          | (515.98)               |
| Write-offs                         |                                        |                        |                            |                        |                            |                        | -                          | -                      |
| <b>As at 31 December 2022</b>      | <b>78 053.96</b>                       | <b>234.70</b>          | <b>2 726.73</b>            | <b>(1 056.03)</b>      | <b>307.19</b>              | <b>(162.63)</b>        | <b>81 087.88</b>           | <b>(983.96)</b>        |

|                                    | Unaudited Historical - Secured loans |                        |                            |                        |                            |                        |                            |                        |
|------------------------------------|--------------------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|
|                                    | Stage 1                              |                        | Stage 2                    |                        | Stage 3                    |                        | Total                      |                        |
|                                    | Gross carrying amount ZWLm           | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm |
| <b>As at 1 January 2022</b>        | <b>24 195.36</b>                     | <b>(862.84)</b>        | <b>1 024.78</b>            | <b>(161.50)</b>        | <b>18.54</b>               | <b>(7.46)</b>          | <b>25 238.68</b>           | <b>(1 031.80)</b>      |
|                                    | <b>20 942.89</b>                     | <b>354.46</b>          | <b>3 512.83</b>            | <b>(1 545.80)</b>      | <b>82.03</b>               | <b>(74.51)</b>         | <b>24 537.75</b>           | <b>(1 265.85)</b>      |
| Originations and interest accruals | 8 918.51                             | (66.53)                | 494.70                     | (193.18)               | 13.60                      | (9.91)                 | 9 426.81                   | (269.62)               |
| Repayments and derecognitions      | 12 647.14                            | 206.95                 | 2 413.80                   | (48.84)                | 50.00                      | (0.62)                 | 15 110.94                  | 157.49                 |
| Transfer to:                       |                                      |                        |                            |                        |                            |                        | -                          | -                      |
| Stage 1                            | 22.98                                | (2.72)                 | (22.87)                    | 8.37                   | (0.11)                     | 0.08                   | -                          | 5.73                   |
| Stage 2                            | (626.01)                             | 130.19                 | 631.48                     | (1 050.70)             | (5.47)                     | 2.34                   | -                          | (918.17)               |
| Stage 3                            | (19.73)                              | 6.45                   | (4.28)                     | 2.18                   | 24.01                      | (54.25)                | -                          | (45.62)                |
| Changes in risk parameters         |                                      | 80.12                  |                            | (263.63)               |                            | (12.15)                | -                          | (195.66)               |
| Write-offs                         |                                      |                        |                            |                        |                            |                        | -                          | -                      |
| <b>As at 31 December 2022</b>      | <b>45 138.25</b>                     | <b>(508.38)</b>        | <b>4 537.61</b>            | <b>(1 707.30)</b>      | <b>100.57</b>              | <b>(81.97)</b>         | <b>49 776.43</b>           | <b>(2 297.65)</b>      |

**Pay for your music streaming subscription with the CABS Prepaid Mastercard and enjoy unmatched convenience.**

Sign up today at your nearest CABS Branch.

Terms and Conditions Apply



**CABS**  
A MEMBER OF THE OLD MUTUAL GROUP

**WE'LL HELP YOU GET THERE**  
A Member of the Deposit Protection Scheme.

**WE'LL HELP YOU GET THERE**

**CABS**  
A Member of the OLD MUTUAL Group

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 11 Loans and advances (continued)

### 11.6 ECL analysis (continued)

|                                    | Unaudited Historical - Unsecured loans |                        |                            |                        |                            |                        |                            |                        |
|------------------------------------|----------------------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|
|                                    | Stage 1                                |                        | Stage 2                    |                        | Stage 3                    |                        | Total                      |                        |
|                                    | Gross carrying amount ZWLm             | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm |
| <b>As at 1 January 2021</b>        | <b>1 301.05</b>                        | <b>(207.13)</b>        | <b>45.44</b>               | <b>(7.52)</b>          | <b>21.62</b>               | <b>(17.04)</b>         | <b>1 368.11</b>            | <b>(231.69)</b>        |
|                                    | <b>2 380.77</b>                        | <b>(186.93)</b>        | <b>(12.48)</b>             | <b>(9.98)</b>          | <b>24.37</b>               | <b>(7.86)</b>          | <b>2 392.66</b>            | <b>(204.77)</b>        |
| Originations and interest accruals | 3 178.32                               | (233.90)               | 19.67                      | (8.54)                 | 23.41                      | (1.08)                 | 3 221.40                   | (243.52)               |
| Repayments and derecognitions      | (791.35)                               | 46.15                  | (28.32)                    | 6.40                   | (9.07)                     | 3.40                   | (828.74)                   | 55.95                  |
| Transfer to:                       |                                        |                        |                            |                        |                            |                        |                            |                        |
| Stage 1                            | 20.54                                  | (0.48)                 | (17.54)                    | 2.22                   | (3.00)                     | 1.97                   | -                          | 3.71                   |
| Stage 2                            | (16.45)                                | 0.97                   | 16.89                      | (10.37)                | (0.44)                     | 0.24                   | -                          | (9.16)                 |
| Stage 3                            | (10.29)                                | 0.33                   | (3.18)                     | 0.31                   | 13.47                      | (12.39)                | -                          | (11.75)                |
| Changes in risk parameters         | -                                      | -                      | -                          | -                      | -                          | -                      | -                          | -                      |
| Write-offs                         | -                                      | -                      | -                          | -                      | -                          | -                      | -                          | -                      |
| <b>As at 31 December 2021</b>      | <b>3 681.82</b>                        | <b>(394.06)</b>        | <b>32.96</b>               | <b>(17.50)</b>         | <b>45.99</b>               | <b>(24.90)</b>         | <b>3 760.77</b>            | <b>(436.46)</b>        |

|                                    | Unaudited Historical - Secured loans |                        |                            |                        |                            |                        |                            |                        |
|------------------------------------|--------------------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|
|                                    | Stage 1                              |                        | Stage 2                    |                        | Stage 3                    |                        | Total                      |                        |
|                                    | Gross carrying amount ZWLm           | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm | Gross carrying amount ZWLm | Allowance for ECL ZWLm |
| <b>As at 1 January 2021</b>        | <b>4 959.82</b>                      | <b>(212.12)</b>        | <b>1 134.46</b>            | <b>(102.08)</b>        | <b>139.94</b>              | <b>(1.53)</b>          | <b>6 234.22</b>            | <b>(315.73)</b>        |
|                                    | <b>19 235.54</b>                     | <b>(650.72)</b>        | <b>(109.68)</b>            | <b>(59.42)</b>         | <b>(121.40)</b>            | <b>(5.93)</b>          | <b>19 004.46</b>           | <b>(716.07)</b>        |
| Originations and interest accruals | 17 537.40                            | (918.86)               | 205.01                     | (81.20)                | -                          | -                      | 17 742.41                  | (1 000.06)             |
| Repayments and derecognitions      | 1 261.06                             | (80.49)                | 0.52                       | (1.42)                 | 0.47                       | (2.26)                 | 1 262.05                   | (84.17)                |
| Transfer to:                       |                                      |                        |                            |                        |                            |                        |                            |                        |
| Stage 1                            | 499.96                               | (29.15)                | (435.28)                   | 58.29                  | (64.68)                    | 0.05                   | -                          | 29.19                  |
| Stage 2                            | (55.90)                              | (0.40)                 | 121.30                     | (35.09)                | (65.40)                    | 0.08                   | -                          | (35.41)                |
| Stage 3                            | (6.98)                               | 0.03                   | (1.23)                     | -                      | 8.21                       | (3.80)                 | -                          | (3.77)                 |
| Changes in risk parameters         | -                                    | 378.15                 | -                          | -                      | -                          | -                      | -                          | 378.15                 |
| Write-offs                         | -                                    | -                      | -                          | -                      | -                          | -                      | -                          | -                      |
| <b>As at 31 December 2021</b>      | <b>24 195.36</b>                     | <b>(862.84)</b>        | <b>1 024.78</b>            | <b>(161.50)</b>        | <b>18.54</b>               | <b>(7.46)</b>          | <b>25 238.68</b>           | <b>(1 031.80)</b>      |

The following factors contributed to the decrease in the 2022 allowance for ECL in hyperinflation terms:

- Change in the PD model to consider asset class and risk as opposed to days past due across the whole portfolio; and
- LGDs modelled using actual recoveries data, replacing constants used in Basel II Standardised Approach.

## 12 Non-current assets held for sale

### Opening valuation

Disposals

Fair value gain

### Closing valuation

| Audited Inflation Adjusted |                  | Unaudited Historical |                  |
|----------------------------|------------------|----------------------|------------------|
| 31 December 2022           | 31 December 2021 | 31 December 2022     | 31 December 2021 |
| ZWLm                       | ZWLm             | ZWLm                 | ZWLm             |
| <b>178.69</b>              | <b>156.59</b>    | <b>51.98</b>         | <b>28.34</b>     |
| -                          | -                | -                    | -                |
| 133.16                     | 22.10            | 259.87               | 23.64            |
| <b>311.85</b>              | <b>178.69</b>    | <b>311.85</b>        | <b>51.98</b>     |

Non-current assets held for sale comprise repossessed properties that were held as collateral on defaulted loan facilities. The Society seeks to dispose of these properties in a sale transaction.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 13 Property and equipment

|                               | Audited Inflation Adjusted    |                                    |                                        |                             |                  |                  |
|-------------------------------|-------------------------------|------------------------------------|----------------------------------------|-----------------------------|------------------|------------------|
|                               | Land at<br>fair value<br>ZWLm | Buildings at<br>fair value<br>ZWLm | Leased<br>buildings<br>at cost<br>ZWLm | Office<br>equipment<br>ZWLm | Vehicles<br>ZWLm | Total<br>ZWLm    |
| <b>31 December 2022</b>       |                               |                                    |                                        |                             |                  |                  |
| Opening net book value        | 1 632.11                      | 14 191.59                          | 545.99                                 | 3 468.45                    | 944.44           | 20 782.58        |
| Additions                     | 11.99                         | 620.91                             | -                                      | 1 077.08                    | 760.54           | 2 470.52         |
| Modifications                 | -                             | -                                  | 335.89                                 | -                           | -                | 335.89           |
| Revaluation gain              | 1 730.05                      | 12 835.44                          | -                                      | -                           | -                | 14 565.49        |
| Depreciation charge           | -                             | (347.99)                           | (109.31)                               | (1 472.63)                  | (413.80)         | (2 343.73)       |
| <b>Closing net book value</b> | <b>3 374.15</b>               | <b>27 299.95</b>                   | <b>772.57</b>                          | <b>3 072.90</b>             | <b>1 291.18</b>  | <b>35 810.75</b> |
| Cost or valuation             | 3 374.15                      | 27 299.95                          | 958.47                                 | 12 699.62                   | 3 161.26         | 47 493.45        |
| Accumulated depreciation      | -                             | -                                  | (185.90)                               | (9 626.72)                  | (1 870.08)       | (11 682.70)      |
| <b>Net book value</b>         | <b>3 374.15</b>               | <b>27 299.95</b>                   | <b>772.57</b>                          | <b>3 072.90</b>             | <b>1 291.18</b>  | <b>35 810.75</b> |
| <b>31 December 2021</b>       |                               |                                    |                                        |                             |                  |                  |
| Opening net book value        | 1 529.07                      | 12 371.23                          | 361.98                                 | 3 672.20                    | 600.31           | 18 534.79        |
| Additions                     | -                             | 108.52                             | -                                      | 1 080.12                    | 605.39           | 1 794.03         |
| Modifications                 | -                             | -                                  | 260.60                                 | -                           | -                | 260.60           |
| Revaluation gain              | 103.04                        | 1 959.27                           | -                                      | -                           | -                | 2 062.31         |
| Depreciation charge           | -                             | (247.43)                           | (76.59)                                | (1 283.87)                  | (261.26)         | (1 869.15)       |
| <b>Closing net book value</b> | <b>1 632.11</b>               | <b>14 191.59</b>                   | <b>545.99</b>                          | <b>3 468.45</b>             | <b>944.44</b>    | <b>20 782.58</b> |
| Cost or valuation             | 1 632.11                      | 14 191.59                          | 726.02                                 | 11 388.02                   | 2 184.55         | 30 122.29        |
| Accumulated depreciation      | -                             | -                                  | (180.03)                               | (7 919.57)                  | (1 240.11)       | (9 339.71)       |
| <b>Net book value</b>         | <b>1 632.11</b>               | <b>14 191.59</b>                   | <b>545.99</b>                          | <b>3 468.45</b>             | <b>944.44</b>    | <b>20 782.58</b> |
|                               | Unaudited Historical          |                                    |                                        |                             |                  |                  |
|                               | Land at<br>fair value<br>ZWLm | Buildings at<br>fair value<br>ZWLm | Leased<br>buildings<br>at cost<br>ZWLm | Office<br>equipment<br>ZWLm | Vehicles<br>ZWLm | Total<br>ZWLm    |
| <b>31 December 2022</b>       |                               |                                    |                                        |                             |                  |                  |
| Opening net book value        | 492.10                        | 4 111.05                           | 64.77                                  | 273.74                      | 168.21           | 5 109.87         |
| Additions                     | 11.15                         | 350.68                             | -                                      | 744.42                      | 291.20           | 1 397.45         |
| Modifications                 | -                             | -                                  | 291.30                                 | -                           | -                | 291.30           |
| Revaluation gain              | 2 870.90                      | 23 072.90                          | -                                      | -                           | -                | 25 943.80        |
| Depreciation charge           | -                             | (234.68)                           | (82.85)                                | (137.97)                    | (63.86)          | (519.36)         |
| <b>Closing net book value</b> | <b>3 374.15</b>               | <b>27 299.95</b>                   | <b>273.22</b>                          | <b>880.19</b>               | <b>395.55</b>    | <b>32 223.06</b> |
| Cost or valuation             | 3 374.15                      | 27 299.95                          | 380.71                                 | 1 124.42                    | 482.68           | 32 661.91        |
| Accumulated depreciation      | -                             | -                                  | (107.49)                               | (244.23)                    | (87.13)          | (438.85)         |
| <b>Net book value</b>         | <b>3 374.15</b>               | <b>27 299.95</b>                   | <b>273.22</b>                          | <b>880.19</b>               | <b>395.55</b>    | <b>32 223.06</b> |
| <b>31 December 2021</b>       |                               |                                    |                                        |                             |                  |                  |
| Opening net book value        | 276.72                        | 2 238.94                           | 31.58                                  | 114.01                      | 42.73            | 2 703.98         |
| Additions                     | -                             | 14.25                              | -                                      | 223.14                      | 147.68           | 385.07           |
| Modifications                 | -                             | -                                  | 50.76                                  | -                           | -                | 50.76            |
| Revaluation gain              | 215.38                        | 1 909.77                           | -                                      | -                           | -                | 2 125.15         |
| Depreciation charge           | -                             | (51.91)                            | (17.57)                                | (63.41)                     | (22.20)          | (155.09)         |
| <b>Closing net book value</b> | <b>492.10</b>                 | <b>4 111.05</b>                    | <b>64.77</b>                           | <b>273.74</b>               | <b>168.21</b>    | <b>5 109.87</b>  |
| Cost or valuation             | 492.10                        | 4 111.05                           | 89.42                                  | 380.76                      | 195.70           | 5 269.03         |
| Accumulated depreciation      | -                             | -                                  | (24.65)                                | (107.02)                    | (27.49)          | (159.16)         |
| <b>Net book value</b>         | <b>492.10</b>                 | <b>4 111.05</b>                    | <b>64.77</b>                           | <b>273.74</b>               | <b>168.21</b>    | <b>5 109.87</b>  |

## For the year ended 31 December 2022

**13 Property and equipment (continued)**

The carrying amount of owner-occupied property is the fair value of property as determined annually by both external and internal professional valuers, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values are determined through inferring from recent market transactions for similar properties in the same location as the Society's owner-occupied property.

Key assumptions applied in the valuation process include:

- The underlying valuation has been prepared in ZWL;
- Rentals are benchmarked in USD but payable in ZWL;
- ZWL rentals have a low default risk compared to USD rentals; and
- Softer cap rates were applied because of the valuation currency.

The properties were valued in accordance with the International Valuation Standards, with income generating properties valued using the Direct Capitalisation Method (DCM) while landholdings and residential properties were valued using the market approach. The approach was the same as previously adopted in December 2021.

Valuation inputs used were based on observed market transactions during prior and current periods. The period under review witnessed continued rent reviews to curb the impact of inflation on ZWL rentals in the market.

Capitalisation rates applied in the valuation were based on prior transactions, as well as the few observed current market transactions, with adjustments done to consider building specific factors and subject property performance. Despite the various macro-economic pressures in the market, collections and void rates for the portfolio remained steady with some pockets of improvement in sub-sectors such as industrial, retail and office parks.

### 13.1 Leased assets

Property and equipment include leased buildings.

|                                                                          | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|--------------------------------------------------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                                                                          | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| <b>13.1.1 Right of use assets</b>                                        |                            |                          |                          |                          |
| <b>Property</b>                                                          |                            |                          |                          |                          |
| Balance at the beginning of the year                                     | 545.99                     | 361.98                   | 64.77                    | 31.58                    |
| Modifications                                                            | 335.89                     | 260.60                   | 291.30                   | 50.76                    |
| Depreciation charge for the year                                         | (109.31)                   | (76.59)                  | (82.85)                  | (17.57)                  |
| <b>Balance at the end of the year</b>                                    | <b>772.57</b>              | <b>545.99</b>            | <b>273.22</b>            | <b>64.77</b>             |
| <b>13.1.2 Lease liabilities</b>                                          |                            |                          |                          |                          |
| <b>Lease liabilities included in the statement of financial position</b> |                            |                          |                          |                          |
| Current                                                                  | 290.77                     | 42.63                    | 290.77                   | 12.40                    |
| Non-current                                                              | 189.47                     | 197.97                   | 189.47                   | 57.59                    |
| <b>Total</b>                                                             | <b>480.24</b>              | <b>240.60</b>            | <b>480.24</b>            | <b>69.99</b>             |
| <b>13.2 Amounts recognised in profit or loss</b>                         |                            |                          |                          |                          |
| Interest on lease liabilities                                            | 91.97                      | 79.34                    | 63.21                    | 20.38                    |
| Depreciation charge for the year                                         | 109.31                     | 76.59                    | 82.85                    | 17.57                    |
|                                                                          | <b>201.28</b>              | <b>155.93</b>            | <b>146.06</b>            | <b>37.95</b>             |

The Society paid a total of ZWL200.40m towards rental and other operating costs.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

|                               | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|-------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                               | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| <b>14 Investment property</b> |                            |                          |                          |                          |
| Opening fair value            | 8 188.63                   | 7 103.52                 | 2 382.09                 | 1 285.59                 |
| Additions                     | -                          | 10.66                    | -                        | 2.48                     |
| Fair value gain               | 6 681.31                   | 1 074.45                 | 12 487.85                | 1 094.02                 |
| <b>Closing fair value</b>     | <b>14 869.94</b>           | <b>8 188.63</b>          | <b>14 869.94</b>         | <b>2 382.09</b>          |

The Society's current lease arrangements, which are entered into on an arm's length basis, and which are comparable to those for similar properties in the same location, are considered. Rentals are reviewed regularly in response to inflation.

Details of the valuation methodology have been disclosed in notes 13 and 21.

A full list of locations where land and buildings are situated can be viewed at the Society's head office at Northridge Park, Harare. The properties are leased out under operating leases to various tenants. The initial contracts are for a minimum period of twelve months after which they may be extended as negotiated.

Assets pledged as security are disclosed in note 17.

|                                      | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|--------------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                                      | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| <b>15 Intangible assets</b>          |                            |                          |                          |                          |
| <b>Opening carrying amount</b>       |                            |                          |                          |                          |
| Cost                                 | 7 570.72                   | 7 291.76                 | 231.42                   | 112.79                   |
| Accumulated amortisation             | (4 598.90)                 | (4 337.33)               | (32.46)                  | (19.99)                  |
|                                      | <b>2 971.82</b>            | <b>2 954.43</b>          | <b>198.96</b>            | <b>92.80</b>             |
| <b>Movement in intangible assets</b> |                            |                          |                          |                          |
| Additions                            | -                          | 500.58                   | -                        | 123.63                   |
| Reclassifications                    | (1 838.50)                 | (220.70)                 | -                        | (5.13)                   |
| Amortisation charge                  | (353.65)                   | (262.49)                 | (37.11)                  | (12.34)                  |
|                                      | <b>(2 192.15)</b>          | <b>17.39</b>             | <b>(37.11)</b>           | <b>106.16</b>            |
| <b>Closing carrying amount</b>       |                            |                          |                          |                          |
| Cost                                 | 1 649.86                   | 7 570.72                 | 231.42                   | 231.42                   |
| Accumulated amortisation             | (870.19)                   | (4 598.90)               | (69.57)                  | (32.46)                  |
|                                      | <b>779.67</b>              | <b>2 971.82</b>          | <b>161.85</b>            | <b>198.96</b>            |

Intangible assets comprise right of use licences.

### Banking that fits into your lifestyle.

**CABS Banking on WhatsApp.**  
To start banking send "Hi" to 0777 227 227.

\*Terms & Conditions Apply

**CABS**  
A MEMBER OF THE OLD MUTUAL GROUP

**WE'LL HELP YOU GET THERE**  
A Member of the Deposit Protection Scheme.

WE'LL HELP YOU GET THERE

**CABS**  
A Member of the OLD MUTUAL Group

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

|                                          | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|------------------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                                          | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| <b>16 Deposits</b>                       |                            |                          |                          |                          |
| Money market deposits                    | 25 163.10                  | 8 300.14                 | 25 163.10                | 2 414.53                 |
| Term deposits                            | -                          | -                        | -                        | -                        |
| Savings deposits                         | 113 248.49                 | 88 621.20                | 113 248.49               | 25 780.11                |
|                                          | <b>138 411.59</b>          | <b>96 921.34</b>         | <b>138 411.59</b>        | <b>28 194.64</b>         |
| <b>Maturity analysis</b>                 |                            |                          |                          |                          |
| Less than 1 month                        | 125 136.75                 | 88 621.19                | 125 136.75               | 25 780.11                |
| 1 to 3 months                            | 11 892.85                  | -                        | 11 892.85                | -                        |
| 3 to 6 months                            | 1 241.07                   | -                        | 1 241.07                 | -                        |
| 6 months to 1 year                       | 66.38                      | 1 980.11                 | 66.38                    | 576.02                   |
| 1 to 5 years                             | 46.83                      | 6 206.45                 | 46.83                    | 1 805.47                 |
| Over 5 years                             | 27.71                      | 113.59                   | 27.71                    | 33.04                    |
| <b>Gross nominal outflow</b>             | <b>138 411.59</b>          | <b>96 921.34</b>         | <b>138 411.59</b>        | <b>28 194.64</b>         |
| <b>Concentration</b>                     |                            |                          |                          |                          |
| Financial institutions                   | 37 636.86                  | 22 529.08                | 37 636.86                | 6 553.76                 |
| Companies                                | 73 357.18                  | 56 404.98                | 73 357.18                | 16 408.34                |
| Individuals                              | 27 417.55                  | 17 987.28                | 27 417.55                | 5 232.54                 |
|                                          | <b>138 411.59</b>          | <b>96 921.34</b>         | <b>138 411.59</b>        | <b>28 194.64</b>         |
|                                          | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|                                          | 31 December 2022<br>%      | 31 December 2021<br>%    | 31 December 2022<br>%    | 31 December 2021<br>%    |
| <b>Concentration</b>                     |                            |                          |                          |                          |
| Financial institutions                   | 27.19%                     | 23.24%                   | 27.19%                   | 23.24%                   |
| Companies                                | 53.00%                     | 58.20%                   | 53.00%                   | 58.20%                   |
| Individuals                              | 19.81%                     | 18.56%                   | 19.81%                   | 18.56%                   |
|                                          | <b>100.00%</b>             | <b>100.0%</b>            | <b>100.00%</b>           | <b>100.00%</b>           |
|                                          | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|                                          | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| <b>17 Credit lines</b>                   |                            |                          |                          |                          |
| African Export-Import Bank (Afreximbank) | 36 975.30                  | 16 355.08                | 36 975.30                | 4 757.73                 |
| European Investment Bank (EIB)           | 12 707.35                  | 6 658.11                 | 12 707.35                | 1 936.86                 |
| Norsad Capital Limited (Norsad)          | 6 904.94                   | -                        | 6 904.94                 | -                        |
| Shelter Afrique                          | 801.90                     | 981.64                   | 801.90                   | 285.56                   |
| Trade and Development Bank (TDB)         | 17 483.98                  | 9 452.58                 | 17 483.98                | 2 749.78                 |
|                                          | <b>74 873.47</b>           | <b>33 447.41</b>         | <b>74 873.47</b>         | <b>9 729.93</b>          |
| <b>Maturity analysis</b>                 |                            |                          |                          |                          |
| Less than 1 month                        | 7 052.31                   | -                        | 7 052.31                 | -                        |
| 1 to 3 months                            | 5 118.82                   | 2 174.41                 | 5 118.82                 | 632.54                   |
| 3 to 6 months                            | 9 875.13                   | 1 677.02                 | 9 875.13                 | 487.85                   |
| 6 months to 1 year                       | 10 051.40                  | 11 257.49                | 10 051.40                | 3 274.83                 |
| 1 year to five years                     | 42 775.81                  | 18 338.49                | 42 775.81                | 5 334.71                 |
|                                          | <b>74 873.47</b>           | <b>33 447.41</b>         | <b>74 873.47</b>         | <b>9 729.93</b>          |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 17 Credit lines (continued)

|                                      | Currency | Nominal amount | Maturity date    |
|--------------------------------------|----------|----------------|------------------|
| Afreximbank<br>3 months LIBOR + 5.5% | US\$     | 40 000 000     | 20 June 2023     |
| Afreximbank<br>3 months LIBOR + 5.5% | US\$     | 40 000 000     | 1 December 2025  |
| EIB<br>Fixed rate 4.1030%            | EUR      | 15 000 000     | 2 August 2028    |
| Norsad<br>3 months SOFR + 9%         | US\$     | 10 000 000     | 26 October 2025  |
| Shelter Afrique<br>Fixed rate 12.37% | US\$     | 9 600 000      | 31 December 2023 |
| TDB<br>12 months LIBOR + 6.75%       | US\$     | 18 300 000     | 19 October 2023  |
| TDB<br>6 months LIBOR + 6.75%        | US\$     | 6 666 667      | 26 October 2024  |

As security for the TDB loan the Society registered bonds and issued powers of attorney to register bonds (in the event of default) over properties with a total value of ZWL17.11 bn as at 31 December 2022 (both investment properties and owner occupied properties). The Shelter Afrique loan is secured by a guarantee from OMZIL as well as a cession of the performing loan book covering two times the exposure at any given time. The Afreximbank facility is secured by a first-ranking fixed charge over the balance from time to time on the collection account; promissory notes to a value equivalent to 100% of the relevant utilisation; an assignment agreement relating to an assignment provided by the Society in favour of Afreximbank in respect of all CABS security. A new facility was acquired from Norsad in October 2022. This facility is secured by a cession of receivables from loans funded by Norsad and negative pledge over the Society's assets.

### 18 Trade and other liabilities

|                                 | Audited Inflation Adjusted |                  | Unaudited Historical |                  |
|---------------------------------|----------------------------|------------------|----------------------|------------------|
|                                 | 31 December 2022           | 31 December 2021 | 31 December 2022     | 31 December 2021 |
|                                 | ZWLm                       | ZWLm             | ZWLm                 | ZWLm             |
| Trade payables                  | 7 177.09                   | 6 744.36         | 7 177.09             | 1 961.95         |
| Other non-financial liabilities | -                          | 48.23            | -                    | 14.03            |
| Other financial liabilities     | 3 658.13                   | 978.81           | 3 658.13             | 280.28           |
| Lease liability                 | 480.24                     | 240.60           | 480.24               | 69.99            |
| Deferred revenue                | 1 544.16                   | 1 896.86         | 999.61               | 426.29           |
|                                 | <b>12 859.62</b>           | <b>9 908.86</b>  | <b>12 315.07</b>     | <b>2 752.54</b>  |

Included in other financial liabilities are employee related accruals.

### 19 Deferred taxation

|                                  |                 |                 |                 |               |
|----------------------------------|-----------------|-----------------|-----------------|---------------|
| As at the beginning of the year  | 1 212.47        | 1 058.81        | 352.71          | 191.62        |
| Other timing differences         | 1 216.16        | 153.66          | 2 075.92        | 161.09        |
| <b>As at the end of the year</b> | <b>2 428.63</b> | <b>1 212.47</b> | <b>2 428.63</b> | <b>352.71</b> |

Deferred tax is comprised of potential capital gains tax on properties.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

|                                                                                | Audited Inflation Adjusted<br>31 December<br>2022<br>ZWLm | 31 December<br>2021<br>ZWLm | Unaudited Historical<br>31 December<br>2022<br>ZWLm | 31 December<br>2021<br>ZWLm |
|--------------------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------|-----------------------------------------------------|-----------------------------|
| <b>20 Share capital and reserves</b>                                           |                                                           |                             |                                                     |                             |
| <b>20.1 Ordinary class "A" share capital</b>                                   |                                                           |                             |                                                     |                             |
| Comprising 35 000 000 authorised,<br>issued and fully paid shares of \$1 each. | <b>7 659.38</b>                                           | <b>7 659.38</b>             | <b>35.00</b>                                        | <b>35.00</b>                |

The Board may, at its discretion from time to time, issue Ordinary class "A" shares in denominations of \$1 each or multiples thereof and all such shares shall carry dividends payable out of the available surplus of the Society.

|                                          | Audited Inflation Adjusted<br>31 December<br>2022<br>ZWLm | 31 December<br>2021<br>ZWLm | Unaudited Historical<br>31 December<br>2022<br>ZWLm | 31 December<br>2021<br>ZWLm |
|------------------------------------------|-----------------------------------------------------------|-----------------------------|-----------------------------------------------------|-----------------------------|
| <b>20.2 Retained earnings</b>            |                                                           |                             |                                                     |                             |
| As at the beginning of the year          | 38 835.54                                                 | 20 272.82                   | 8 887.99                                            | 2 640.69                    |
| Net surplus for the year                 | 29 557.26                                                 | 20 229.09                   | 53 543.72                                           | 6 597.30                    |
| Dividend                                 | (2 316.88)                                                | (1 666.37)                  | (1 500.00)                                          | (350.00)                    |
| Transfer between reserves                | (1 470.63)                                                | -                           | (1 472.30)                                          | -                           |
| <b>As at the end of the year</b>         | <b>64 605.29</b>                                          | <b>38 835.54</b>            | <b>59 459.41</b>                                    | <b>8 887.99</b>             |
| <b>20.3 Regulatory provision reserve</b> |                                                           |                             |                                                     |                             |
| As at the beginning of the year          | -                                                         | -                           | -                                                   | -                           |
| Regulatory impairment allowance          | 1 470.63                                                  | -                           | 1 470.63                                            | -                           |
| <b>As at the end of the year</b>         | <b>1 470.63</b>                                           | <b>-</b>                    | <b>1 470.63</b>                                     | <b>-</b>                    |
| <b>20.4 Non-distributable reserve</b>    | <b>316.50</b>                                             | <b>316.50</b>               | <b>1.45</b>                                         | <b>1.45</b>                 |
| <b>20.5 Revaluation reserve</b>          |                                                           |                             |                                                     |                             |
| As at the beginning of the year          | 10 568.43                                                 | 8 506.12                    | 4 376.14                                            | 2 358.35                    |
| Transfer between reserves                | -                                                         | -                           | 1.67                                                | -                           |
| Revaluation of property                  | 13 690.05                                                 | 2 062.31                    | 24 505.25                                           | 2 017.79                    |
| <b>As at the end of the year</b>         | <b>24 258.48</b>                                          | <b>10 568.43</b>            | <b>28 883.06</b>                                    | <b>4 376.14</b>             |
| <b>20.6 Share-based payment reserve</b>  |                                                           |                             |                                                     |                             |
| As at the beginning of the year          | 1 270.32                                                  | 1 270.32                    | 5.82                                                | 5.82                        |
| Fair value gain                          | -                                                         | -                           | -                                                   | -                           |
| <b>As at the end of the year</b>         | <b>1 270.32</b>                                           | <b>1 270.32</b>             | <b>5.82</b>                                         | <b>5.82</b>                 |

EezySend

Send and receive USD cash  
at any CABS Branch.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 21 Determination of fair value of financial and non-financial assets

#### 21.1 Fair value hierarchy

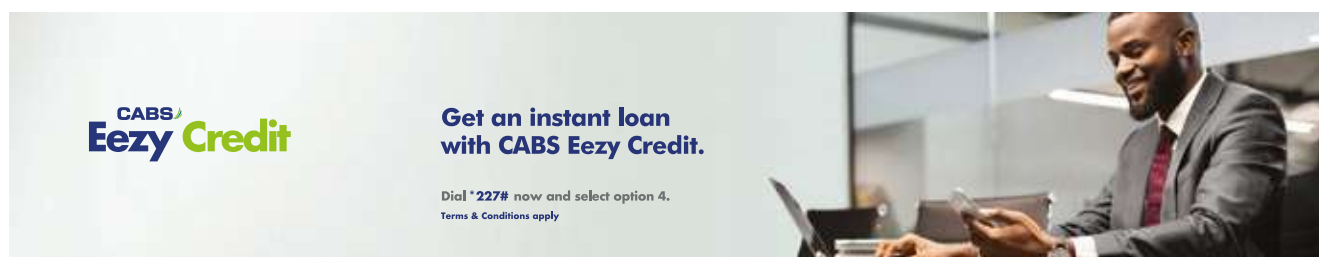
| Description of hierarchy                                                                                                                                                                                                                                                                                                              | Types of instruments classified in the respective levels                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.                                                                                                                                                                                                      | Listed equity securities, listed government securities and other listed debt securities and similar instruments that are actively traded.                                              |
| Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable. | Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data, with a majority determined with reference to observable prices. |
| Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.                                                                                                                                       | Unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments. |

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process. All businesses have significant processes in place to perform reviews of the appropriateness of the valuation of Level 3 instruments.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs.

In this context, 'unobservable' means that there is little or no current market data available for which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs. Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured.

The Society deems a transfer to have occurred between Level 1 and Level 2 when an active, traded primary market ceases to exist for that financial instrument. A transfer between Level 2 and Level 3 occurs when the majority of the significant inputs used to determine fair value of the instrument become unobservable.



**CABS Eezy Credit**

**Get an instant loan with CABS Eezy Credit.**

Dial \*227# now and select option 4.  
Terms & Conditions apply

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 21 Determination of fair value of financial and non-financial assets (continued)

### 21.1 Fair value hierarchy

The table below analyses assets 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. Financial instruments whose carrying amount approximate fair value have been excluded from the analysis below.

|                                                         |       | Audited Inflation Adjusted |                 |                 |               |
|---------------------------------------------------------|-------|----------------------------|-----------------|-----------------|---------------|
|                                                         | Notes | Level 1<br>ZWLm            | Level 2<br>ZWLm | Level 3<br>ZWLm | Total<br>ZWLm |
| As at 31 December 2022                                  |       |                            |                 |                 |               |
| Assets at fair value through profit or loss             |       |                            |                 |                 |               |
| Investment in equity                                    | 10    | -                          | -               | 3 867.04        | 3 867.04      |
| Investment property                                     | 14    | -                          | -               | 14 869.94       | 14 869.94     |
| Non-current assets held for sale                        | 12    | -                          | -               | 311.85          | 311.85        |
| Assets at fair value through other comprehensive income |       |                            |                 |                 |               |
| Owner-occupied property (land and buildings)            | 13    | -                          | -               | 30 674.10       | 30 674.10     |
|                                                         |       | -                          | -               | 49 722.93       | 49 722.93     |

### As at 31 December 2021

#### Assets at fair value through profit or loss

|                                  |    |   |   |          |          |
|----------------------------------|----|---|---|----------|----------|
| Investment in equity             | 10 | - | - | 3 756.24 | 3 756.24 |
| Investment property              | 14 | - | - | 8 188.63 | 8 188.63 |
| Non-current assets held for sale | 12 | - | - | 178.69   | 178.69   |

#### Assets at fair value through other comprehensive income

|                                              |    |   |   |                  |                  |
|----------------------------------------------|----|---|---|------------------|------------------|
| Owner-occupied property (land and buildings) | 13 | - | - | 15 823.70        | 15 823.70        |
|                                              |    | - | - | <b>27 947.26</b> | <b>27 947.26</b> |

|  |  | Unaudited Historical |                 |                 |               |
|--|--|----------------------|-----------------|-----------------|---------------|
|  |  | Level 1<br>ZWLm      | Level 2<br>ZWLm | Level 3<br>ZWLm | Total<br>ZWLm |

### As at 31 December 2022

#### Assets at fair value through profit or loss

|                                  |    |   |   |           |           |
|----------------------------------|----|---|---|-----------|-----------|
| Investment in equity             | 10 | - | - | 3 867.04  | 3 867.04  |
| Investment property              | 14 | - | - | 14 869.94 | 14 869.94 |
| Non-current assets held for sale | 12 | - | - | 311.85    | 311.85    |

#### Assets at fair value through other comprehensive income

|                                              |    |   |   |                  |                  |
|----------------------------------------------|----|---|---|------------------|------------------|
| Owner-occupied property (land and buildings) | 13 | - | - | 30 674.10        | 30 674.10        |
|                                              |    | - | - | <b>49 722.93</b> | <b>49 722.93</b> |

### As at 31 December 2021

#### Assets at fair value through profit or loss

|                                  |    |   |   |          |          |
|----------------------------------|----|---|---|----------|----------|
| Investment in equity             | 10 | - | - | 1 092.70 | 1 092.70 |
| Investment property              | 14 | - | - | 2 382.09 | 2 382.09 |
| Non-current assets held for sale | 12 | - | - | 51.98    | 51.98    |

#### Assets at fair value through other comprehensive income

|                                              |    |   |   |                 |                 |
|----------------------------------------------|----|---|---|-----------------|-----------------|
| Owner-occupied property (land and buildings) | 13 | - | - | 4 603.15        | 4 603.15        |
|                                              |    | - | - | <b>8 129.92</b> | <b>8 129.92</b> |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 21 Determination of fair value of financial and non-financial assets (continued)

#### 21.2 Reconciliation of level 3 items

|                                                       | Audited Inflation Adjusted  |                             | Unaudited Historical        |                             |
|-------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                                       | 31 December<br>2022<br>ZWLm | 31 December<br>2021<br>ZWLm | 31 December<br>2022<br>ZWLm | 31 December<br>2021<br>ZWLm |
| <b>Balance as at 1 January</b>                        | 27 947.28                   | 21 912.27                   | 8 129.92                    | 3 965.67                    |
| Additions                                             | 632.89                      | 292.70                      | 361.85                      | 55.66                       |
| Depreciation recognised<br>on owner occupied property | (347.99)                    | (247.44)                    | (234.68)                    | (51.91)                     |
| <b>Gains or losses for the period:</b>                |                             |                             |                             |                             |
| Fair value gain through profit or loss                | 6 925.27                    | 3 927.44                    | 15 522.05                   | 2 035.35                    |
| Revaluation gain on owner occupied property           | 14 565.48                   | 2 062.31                    | 25 943.79                   | 2 125.15                    |
| <b>Closing balance</b>                                | <b>49 722.93</b>            | <b>27 947.28</b>            | <b>49 722.93</b>            | <b>8 129.92</b>             |

The fair value of the Society's properties are categorised into Level 3 of the fair value hierarchy through their use of unobservable units.

#### 21.3 Fair value estimation

The table below analyses assets carried at fair value by the valuation method. The different levels have been defined as follows; quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1) inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is as prices or indirectly (that is, derived from prices) (level 2) and inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

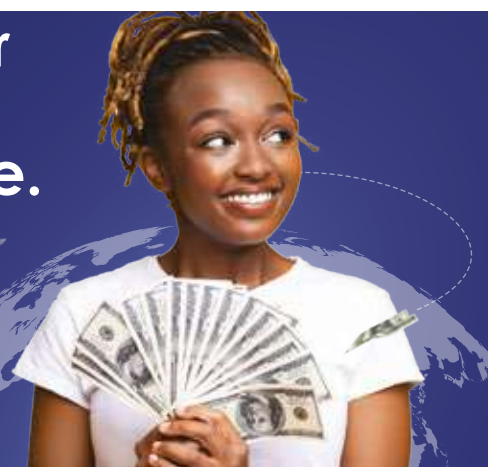
##### Effect of changes in significant unobservable assumptions to reasonable possible alternatives

Favourable and unfavourable changes are determined on the basis of changes in the value of the financial asset or liability as a result of varying the levels of the unobservable parameters using statistical techniques. When parameters are not amenable to statistical analysis quantification of uncertainty is judgemental.

When the fair value of a financial asset or liability is affected by more than one unobservable assumption, the figures shown reflect the most favourable or most unfavourable change from varying the assumptions individually.

The valuations of the private equity investments are performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines. In determining the valuation of the investment the principal assumption used is the valuation multiples applied to the main financial indicators (such as adjusted earnings). The source of these multiples may include multiples for comparable listed companies which have been adjusted for discounts for non-tradability and valuation multiples earned on transactions in comparable sectors.

Receive **money** from your loved ones and collect at CABS Branches nationwide.



WE'LL HELP YOU GET THERE

**CABS**  
A Member of the OLD MUTUAL Group

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 21 Determination of fair value of financial and non-financial assets (continued)

#### 21.3 Fair value estimation (continued)

##### Effect of changes in significant unobservable assumptions to reasonable possible alternatives (continued)

| Type of property                                                                        | Key observable inputs                                                                                                                                                                                                                                                                                                                                                                    | Inter-relationships between unobservable inputs and key fair value measurements                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Office and retail properties<br><br><i>Valuation approach:</i><br>Income capitalisation | <b>Office</b> <ul style="list-style-type: none"> <li>Capitalisation rates: 6.3% to 9.0%</li> <li>Market rentals per m2: ZWL 3 200 to ZWL 6 100</li> <li>Vacancy rates: 0% to 54%</li> </ul> <b>Retail</b> <ul style="list-style-type: none"> <li>Capitalisation rates: 6.5% to 9.0%</li> <li>Market rentals per m2: ZWL 2 000 to ZWL 7 000</li> <li>Vacancy rates: 0% to 100%</li> </ul> | <p>The estimated fair value would increase/(decrease) if</p> <ul style="list-style-type: none"> <li>&gt; net rental income increased/(decreased)</li> <li>&gt; capitalisation rates are lower/(higher)</li> <li>&gt; vacancies decreased/(increased)</li> </ul> <p>The estimated fair value would decrease if the unobservable inputs changed the other way.</p> |
| Residential<br><br><i>Valuation approach:</i><br>Direct comparison/<br>Market approach  | Residential rent from ZWL 200 000 to ZWL 500 000                                                                                                                                                                                                                                                                                                                                         | The estimated fair value would increase/(decrease) if prices for comparable properties increased/(decreased).                                                                                                                                                                                                                                                    |
| Land<br><br><i>Valuation approach:</i><br>Direct comparison/<br>Market approach         | Land value per m2: ZWL 13 700                                                                                                                                                                                                                                                                                                                                                            | The estimated fair value would increase/(decrease) if prices for comparable properties increased/(decreased).                                                                                                                                                                                                                                                    |



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 21 Determination of fair value of financial and non-financial assets (continued)

#### 21.3 Fair value estimation (continued)

##### Effect of changes in significant unobservable assumptions to reasonable possible alternatives (continued)

##### Sensitivity analysis

The table below shows a sensitivity analysis of the property values.

| Sensitivity analysis - Valuation inputs                                                | ZWLm                            |
|----------------------------------------------------------------------------------------|---------------------------------|
| Sensitivity analysis                                                                   | Fair value increase/ (decrease) |
| An increase of 1% in capitalisation rates would decrease the fair value by:            | (5 344.47)                      |
| A decrease of 1% in capitalisation rates would increase the fair value by:             | 7 153.66                        |
| A 10% increase in market rentals per m <sup>2</sup> would increase the fair value by:  | 4 289.06                        |
| A 10% decrease in market rentals per m <sup>2</sup> would decrease the fair value by:  | (4 289.06)                      |
| An increase of 10% in land value per m <sup>2</sup> would increase the fair value by:  | 705.72                          |
| A decrease of 10% in land value per m <sup>2</sup> would (decrease) the fair value by: | (705.72)                        |

#### 21.3 Fair value hierarchy for assets and liabilities not measured at fair value

Certain financial instruments of the Society are not carried at fair value principally treasury bills investments securities loans and advances credit lines and other financial assets and financial liabilities at amortised cost.

##### Treasury bills and investment securities

For investment securities and treasury bills presented within note 9 at amortised cost in terms of IFRS 9 and therefore not carried at fair value the fair value has been determined based either on discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 3).

##### Loans and advances

Loans and advances presented within note 11 at amortised cost in terms of IFRS 9 and therefore not carried at fair value principally comprise of fixed rate financial assets and are classified as Level 3.

Loans and advances are not actively traded in most markets and it is therefore not possible to determine the fair value of these loans and advances using observable market prices and market inputs. Due to the unique characteristics of the loans and advances portfolio and the fact that there have been no recent transactions involving the disposals of such loans and advances there is no basis to determine a price that could be negotiated between market participants in an orderly transaction. The Society is not currently in the position of a forced sale of such underlying loans and advances and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

For specifically impaired loans and advances the carrying value as determined after consideration of the Society's IFRS 9 credit impairments is considered the best estimate of fair value.

##### Credit lines

Credit lines presented within note 17 as financial liabilities at amortised cost in terms of IFRS 9 are not carried at fair value. The fair value is determined using either available market prices (Level 1) or discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 2).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 22 Related party disclosures

#### Group companies

The Society is a wholly owned subsidiary of Old Mutual Zimbabwe Limited, a company with interests in insurance, asset management, unit trusts and property management. The ultimate holding company is Old Mutual Limited, which is a Company incorporated and registered in South Africa.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and money market investments. The Society's assets are insured through a related party, Old Mutual Insurance Company (Private) Limited, a subsidiary of the holding company. Other fellow group companies are as follows:

#### Subsidiaries of parent company

- Old Mutual Investment Group Zimbabwe (Private) Limited;
- Old Mutual Life Assurance Company Zimbabwe Limited;
- Old Mutual Property Zimbabwe (Private) Limited;
- Old Mutual Securities (Private) Limited;
- Old Mutual Finance (Private) Limited; and
- RM Insurance Holdings (100% shareholder of Old Mutual Insurance Company (Private) Limited).

#### Key management personnel

Key management personnel include members of the executive committee who are the Managing Director, Deputy Managing Director, Chief Finance Officer, General Manager Commercial Services, Head of Risk, Head of Human Capital, Head of Treasury, Head of Compliance, Head of Credit, General Manager Operations and Retail Banking, Head of Custodial Services, Head of Marketing, Chief Internal Auditor and Head of Information and Communication Technology.

#### 22.1 Loans to Directors

Opening balance  
Issued during the year  
Interest and insurance charges  
Repayments during the year  
Monetary adjustment  
**Closing balance**

| Audited Inflation Adjusted |                  | Unaudited Historical |                  |
|----------------------------|------------------|----------------------|------------------|
| 31 December 2022           | 31 December 2021 | 31 December 2022     | 31 December 2021 |
| ZWLm                       | ZWLm             | ZWLm                 | ZWLm             |
| 3.57                       | 35.68            | 1.04                 | 10.38            |
| 27.70                      | -                | 15.25                | -                |
| 11.54                      | 17.84            | 6.35                 | 5.19             |
| (40.03)                    | (49.95)          | (22.04)              | (14.53)          |
| (2.18)                     | -                | -                    | -                |
| <b>0.60</b>                | <b>3.57</b>      | <b>0.60</b>          | <b>1.04</b>      |

Loans and advances to Directors are made on the same terms and conditions as in the normal course of business at arm's length, except for the executive Directors' that are in accordance with staff loan schemes.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

|                                                                                                                                                               | Audited Inflation Adjusted  |                             | Unaudited Historical        |                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                                                                                                                                               | 31 December<br>2022<br>ZWLm | 31 December<br>2021<br>ZWLm | 31 December<br>2022<br>ZWLm | 31 December<br>2021<br>ZWLm |
| <b>22.2 Balances with group companies</b>                                                                                                                     |                             |                             |                             |                             |
| During the year, the Society had transactions with group companies and the outstanding balances at year end were:                                             |                             |                             |                             |                             |
| Amounts due to fellow subsidiaries                                                                                                                            | 1 096.17                    | 322.20                      | 1 096.17                    | 93.73                       |
| Amounts due from fellow subsidiaries                                                                                                                          | 129.12                      | 107.84                      | 129.12                      | 31.37                       |
| Amounts due to the holding company                                                                                                                            | 757.50                      | 636.88                      | 757.50                      | 185.27                      |
| <b>22.3 Transactions with group companies</b>                                                                                                                 |                             |                             |                             |                             |
| The Society entered into normal business transactions with Group companies. Income earned and interest paid in respect to these transactions as listed below: |                             |                             |                             |                             |
| Interest payable to fellow subsidiaries                                                                                                                       | 229.15                      | 129.15                      | 229.15                      | 37.61                       |
| Outsourced services to Group companies                                                                                                                        | 35.61                       | 39.74                       | 35.61                       | 11.56                       |
| <b>22.4 Loans to key management personnel</b>                                                                                                                 | 673.35                      | 169.99                      | 673.35                      | 49.45                       |
| These loans were granted at arm's length.                                                                                                                     |                             |                             |                             |                             |
| <b>22.5 Compensation of key management personnel</b>                                                                                                          |                             |                             |                             |                             |
| The remuneration of Directors and other members of key management during the year was as follows:                                                             |                             |                             |                             |                             |
| Short term benefits                                                                                                                                           | 3 557.87                    | 2 207.37                    | 2 478.30                    | 514.54                      |
| Post employment benefits                                                                                                                                      | 30.34                       | 32.59                       | 19.85                       | 7.72                        |
| Severance pay                                                                                                                                                 | -                           | 94.60                       | -                           | 27.52                       |
|                                                                                                                                                               | <b>3 588.21</b>             | <b>2 334.56</b>             | <b>2 498.15</b>             | <b>549.78</b>               |
| <b>22.6 Directors' fees</b>                                                                                                                                   | <b>111.49</b>               | <b>109.35</b>               | <b>111.49</b>               | <b>25.18</b>                |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

| 23 Post employment employee benefits | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|--------------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                                      | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| Old Mutual Group Pension Fund        | 148.07                     | 205.02                   | 93.40                    | 48.02                    |
| NSSA                                 | 116.12                     | 44.41                    | 86.40                    | 10.66                    |
|                                      | <b>264.19</b>              | <b>249.43</b>            | <b>179.80</b>            | <b>58.68</b>             |

### Old Mutual Group Pension Fund - Defined contribution fund

The pension fund is a defined contribution pension fund and the amount of benefits is determined by contributions made into the fund plus profits that are declared from time to time by the fund's trustees. The contributions to the pension fund by the employer are charged to the statement of profit or loss.

### National Social Security Authority (NSSA)

All employees are members of the National Social Security Authority, which includes the Workmen's Compensation Fund, to which both the employer and the employees contribute.

## 24 Share-based payments

### 24.1.1 OMZIL Management Incentive Share Scheme

This scheme operates for the benefit of management and its primary purpose is to attract, reward and retain senior and middle management. Share allocations vest three years after the allocation date, subject to the condition that the participant remains in the OMZIL Group's employment for the three years. Prior to vesting, participants are to be paid dividends in respect of the shares allocated.

### 24.1.2 Composition of share-based payment liabilities

|                        | Audited Inflation Adjusted |                          | Unaudited Historical     |                          |
|------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
|                        | 31 December 2022<br>ZWLm   | 31 December 2021<br>ZWLm | 31 December 2022<br>ZWLm | 31 December 2021<br>ZWLm |
| <b>Total liability</b> | <b>1 270.32</b>            | <b>1 270.32</b>          | <b>5.82</b>              | <b>5.82</b>              |

## Get Your Green Bucks from selected CABS ATMs

| CITY     | AREA                                                              | OTHER TOWNS/CITIES                         |
|----------|-------------------------------------------------------------------|--------------------------------------------|
| Bulawayo | Jason Moyo                                                        | Kariba                                     |
| Harare   | Park Street<br>First Street<br>Central Avenue<br>North Ridge Park | Vic Falls<br>Chiredzi<br>Gweru<br>Masvingo |
| Mutare   | Herbert Chitepo                                                   |                                            |

USD cash withdrawal for Mastercard and Visa international bank cards on selected ATMs nationwide.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 25 Risk management

The CABS risk management framework is enshrined in the three lines of assurance principle of enterprise risk management, where all officers in the institution are responsible for risk management, albeit with differing levels of responsibility.

The eight principles of CABS' enterprise risk management policy are: risk management skills, competencies and resources; risk governance; risk culture; risk strategy and appetite; risk identification, assessment, management, monitoring and reporting; risk acceptance; risk transfer; and combined assurance.

CABS's risk universe is clearly defined, monitored and managed through the Society's risk management framework. The Society's major risks are:

- Credit risk;
- Liquidity risk;
- Market risk;
- Compliance risk;
- Operational risks;
- Strategic risk;
- Reputational risk; and
- Conduct risk.

#### 25.1 Credit risk

Credit risk is the risk of financial loss to the Society if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Society's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Society considers and consolidates all elements of risk exposure (such as individual obligor default risk, country and sector risk). Climate risk, as well as Environmental, Social and Governance (ESG) related issues are also considered when assessing credit risk.

##### Impaired loans and securities

Impaired loans and securities are loans and securities for which the Society determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreements.

##### Past due but not impaired loans

These are loans and securities where contractual interest or principal payments are past due but the Society believes that impairment is not appropriate, on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Society.

##### Exposure to counterparties

The Society is also exposed to counterparties arising from money market trading.

##### Loans and advances renegotiated

Restructuring of loans include extended repayment arrangements, modifications and deferral of repayments. Restructuring policies and practices are based on indicators and criteria that in the judgment of management, indicate that repayments will most likely continue. These policies are kept under continuous review.

##### The Early Alert and Classified Accounts Committees

The main function of the Early Alert Committee is to timely identify, promptly report and proactively manage credit risk with a view to identifying accounts with a potential to deteriorate in terms of asset quality, on an ongoing basis. The Classified Accounts Committee reviews and monitors non-performing loans including the recovery progress thereof and recommend recovery strategies with a view to ensuring speedy and complete recoveries.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 25 Risk management (continued)

#### 25.1 Credit risk (continued)

##### The Management Credit Committee

The Management Credit Committee (MCC) is responsible for implementing the Board approved risk management strategies and policies for the management of credit risk under the oversight of the Board Credit Committee. The applicable activities include:

- Formulating credit policies in consultation with business units covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to senior managers, members of MCC, the Board Credit Committee and the Board of Directors according to the size of facility;
- Reviewing and assessing credit risk. The Society's Board Credit Committee assesses all credit exposures in excess of designated limits prior to facilities being committed to customers. Renewal and review of facilities are subject to the same review process;
- Limiting concentration of exposure to counterparties and industries (for loans and advances), as well as by issuer, credit rating band, market and liquidity (for investment securities);
- Reviewing compliance with agreed exposure limits including those for selected industries and product types. Regular reports are provided to the Society's Board Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken;
- Providing advice, guidance and specialist skills to promote best practice throughout the Society in the management of credit risk;
- Overseeing the development and implementation of appropriate management reporting system (Credit MIS) within the institution;
- Regular audits of the Society's credit processes are undertaken by Internal Audit Department; and
- Capital requirements for credit risk are subject to Basel II Modified Standardised approach.

##### Write-off policy

The Society writes off a loan when the Management Credit Committee determines that the loans/securities are uncollectible. The determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

##### Credit risk mitigation

Credit risk mitigation refers to the actions that can be taken by the Society to manage its exposure to credit risk so as to align such exposure with its risk appetite. This is influenced by external forces such as the economic cycle or internal factors such as a change in risk appetite. Credit risk mitigation normally focuses on taking on collateral, as well as the management of such collateral.

In granting a credit facility, the Society considers both the counterparty's collateral and financial position. Should a counterparty be unable to settle its obligations, the Society takes possession of collateral as full or part settlement of such amounts. In general, the Society seeks to dispose the collateral which is not readily convertible into cash as soon as the market for the relevant asset permits. Non-current assets held for sale (note 12) represent repossessed collateral property which the Society intends to convert into cash within the coming year. The Society generally segregates collateral received into the following two classes:

##### Financial collateral

The Society takes financial collateral to support credit exposures in the trading book. This includes cash and debt securities in respect of derivative transactions. These transactions are entered into under terms and conditions that are standard industry practice in securities borrowing and lending activities.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 25 Risk management (continued)

#### 25.1 Credit risk (continued)

##### Non-financial collateral

In secured financial transactions the Society takes other physical collateral to recover outstanding exposure in the event of the borrower being unable or unwilling to fulfil its obligations. This includes mortgages over property (both residential and commercial), liens over business assets (including, but not limited to, plant, vehicles, aircraft, inventories, trade debtors and financial securities that have a tradable market, such as shares and other securities) and guarantees from parties other than the borrower.

The valuation and management of collateral is governed by the Credit Policy. The total registered collateral value for advances was ZWL21 736.21m inclusive of guarantees (2021: ZWL21 736.21m).

The Society holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

##### Collateral held and other credit enhancements

Percentage of exposure subject to collateral requirements

| Type of credit exposure | 31 December<br>2022 | 31 December<br>2021 | Principal type of<br>collateral held |
|-------------------------|---------------------|---------------------|--------------------------------------|
|                         | ZWLm                | ZWLm                |                                      |
| Treasury bills          | 0%                  | 0%                  | None                                 |
| Fixed deposits          | 100%                | 100%                | Treasury bills                       |
| Mortgage loans          | 100%                | 100%                | Property                             |
| Corporate loans         | 86%                 | 84%                 | Property                             |
| Consumer loans          | 85%                 | 85%                 | Insurance                            |

The following tables stratify credit exposures from mortgage loans and advances by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for loans and advances is based on the collateral value at origination updated based on changes in house price indices.

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Society generally requests that corporate borrowers provide it. The Society may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. Because of the Society's focus on corporate customers' creditworthiness, the Society does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 25 Risk management (continued)

### 25.1 Credit risk (continued)

For credit-impaired loans, the Society obtains appraisals of collateral because it provides input into determining the management credit risk action.

|                           | Audited Inflation Adjusted |                  | Unaudited Historical |                  |
|---------------------------|----------------------------|------------------|----------------------|------------------|
|                           | 31 December 2022           | 31 December 2021 | 31 December 2022     | 31 December 2021 |
|                           | ZWLm                       | ZWLm             | ZWLm                 | ZWLm             |
| <b>LTV ratio</b>          |                            |                  |                      |                  |
| Non credit-impaired loans |                            |                  |                      |                  |
| Less than 50%             | 105.62                     | 180.78           | 105.62               | 52.59            |
| 51% to 75%                | 828.30                     | 645.47           | 828.30               | 187.77           |
| 76% to 100%               | 353.76                     | 3 188.42         | 353.76               | 927.52           |
| More than 100%            | 11 480.07                  | 2 358.73         | 11 480.07            | 686.16           |
| <b>Total</b>              | <b>12 767.75</b>           | <b>6 373.40</b>  | <b>12 767.75</b>     | <b>1 854.04</b>  |
| Credit-impaired loans     |                            |                  |                      |                  |
| Less than 50%             | 0.21                       | 0.86             | 0.21                 | 0.25             |
| 51% to 75%                | 0.04                       | 1.03             | 0.04                 | 0.3              |
| 76% to 100%               | 0.43                       | 2.27             | 0.43                 | 0.66             |
| More than 100%            | 94.08                      | 19.56            | 94.08                | 5.69             |
| <b>Total</b>              | <b>94.76</b>               | <b>23.72</b>     | <b>94.76</b>         | <b>6.90</b>      |

#### Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Society during the year by taking possession of collateral held as security against loans and advances and held at the year end, are shown below.

|                 | Audited Inflation Adjusted |                  | Unaudited Historical |                  |
|-----------------|----------------------------|------------------|----------------------|------------------|
|                 | 31 December 2022           | 31 December 2021 | 31 December 2022     | 31 December 2021 |
|                 | ZWLm                       | ZWLm             | ZWLm                 | ZWLm             |
| <b>Property</b> | -                          | -                | -                    | -                |

The Society's policy is to pursue timely realisation of the collateral in an orderly manner. The Society does not generally use the non-cash collateral for its own operations.

#### Regulatory loan loss provisioning

Provisioning is determined on the basis of account classification whereby provisions are uniformly determined for specific grades. The Society establishes an allowance for impairment based on the class of each loan and in line with the RBZ guidelines on provisions. The provisioning methodology is summarised below:

| 31 December 2022 - Audited Inflation Adjusted |                 |                                                       |                   |                               |                   |
|-----------------------------------------------|-----------------|-------------------------------------------------------|-------------------|-------------------------------|-------------------|
| Credit Risk grade                             | Type            | Provisioning criteria                                 | Gross loans ZWLm  | Allowance for impairment ZWLm | Net loans ZWLm    |
| Grade A B C                                   | Pass            | 1-2% general provision                                | 85 486.98         | 2 053.77                      | 83 433.21         |
| Grade D E F G                                 | Special mention | 3-10% general provision                               | 44 969.84         | 2 385.07                      | 42 584.77         |
| Grade H                                       | Sub standard    | 20% specific provision on balance less security value | 225.12            | 142.25                        | 82.87             |
| Grade I                                       | Doubtful        | 50% of total outstanding balance less security value  | 100.67            | 86.35                         | 14.32             |
| Default                                       | Loss            | 100% of total outstanding balance less security held  | 81.70             | 80.57                         | 1.13              |
| <b>Portfolio total</b>                        |                 |                                                       | <b>130 864.31</b> | <b>4 748.01</b>               | <b>126 116.30</b> |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 25 Risk management (continued)

#### 25.1 Credit risk (continued)

| 31 December 2021 - Audited Inflation Adjusted |                 |                                                       |                  |                               |                |
|-----------------------------------------------|-----------------|-------------------------------------------------------|------------------|-------------------------------|----------------|
| Credit Risk grade                             | Type            | Provisioning criteria                                 | Gross loans ZWLm | Allowance for impairment ZWLm | Net loans ZWLm |
| Grade A B C                                   | Pass            | 1-2% general provision                                | 74 373.35        | 1 660.24                      | 72 713.11      |
| Grade D E F G                                 | Special mention | 3-10% general provision                               | 25 090.20        | 1 019.17                      | 24 071.03      |
| Grade H                                       | Sub standard    | 20% specific provision on balance less security value | 78.56            | 67.91                         | 10.65          |
| Grade I                                       | Doubtful        | 50% of total outstanding balance less security value  | 43.41            | 40.51                         | 2.90           |
| Default                                       | Loss            | 100% of total outstanding balance less security held  | 102.41           | 95.88                         | 6.53           |
| Portfolio total                               |                 |                                                       | 99 687.93        | 2 883.71                      | 96 804.22      |
| 31 December 2022 - Unaudited Historical       |                 |                                                       |                  |                               |                |
| Credit Risk grade                             | Type            | Provisioning criteria                                 | Gross loans ZWLm | Allowance for impairment ZWLm | Net loans ZWLm |
| Grade A B C                                   | Pass            | 1-2% general provision                                | 85 486.98        | 2 053.77                      | 83 433.21      |
| Grade D E F G                                 | Special mention | 3-10% general provision                               | 44 969.84        | 2 385.07                      | 42 584.77      |
| Grade H                                       | Sub standard    | 20% specific provision on balance less security value | 225.12           | 142.25                        | 82.87          |
| Grade I                                       | Doubtful        | 50% of total outstanding balance less security value  | 100.67           | 86.35                         | 14.32          |
| Default                                       | Loss            | 100% of total outstanding balance less security held  | 81.70            | 80.57                         | 1.13           |
| Portfolio total                               |                 |                                                       | 130 864.31       | 4 748.01                      | 126 116.30     |
| 31 December 2021 - Unaudited Historical       |                 |                                                       |                  |                               |                |
| Credit Risk grade                             | Type            | Provisioning criteria                                 | Gross loans ZWLm | Allowance for impairment ZWLm | Net loans ZWLm |
| Grade A B C                                   | Pass            | 1-2% general provision                                | 21 635.38        | 482.97                        | 21 152.41      |
| Grade D E F G                                 | Special mention | 3-10% general provision                               | 7 298.80         | 296.48                        | 7 002.32       |
| Grade H                                       | Sub standard    | 20% specific provision on balance less security value | 22.85            | 19.76                         | 3.09           |
| Grade I                                       | Doubtful        | 50% of total outstanding balance less security value  | 12.63            | 11.78                         | 0.85           |
| Default                                       | Loss            | 100% of total outstanding balance less security held  | 29.79            | 27.89                         | 1.90           |
| Portfolio total                               |                 |                                                       | 28 999.45        | 838.88                        | 28 160.57      |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 25 Risk management (continued)

### 25.1 Credit risk (continued)

The Society also takes into account provisioning requirements of IFRS 9 (Financial Instruments) and makes the most prudent provisions for its loans and advances based on the two methods. Where the regulatory provisions are higher than the IFRS 9 impairment, the excess is treated as an appropriation from retained earnings.

### 25.2 Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations for its financial liabilities. The key measures used by the Society for managing liquidity risk are the liquidity gaps and monitoring of key liquidity risk metrics that include liquidity ratio and the loan to deposit ratio (LDR). The institution has also adopted the Basel III metrics which are liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). Stress and scenario testing is a key risk management process being used to compliment the Society's sound liquidity risk management

#### Liquidity ratio

The liquidity ratio is the ratio of net liquid assets to deposits from customers and other short term liabilities. For this purpose, net liquid assets are considered as including cash and cash equivalents and short term dealing and investment securities for which there is an active and liquid market less any deposits from banks, other borrowings and liabilities maturing within the same short term period.

#### Liquidity gap

The liquidity gap is the difference between assets and liabilities in a given maturity period.

The Society manages its contractual liquidity gap through treasury operations to acquire deposits of suitable tenor and price from the market. As a contingency, the Society has also entered into liquidity support arrangements with suitable counter parties, to which it has ready access, in need.

#### Loan to deposit ratio

The loan to deposit ratio is used to assess the Society's level of total loans against total deposits. The metric also assists to assess the level of liquid assets held to survive a liquidity crisis.

#### Assets and Liabilities Committee

The Assets and Liabilities Committee (ALCO) is responsible for the management of liquidity risk under the oversight of the Board Risk and Compliance Committee and the Board. All liquidity policies and procedures are subject to review and approval by ALCO, the Board Risk and Compliance Committee and the Board.

The Society's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Society's reputation. The daily liquidity position of the Society is managed by the treasury department in liaison with the relevant departments.

The Society monitors liquidity risk by compliance with liquidity regulations of the Building Societies Act (Chapter 24:02) and the Banking Regulations as well as the submission of monthly liquidity returns to the RBZ. In addition, the Society matches long term liabilities to long term investments and this is monitored through the Board Risk and Compliance Committee.

Details of the liquidity ratio as at 31 December are given below:

|                                 | Audited Inflation Adjusted  |                             | Unaudited Historical        |                             |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                 | 31 December<br>2022<br>ZWLm | 31 December<br>2021<br>ZWLm | 31 December<br>2022<br>ZWLm | 31 December<br>2021<br>ZWLm |
| Total liquid assets             | 128 002.61                  | 56 835.23                   | 128 002.61                  | 16 533.50                   |
| Total liabilities to the public | 179 425.88                  | 130 368.75                  | 179 425.88                  | 37 924.57                   |
| Liquidity ratio                 | 71%                         | 44%                         | 71%                         | 44%                         |
| Maximum for the year            | 74%                         | 65%                         | 74%                         | 65%                         |
| Minimum for the year            | 40%                         | 40%                         | 40%                         | 40%                         |
| Average for the year            | 57%                         | 52%                         | 57%                         | 52%                         |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 25 Risk management (continued)

#### 25.2.1 Liquidity gap analysis

| Liquidity gap analysis as at<br>31 December 2022 | Audited Inflation Adjusted          |                               |                              |                         |                                         | Total<br>ZWLm     |
|--------------------------------------------------|-------------------------------------|-------------------------------|------------------------------|-------------------------|-----------------------------------------|-------------------|
|                                                  | On<br>demand to<br>3 months<br>ZWLm | 3 months<br>to 1 year<br>ZWLm | 1 year<br>to 5 years<br>ZWLm | Over<br>5 years<br>ZWLm | Non-<br>determinant<br>maturity<br>ZWLm |                   |
| <b>Assets</b>                                    |                                     |                               |                              |                         |                                         |                   |
| Cash and cash equivalents                        | 90 322.46                           | 70.63                         | 2.53                         | 1.50                    | -                                       | 90 397.12         |
| Investment securities                            | 27 806.44                           | 2 584.60                      | -                            | -                       | -                                       | 30 391.04         |
| Trade and other assets                           | 7 218.48                            | -                             | 3 169.94                     | -                       | 17 622.42                               | 28 010.84         |
| Loans and advances                               | 16 839.68                           | 36 248.20                     | 72 004.28                    | 2 490.54                | -                                       | 127 582.70        |
| Intangible assets                                | -                                   | -                             | -                            | -                       | 779.67                                  | 779.67            |
| Property and equipment                           | -                                   | -                             | -                            | -                       | 35 810.75                               | 35 810.75         |
| Investment property                              | -                                   | -                             | -                            | -                       | 14 869.94                               | 14 869.94         |
| Non-current assets held for sale                 | -                                   | 311.85                        | -                            | -                       | -                                       | 311.85            |
| <b>Total assets</b>                              | <b>142 187.06</b>                   | <b>39 215.28</b>              | <b>75 176.75</b>             | <b>2 492.04</b>         | <b>69 082.78</b>                        | <b>328 153.91</b> |
| <b>Liabilities</b>                               |                                     |                               |                              |                         |                                         |                   |
| Deposits                                         | 137 029.60                          | 1 307.45                      | 46.83                        | 27.71                   | -                                       | 138 411.59        |
| Credit lines                                     | 12 171.13                           | 19 926.53                     | 42 775.81                    | -                       | -                                       | 74 873.47         |
| Trade and other liabilities                      | 8 991.18                            | -                             | -                            | -                       | 3 868.44                                | 12 859.62         |
| Deferred taxation                                | -                                   | -                             | -                            | -                       | 2 428.63                                | 2 428.63          |
| Shareholders' equity                             | -                                   | -                             | -                            | -                       | 99 580.60                               | 99 580.60         |
| <b>Total liabilities</b>                         | <b>158 191.91</b>                   | <b>21 233.98</b>              | <b>42 822.64</b>             | <b>27.71</b>            | <b>105 877.67</b>                       | <b>328 153.91</b> |
| <b>Net liquidity gap</b>                         | <b>(16 004.85)</b>                  | <b>17 981.30</b>              | <b>32 354.11</b>             | <b>2 464.33</b>         | <b>(36 794.89)</b>                      | <b>-</b>          |
| <b>Cumulative liquidity gap</b>                  | <b>(16 004.85)</b>                  | <b>1 976.45</b>               | <b>34 330.56</b>             | <b>36 794.89</b>        | <b>-</b>                                | <b>-</b>          |

| Liquidity gap analysis as at<br>31 December 2021 | Audited Inflation Adjusted          |                               |                              |                         |                                         | Total<br>ZWLm     |
|--------------------------------------------------|-------------------------------------|-------------------------------|------------------------------|-------------------------|-----------------------------------------|-------------------|
|                                                  | On<br>demand to<br>3 months<br>ZWLm | 3 months<br>to 1 year<br>ZWLm | 1 year<br>to 5 years<br>ZWLm | Over<br>5 years<br>ZWLm | Non-<br>determinant<br>maturity<br>ZWLm |                   |
| <b>Assets</b>                                    |                                     |                               |                              |                         |                                         |                   |
| Cash and cash equivalents                        | 38 820.80                           | 124.26                        | 389.48                       | 7.12                    | -                                       | 39 341.66         |
| Investment securities                            | 11 943.68                           | 759.00                        | -                            | -                       | -                                       | 12 702.68         |
| Loans and advances                               | 12 687.60                           | 26 058.72                     | 55 167.95                    | 726.40                  | -                                       | 94 640.67         |
| Other assets                                     | -                                   | -                             | -                            | -                       | 21 333.52                               | 21 333.52         |
| Intangible assets                                | -                                   | -                             | -                            | -                       | 2 971.82                                | 2 971.82          |
| Property and equipment                           | -                                   | -                             | -                            | -                       | 20 782.58                               | 20 782.58         |
| Investment property                              | -                                   | -                             | -                            | -                       | 8 188.63                                | 8 188.63          |
| Non-current assets held for sale                 | -                                   | -                             | -                            | -                       | 178.69                                  | 178.69            |
| <b>Total assets</b>                              | <b>63 452.08</b>                    | <b>26 941.98</b>              | <b>55 557.43</b>             | <b>733.52</b>           | <b>53 455.24</b>                        | <b>200 140.25</b> |
| <b>Liabilities</b>                               |                                     |                               |                              |                         |                                         |                   |
| Deposits                                         | 88 621.18                           | 1 980.12                      | 6 206.45                     | 113.59                  | -                                       | 96 921.34         |
| Credit lines                                     | 2 174.40                            | 12 934.50                     | 17 479.78                    | 858.73                  | -                                       | 33 447.41         |
| Trade and other liabilities                      | -                                   | -                             | -                            | -                       | 9 908.86                                | 9 908.86          |
| Deferred taxation                                | -                                   | -                             | -                            | -                       | 1 212.47                                | 1 212.47          |
| Shareholders' equity                             | -                                   | -                             | -                            | -                       | 58 650.17                               | 58 650.17         |
| <b>Total liabilities</b>                         | <b>90 795.58</b>                    | <b>14 914.62</b>              | <b>23 686.23</b>             | <b>972.32</b>           | <b>69 771.50</b>                        | <b>200 140.25</b> |
| <b>Net liquidity gap</b>                         | <b>(27 343.50)</b>                  | <b>12 027.36</b>              | <b>31 871.20</b>             | <b>(238.80)</b>         | <b>(16 316.26)</b>                      | <b>-</b>          |
| <b>Cumulative liquidity gap</b>                  | <b>(27 343.50)</b>                  | <b>(15 316.14)</b>            | <b>16 555.06</b>             | <b>16 316.26</b>        | <b>-</b>                                | <b>-</b>          |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 25 Risk management (continued)

### 25.2.1 Liquidity gap analysis (continued)

| Liquidity gap analysis as at<br>31 December 2022 | Unaudited Historical                |                               |                              |                         |                                         | Total<br>ZWLm     |
|--------------------------------------------------|-------------------------------------|-------------------------------|------------------------------|-------------------------|-----------------------------------------|-------------------|
|                                                  | On<br>demand to<br>3 months<br>ZWLm | 3 months<br>to 1 year<br>ZWLm | 1 year<br>to 5 years<br>ZWLm | Over<br>5 years<br>ZWLm | Non-<br>determinant<br>maturity<br>ZWLm |                   |
| <b>Assets</b>                                    |                                     |                               |                              |                         |                                         |                   |
| Cash and cash equivalents                        | 90 322.46                           | 70.63                         | 2.53                         | 1.50                    | -                                       | 90 397.12         |
| Investment securities                            | 27 806.44                           | 2 584.60                      | -                            | -                       | -                                       | 30 391.04         |
| Other assets                                     | 7 218.48                            | -                             | 3 169.94                     | -                       | 11 558.15                               | 21 946.57         |
| Loans and advances                               | 16 839.68                           | 36 248.20                     | 72 004.28                    | 2 490.54                | -                                       | 127 582.70        |
| Intangible assets                                | -                                   | -                             | -                            | -                       | 161.85                                  | 161.85            |
| Property and equipment                           | -                                   | -                             | -                            | -                       | 32 223.06                               | 32 223.06         |
| Investment property                              | -                                   | -                             | -                            | -                       | 14 869.94                               | 14 869.94         |
| Non-current assets held for sale                 | -                                   | 311.85                        | -                            | -                       | -                                       | 311.85            |
| <b>Total assets</b>                              | <b>142 187.06</b>                   | <b>39 215.28</b>              | <b>75 176.75</b>             | <b>2 492.04</b>         | <b>58 813.00</b>                        | <b>317 884.13</b> |
| <b>Liabilities</b>                               |                                     |                               |                              |                         |                                         |                   |
| Deposits                                         | 137 029.60                          | 1 307.45                      | 46.83                        | 27.71                   | -                                       | 138 411.59        |
| Credit lines                                     | 12 171.13                           | 19 926.53                     | 42 775.81                    | -                       | -                                       | 74 873.47         |
| Trade and other liabilities                      | 8 991.18                            | -                             | -                            | -                       | 3 323.89                                | 12 315.07         |
| Deferred taxation                                | -                                   | -                             | -                            | -                       | 2 428.63                                | 2 428.63          |
| Shareholders' equity                             | -                                   | -                             | -                            | -                       | 89 855.37                               | 89 855.37         |
| <b>Total liabilities</b>                         | <b>158 191.91</b>                   | <b>21 233.98</b>              | <b>42 822.64</b>             | <b>27.71</b>            | <b>95 607.89</b>                        | <b>317 884.13</b> |
| <b>Net liquidity gap</b>                         | <b>(16 004.85)</b>                  | <b>17 981.30</b>              | <b>32 354.11</b>             | <b>2 464.33</b>         | <b>36 794.89</b>                        | <b>-</b>          |
| <b>Cumulative liquidity gap</b>                  | <b>(16 004.85)</b>                  | <b>1 976.45</b>               | <b>34 330.56</b>             | <b>36 794.89</b>        | <b>-</b>                                | <b>-</b>          |

| Liquidity gap analysis as at<br>31 December 2021 | Unaudited Historical                |                               |                              |                         |                                         | Total<br>ZWLm    |
|--------------------------------------------------|-------------------------------------|-------------------------------|------------------------------|-------------------------|-----------------------------------------|------------------|
|                                                  | On<br>demand to<br>3 months<br>ZWLm | 3 months<br>to 1 year<br>ZWLm | 1 year<br>to 5 years<br>ZWLm | Over<br>5 years<br>ZWLm | Non-<br>determinant<br>maturity<br>ZWLm |                  |
| <b>Assets</b>                                    |                                     |                               |                              |                         |                                         |                  |
| Cash and cash equivalents                        | 11 293.06                           | 36.15                         | 113.30                       | 2.07                    | -                                       | 11 444.58        |
| Investment securities                            | 3 474.44                            | 220.80                        | -                            | -                       | -                                       | 3 695.24         |
| Other assets                                     | -                                   | -                             | -                            | -                       | 3 922.31                                | 3 922.31         |
| Loans and advances                               | 3 690.86                            | 7 580.54                      | 16 048.48                    | 211.31                  | -                                       | 27 531.19        |
| Intangible assets                                | -                                   | -                             | -                            | -                       | 198.96                                  | 198.96           |
| Property and equipment                           | -                                   | -                             | -                            | -                       | 5 109.87                                | 5 109.87         |
| Investment property                              | -                                   | -                             | -                            | -                       | 2 382.09                                | 2 382.09         |
| Non-current assets held for sale                 | -                                   | -                             | -                            | -                       | 51.98                                   | 51.98            |
| <b>Total assets</b>                              | <b>18 458.36</b>                    | <b>7 837.49</b>               | <b>16 161.78</b>             | <b>213.38</b>           | <b>11 665.21</b>                        | <b>54 336.22</b> |
| <b>Liabilities</b>                               |                                     |                               |                              |                         |                                         |                  |
| Deposits                                         | 25 780.11                           | 576.02                        | 1 805.47                     | 33.04                   | -                                       | 28 194.64        |
| Credit lines                                     | 632.54                              | 3 762.68                      | 5 084.91                     | 249.80                  | -                                       | 9 729.93         |
| Trade and other liabilities                      | -                                   | -                             | -                            | -                       | 2 752.54                                | 2 752.54         |
| Deferred taxation                                | -                                   | -                             | -                            | -                       | 352.71                                  | 352.71           |
| Shareholders' equity                             | -                                   | -                             | -                            | -                       | 13 306.40                               | 13 306.40        |
| <b>Total liabilities</b>                         | <b>26 412.65</b>                    | <b>4 338.70</b>               | <b>6 890.38</b>              | <b>282.84</b>           | <b>16 411.65</b>                        | <b>54 336.22</b> |
| <b>Net liquidity gap</b>                         | <b>(7 954.29)</b>                   | <b>3 498.79</b>               | <b>9 271.40</b>              | <b>(69.46)</b>          | <b>(4 746.44)</b>                       | <b>-</b>         |
| <b>Cumulative liquidity gap</b>                  | <b>(7 954.29)</b>                   | <b>(4 455.50)</b>             | <b>4 815.90</b>              | <b>4 746.44</b>         | <b>-</b>                                | <b>-</b>         |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 25 Risk management (continued)

#### 25.3 Market risk

Market risk is the risk of adverse changes to the CABS statement of financial position or future earnings resulting, directly and indirectly, from fluctuations in the market prices of financial instruments. This occurs when exchange rates change between the time a society's trading position is opened and the time when it is squared off, affecting exchange profit/loss. The two major components of market risk that affect the Society are foreign exchange risk and interest rate risk.

The Society's transactions are mainly exposed to the following foreign exchange risk types:

**Translation risk** is the risk to earnings or capital arising from the translation of the Society's assets and liabilities to local currency. Transaction risk which occurs when exchange rates change between the time that an obligation is incurred and the time it is settled, thus affecting cash flows. Economic Exposure which reflects the change in the present value of the institution's future expected cash flows as a result of unexpected changes in exchange rates.

**Interest rate risk (IRRBB)** is the risk arising from repricing and/or maturity mismatches of on-and-off balance sheet components across the Society.

CABS uses the Standardized Approach to calculate the regulatory capital requirements relating to general market risks. Market risk is governed by Board-approved policies that cover management, identification, measurement and monitoring. Market risk limits are approved at Board level and are reviewed periodically, but at least annually.

These limits include the following:

- Dealer and trading limits;
- Counterparty limits;
- Limits on maturity profiles.

The Society employs both an earnings and economic-value perspective to measure interest rate sensitivity on a monthly basis. This includes a repricing profile analysis, simulated modelling of the bank's NII and EVE for a standard interest rate shock, and stress-testing of NII and EVE for multiple stressed-interest-rate scenarios.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

The Assets and Liabilities Committee (ALCO) is responsible for the management of market risk under the oversight of the Board Risk and Compliance Committee and the Board. All market risk policies and procedures are subject to review and approval by ALCO, the Board Risk and Compliance Committee and the Board.

#### 25.3.1 Exposure to interest rate risk

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and liabilities to various standard and non standard interest rate scenarios. Capital requirements for market risk are subject to Basel II standardised approach.

#### Sensitivity analysis

At the reporting date, the net interest income sensitivity of the banking book for a 2% parallel movement in interest rates measured over 12 months is highlighted below:

|                                                          | Unaudited Historical        |                             |
|----------------------------------------------------------|-----------------------------|-----------------------------|
|                                                          | 31 December<br>2022<br>ZWLm | 31 December<br>2021<br>ZWLm |
| Increase/(decrease) in interest rates on interest income |                             |                             |
| 0.5%                                                     | 42.48                       | 34.92                       |
| 1%                                                       | 84.95                       | 69.84                       |
| 2%                                                       | 169.91                      | 139.68                      |
| (2)%                                                     | (169.91)                    | (139.68)                    |
| (1)%                                                     | (84.95)                     | (69.84)                     |
| (0.5)%                                                   | (42.48)                     | (34.92)                     |

#### Interest rate repricing gap

The interest rate repricing gap is the difference between interest bearing assets and interest bearing liabilities in a given maturity interval.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 25 Risk management (continued)

#### 25.3 Market risks (continued)

##### 25.3.1 Exposure to interest rate risk

| Interest rate repricing and gap analysis December 2022  | Audited Inflation Adjusted |                         |                        |                   | Total             |
|---------------------------------------------------------|----------------------------|-------------------------|------------------------|-------------------|-------------------|
|                                                         | On demand to 3 months ZWLm | 3 months to 1 year ZWLm | 1 year to 5 years ZWLm | Over 5 years ZWLm |                   |
| <b>Assets</b>                                           |                            |                         |                        |                   |                   |
| Investment securities                                   | 22 061.11                  | 2 584.60                | -                      | -                 | 24 645.71         |
| Loans and advances                                      | 16 839.68                  | 36 248.20               | 72 004.28              | 2 490.54          | 127 582.70        |
| <b>Total assets</b>                                     | <b>38 900.79</b>           | <b>38 832.80</b>        | <b>72 004.28</b>       | <b>2 490.54</b>   | <b>152 228.41</b> |
| <b>Liabilities</b>                                      |                            |                         |                        |                   |                   |
| Deposits                                                | 24 535.46                  | 1 307.45                | 46.83                  | 27.71             | 25 917.45         |
| Credit lines                                            | 12 171.13                  | 19 926.53               | 42 775.81              | -                 | 74 873.47         |
| <b>Total liabilities</b>                                | <b>36 706.59</b>           | <b>21 233.98</b>        | <b>42 822.64</b>       | <b>27.71</b>      | <b>100 790.92</b> |
| <b>Net liquidity gap</b>                                | <b>2 194.20</b>            | <b>17 598.82</b>        | <b>29 181.64</b>       | <b>2 462.83</b>   | <b>51 437.49</b>  |
| <b>Cumulative interest rate repricing liquidity gap</b> | <b>2 194.20</b>            | <b>19 793.02</b>        | <b>48 974.66</b>       | <b>51 437.49</b>  | <b>-</b>          |

| Interest rate repricing and gap analysis December 2021  | Audited Inflation Adjusted |                         |                        |                    | Total              |
|---------------------------------------------------------|----------------------------|-------------------------|------------------------|--------------------|--------------------|
|                                                         | On demand to 3 months ZWLm | 3 months to 1 year ZWLm | 1 year to 5 years ZWLm | Over 5 years ZWLm  |                    |
| <b>Assets</b>                                           |                            |                         |                        |                    |                    |
| Investment securities                                   | 11 943.67                  | 759.01                  | -                      | -                  | 12 702.68          |
| Loans and advances                                      | 12 687.63                  | 26 058.70               | 55 167.94              | 726.40             | 94 640.67          |
| <b>Total assets</b>                                     | <b>24 631.30</b>           | <b>26 817.71</b>        | <b>55 167.94</b>       | <b>726.40</b>      | <b>107 343.35</b>  |
| <b>Liabilities</b>                                      |                            |                         |                        |                    |                    |
| Deposits                                                | 88 621.19                  | 1 980.11                | 6 206.46               | 113.58             | 96 921.34          |
| Credit lines                                            | 2 174.41                   | 12 934.51               | 17 479.78              | 858.71             | 33 447.41          |
| <b>Total liabilities</b>                                | <b>90 795.60</b>           | <b>14 914.62</b>        | <b>23 686.24</b>       | <b>972.29</b>      | <b>130 368.75</b>  |
| <b>Net liquidity gap</b>                                | <b>(66 164.30)</b>         | <b>11 903.09</b>        | <b>31 481.70</b>       | <b>(245.89)</b>    | <b>(23 025.40)</b> |
| <b>Cumulative interest rate repricing liquidity gap</b> | <b>(66 164.30)</b>         | <b>(54 261.21)</b>      | <b>(22 779.51)</b>     | <b>(23 025.40)</b> | <b>-</b>           |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 25 Risk management (continued)

#### 25.3 Market risks (continued)

##### 25.3.1 Exposure to interest rate risk

| Interest rate repricing and gap analysis December 2022  | Unaudited Historical       |                         |                        |                   |                   |
|---------------------------------------------------------|----------------------------|-------------------------|------------------------|-------------------|-------------------|
|                                                         | On demand to 3 months ZWLm | 3 months to 1 year ZWLm | 1 year to 5 years ZWLm | Over 5 years ZWLm | Total             |
| <b>Assets</b>                                           |                            |                         |                        |                   |                   |
| Investment securities                                   | 22 061.11                  | 2 584.60                | -                      | -                 | 24 645.71         |
| Loans and advances                                      | 16 839.68                  | 36 248.20               | 72 004.28              | 2 490.54          | 127 582.70        |
| <b>Total assets</b>                                     | <b>38 900.79</b>           | <b>38 832.80</b>        | <b>72 004.28</b>       | <b>2 490.54</b>   | <b>152 228.41</b> |
| <b>Liabilities</b>                                      |                            |                         |                        |                   |                   |
| Deposits                                                | 24 535.46                  | 1 307.45                | 46.83                  | 27.71             | 25 917.45         |
| Credit lines                                            | 12 171.13                  | 19 926.53               | 42 775.81              | -                 | 74 873.47         |
| <b>Total liabilities</b>                                | <b>36 706.59</b>           | <b>21 233.98</b>        | <b>42 822.64</b>       | <b>27.71</b>      | <b>100 790.92</b> |
| <b>Net liquidity gap</b>                                | <b>2 194.20</b>            | <b>17 598.82</b>        | <b>29 181.64</b>       | <b>2 462.83</b>   | <b>51 437.49</b>  |
| <b>Cumulative interest rate repricing liquidity gap</b> | <b>2 194.20</b>            | <b>19 793.02</b>        | <b>48 974.66</b>       | <b>51 437.49</b>  | <b>-</b>          |
| Interest rate repricing and gap analysis December 2021  | Unaudited Historical       |                         |                        |                   |                   |
|                                                         | On demand to 3 months ZWLm | 3 months to 1 year ZWLm | 1 year to 5 years ZWLm | Over 5 years ZWLm | Total             |
| <b>Assets</b>                                           |                            |                         |                        |                   |                   |
| Investment securities                                   | 3 474.44                   | 220.80                  | -                      | -                 | 3 695.24          |
| Loans and advances                                      | 3 690.86                   | 7 580.54                | 16 048.48              | 211.31            | 27 531.19         |
| <b>Total assets</b>                                     | <b>7 165.30</b>            | <b>7 801.34</b>         | <b>16 048.48</b>       | <b>211.31</b>     | <b>31 226.43</b>  |
| <b>Liabilities</b>                                      |                            |                         |                        |                   |                   |
| Deposits                                                | 25 780.11                  | 576.02                  | 1 805.47               | 33.04             | 28 194.64         |
| Credit lines                                            | 632.54                     | 3 762.68                | 5 084.91               | 249.80            | 9 729.93          |
| <b>Total liabilities</b>                                | <b>26 412.65</b>           | <b>4 338.70</b>         | <b>6 890.38</b>        | <b>282.84</b>     | <b>37 924.57</b>  |
| <b>Net liquidity gap</b>                                | <b>(19 247.35)</b>         | <b>3 462.64</b>         | <b>9 158.10</b>        | <b>(71.53)</b>    | <b>(6 698.14)</b> |
| <b>Cumulative interest rate repricing liquidity gap</b> | <b>(19 247.35)</b>         | <b>(15 784.71)</b>      | <b>(6 626.61)</b>      | <b>(6 698.14)</b> | <b>-</b>          |

##### 25.3.2 Exposure to foreign currency risk

The Society is exposed to exchange rate movement of various currencies against the United States dollar. Below are the foreign currency exposures for the Society as at 31 December 2022.

| Currency name               | Exchange rate    |                  |
|-----------------------------|------------------|------------------|
|                             | 31 December 2022 | 31 December 2021 |
| United States Dollar (US\$) | 684.33           | 108.58           |
| South African Rand (ZAR)    | 0.02             | 0.15             |
| Great British Pound (GBP)   | 824.59           | 146.67           |
| Euro (EUR)                  | 728.54           | 122.92           |
| Botswana Pula (BWP)         | 53.69            | 9.23             |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 25 Risk management (continued)

#### 25.3 Market risk (continued)

|                            | Assets<br>Cash<br>and cash<br>equivalents<br>2022 | Assets<br>Cash<br>and cash<br>equivalents<br>2021 | Net ZWL<br>equivalent<br>as at 31<br>December<br>2022 | Net ZWL<br>equivalent<br>as at 31<br>December<br>2021 | Effect on<br>profit of 10%<br>depreciation<br>2022 | Effect on<br>profit of 10%<br>depreciation<br>2021 | Effect on<br>profit of 10%<br>appreciation<br>2022 | Effect on<br>profit of 10%<br>appreciation<br>2021 |
|----------------------------|---------------------------------------------------|---------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| United<br>States<br>Dollar | US\$m                                             | US\$m                                             | ZWLm                                                  | ZWLm                                                  | ZWLm                                               | ZWLm                                               | ZWLm                                               | ZWLm                                               |
|                            | 62.77                                             | 34.36                                             | 42 958.58                                             | 3 734.27                                              | (4 295.86)                                         | (373.43)                                           | 4 295.86                                           | 373.43                                             |
| South<br>African<br>Rand   | ZARm                                              | ZARm                                              | ZWLm                                                  | ZWLm                                                  | ZWLm                                               | ZWLm                                               | ZWLm                                               | ZWLm                                               |
|                            | 50.50                                             | 98.64                                             | 2 036.49                                              | 673.80                                                | (203.65)                                           | (67.38)                                            | 203.65                                             | 67.38                                              |
| Great<br>British<br>Pound  | GBPm                                              | GBPm                                              | ZWLm                                                  | ZWLm                                                  | ZWLm                                               | ZWLm                                               | ZWLm                                               | ZWLm                                               |
|                            | 0.28                                              | 0.54                                              | 231.49                                                | 79.34                                                 | (23.15)                                            | (7.93)                                             | 23.15                                              | 7.93                                               |
| Euro                       | EURm                                              | EURm                                              | ZWLm                                                  | ZWLm                                                  | ZWLm                                               | ZWLm                                               | ZWLm                                               | ZWLm                                               |
|                            | 0.57                                              | 1.57                                              | 413.35                                                | 193.24                                                | (41.34)                                            | (19.32)                                            | 41.34                                              | 19.32                                              |
| Botswana<br>Pula           | BWPm                                              | BWPm                                              | ZWLm                                                  | ZWLm                                                  | ZWLm                                               | ZWLm                                               | ZWLm                                               | ZWLm                                               |
|                            | 2.91                                              | 4.83                                              | 155.98                                                | 44.59                                                 | (15.60)                                            | (4.46)                                             | 15.60                                              | 4.46                                               |

#### 25.4 Compliance risk

Compliance risk is the risk that the Society fails to comply with the letter and spirit of all statutes, supervisory requirements and industry codes of conduct which apply to its business.

The Society seeks to bring the highest standards of compliance best practice in all areas of its operations. As part of the Compliance Risk Management Framework, the Society has an independent compliance function that proactively ensures compliance with all regulatory requirements that are overseen by the Board Risk and Compliance Committee, the Board Audit Committee and the Board.

#### CABS Financial Crime Compliance Statement

The Society recognises that economic crimes have an adverse effect on individuals and communities wherever they take place. The Society does not tolerate any deliberate breach of financial crime laws and regulations (bribery, corruption, and money laundering, sanctions, or tax evasion facilitation) that apply to the transactions we undertake. The Society has a dedicated Financial Crime function, which sits within Compliance. The Financial Crime function facilitates risk-based expert support and oversight to the business. The Society adopted a holistic approach to Financial Crime Compliance anchored on AML policy framework that sets the minimum control requirements in four key risk areas: anti-bribery and corruption (ABC); anti-money laundering & counter-terrorist financing (AML); anti-tax evasion facilitation and sanctions.

#### Compliance environment

The Society's compliance risk is managed through a Board-approved Compliance Programme. There are policies such as the Anti Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Sanctions Screening Programme (SSP) as well as other internal policies and processes, which cover legal, regulatory, and other technical requirements relevant to the business. The Society's AML/CFT and SSP are also geared towards ensuring the Society meets best practice with regards to AML/CFT through the use of integrated Financial Crime solutions. Customer Acceptance and management of the Society's financial crime compliance is managed through the AML Committee, a sub-committee of the CABS EXCO.

The Compliance function, through the Regulatory Change Management Process, assists Management to identify, assess and mitigate regulatory risks associated with current or emerging regulations. The Compliance function also independently monitors departments to ensure adherence to policies, procedures and other regulatory and technical requirements mindful of the impact that regulatory breaches have on the CABS brand, relationships with key regulators, third party banking partners and customers.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 25 Risk management (continued)

#### 25.4 Compliance risk (continued)

##### Sustainability compliance

The Compliance function also plays a pivotal role in ensuring we comply with sustainability standards and best practice measures as directed in the Board-approved ESG Framework. The Compliance function advises the business on all matters of sustainable financing and governance as they relate to CABS services and products including the customers who bank with the Society. We additionally advise all these stakeholders on their role in meeting and maintaining ESG standards.

Following the Regulator's call for financial institutions to adopt measure to enforce sustainability in the financial sector, CABS is working with various local and international stakeholders to further develop and finetune the current ESG Framework. CABS is currently collaborating with Regulators, and we are engaged in sustainability certification with the Sustainability Standards and Certification Initiative (SSCI) managed by the European Organisation for Sustainable Development (EOSD). During 2022, CABS strategically engaged external capacity building partners through a Board-approved plan, as we embed our ESG Framework.

#### 25.5 Operational risks

Operational risk is the risk of a loss resulting from inadequate or failed internal processes, people, systems and external events. This includes legal risk but excludes reputational risk and strategic risk.

The Society has an operational risk policy that is supported by several supplementary and detailed risk policies covering information security risk, damage to physical assets, financial crime risk, model risk, human resources (people) risk, process risk and systems risk. The Society has a low preference for operational risk, however there is zero-tolerance for some sub-components of the risk. The risk preferences and appetite limits are set out in the Society's Risk Strategy and Appetite Statement This is reviewed at least annually by the Board, upon recommendation by the Board Risk and Compliance Committee.

The Society has an independent Operational Risk Management Function (ORMF) that is responsible for the design, maintenance and ongoing development of the Operational Risk Framework. The Operational Risk Framework has methodologies and tools that are applied to identify and assess risks as well as provide information used in the determination of mitigating measures.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Management Executive Committee (EXCO) under the oversight of the Board Risk and Compliance Committee. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Risk and control self-assessments (RCSA) that are conducted quarterly to proactively identify and actively mitigate risks. These self-assessments cover assessment of the adequacy and effectiveness of controls designed to mitigate risks;
- Key risk indicators for monitoring operational risks which act as an early indicator of a potential increase in risk exposure and/or a potential breakdown of controls.
- Risk event data collection, reporting and escalation. Risk events are reported at least monthly to EXCO and quarterly to the Board Risk and Compliance Committee;
- Departmental risk meetings; Periodic on-site risk reviews;
- Audit Findings Tracking (AFT) Committee; and
- Stress testing of operational risk losses to identify potential vulnerabilities in the control environment.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 25 Risk management (continued)

#### 25.5 Operational risks (continued)

In addition to the onsite risk reviews, regular monitoring of activities is conducted by the Compliance Department. The Internal Audit Department provides independent assurance that controls and systems are functioning efficiently and as intended. The controls maintained by the Society which are subjected to evaluation include:

- Reconciliation and monitoring of transactions;
- Appropriate segregation of duties, including the independent authorisation of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation and record retention;
- Escalation and reporting of operational losses and risk events;
- Risk mitigation, including insurance where this is cost effective;
- Business continuity management and development of contingency plans;
- Training and professional development; and
- Ethical and business standards.

The Society applies the Standardised Approach for operational risk capital assessment.

Key risks under operational risk include information technology and cybercrime/ cybersecurity risk, hence, the foregoing narrative applies with a more focused discussion on these specific risks indicated below. The fast-paced digitisation of the financial services sector has resulted in proliferation of technology related risks, key amongst them cybercrime. Cybercrime risk is the risk relating to criminal and fraudulent activities involving online and information technology. It is a sub-component of information security risk (which is in turn a sub-component of information technology risk), which is the risk of failure to protect the confidentiality, integrity and/or availability of information technology assets from unauthorized access, use, disclosure, disruption, modification, or destruction.

The Executive Committee (EXCO) and ICT Steering Committees (ICT Steercom) have the primary responsibility to oversee implementation of technology and information security controls and mitigate cyber and other technology related threats and failures under the oversight of the Board ICT Committee. The Information Technology Risk Policy, Information Security Risk Policy and the Financial Crime Risk Policy are complementary in governing technology and cybersecurity risks. The organisation has a low and zero preference, for the foregoing risks, respectively.

The threat landscape has been amplified by device interoperability and faster digital technology adoption, accelerated by Covid-19 related impacts. Hence, augmentation of the Risk and Information Security Unit responsible for spearheading response to cybercrime and championing the ICT Risk culture interventions. Training on cyber security is conducted regularly to build and enhance user awareness for both internal and external stakeholders.

#### 25.6 Strategic risk

The CABS Managing Director is mandated to oversee implementation of the CABS Strategic Risk Policy by the Board Risk and Compliance Committee (BRCC). The Managing Director is supported by the EXCO to develop strategic and significant operational objectives, and related initiatives and coordinates its resources to enable the Society to deploy available capability and capacity to meet its strategic and operational objectives. EXCO assists the Managing Director to monitor the Society's progress in achieving its strategic and operational objectives and conducts risk assessments to identify material Strategic, External and Growth (Business) risks when formulating and monitoring delivery of the strategy and business plans. Where EXCO believes that any such strategic and operational objectives will not be achieved, they recommend appropriate remedial actions, monitor and report to the Board. The Board plays an active role in overseeing strategy formulation and business planning in fulfilment of their fiduciary duties to the business and ensure that CABS operates within the Board-approved risk preferences and appetite limits set out in the CABS Risk Strategy and Appetite Statement.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 25 Risk management (continued)

#### 25.7 Reputational risk

The Board has delegated responsibility for effective management of reputational risk to the Board Risk and Compliance Committee and to EXCO. Board approved reputational risk related policies are in place. Line management has the primary responsibility for reputational risk identification and mitigation. Reputational risk management and monitoring is done in the following ways:

- Communication of information about the Society to the public or press releases is done in line with the provisions of the internal and external communications guidelines and with approval from EXCO. This facilitates building the Society's reputational capital (through positive information) and minimising the impact of adverse reputational risk events;
- All material events that have a potential to impact the Society's reputation are immediately escalated to the Marketing Executive, Managing Director, Head of Compliance and Head of Risk; and
- Any exposures to reputational risk are captured in the internal risk events log, with controls to mitigate the risk.

#### 25.8 Conduct risk

Conduct risk refers to the likelihood of harm arising out of the decisions and actions of CABS, which harm may befall customers, employees, the Society itself and its shareholders, as well as the market in which CABS operates.

The CABS EXCO has the primary responsibility to implement the Society's Market Conduct Framework under the oversight of the Board Risk and Compliance Committee.

Conduct risk emerges where there is insufficient consideration of outcomes of strategy or its execution on the various stakeholders that the Society owes obligations to. The Society has no appetite for negative conduct risk outcomes and has put in place measures, through a Board-approved Market Conduct Risk Framework, that include policies and procedures to safeguard Treating Customers Fairly (TCF) principles within the Society and all third parties who deal with the Society. The TCF principles emanate from the Banking Act, the Consumer Protection Framework under the supervision of the Reserve Bank of Zimbabwe. The Society has a dedicated Compliance Function responsible for monitoring compliance with conduct risk regulations and policies.

### 26 Capital management

The RBZ sets and monitors capital requirements for the Society through quarterly BSD1 returns. In implementing current capital requirements, the RBZ required the Society to maintain a minimum capital adequacy ratio of 12% as measured by the ratio of total capital to risk weighted assets and a minimum capital requirement of US\$30 million from 31 December 2021 onwards. The Society was compliant with respect to the minimum capital requirement by 31 March 2021 and remained compliant at 31 December 2022.

CABS was designated as a Domestic Systemically Important Institution (D-SIB) for the period January to December 2022 and, thus, required to maintain a minimum Tier 1 ratio of 9%. This included a surcharge of one percentage point for Higher Loss Absorbance (HLA) that needed to be maintained throughout 2022. During the year ended 31 December 2022, the Society was compliant. This designation was further confirmed for the period January to December 2023.

The Society's regulatory capital is analysed into two tiers:

- Tier 1 capital which includes ordinary paid up capital, share premium, retained earnings and general reserves after deducting goodwill, intangible assets and exposure to insiders and connected counterparties.
- Tier 2 capital which includes revaluation reserves and subordinated debt.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 26 Capital management (continued)

The Society's policy is to maintain a strong capital base so as to maintain depositor confidence and sustain future developments of the business. The Society's regulatory position as at 31 December 2022 was as follows:

### CAPITAL ADEQUACY

#### Tier 1 capital

Ordinary class "A" share capital

Retained earnings

Exposures to insiders and connected parties

Less Tier 1 allocated to market risk

Less Tier 1 allocated for operational risk

#### Total Tier 1 capital

#### Tier 2 capital

Revaluation reserve (Limited by Tier 1)

General provisions

Other

#### Total Tier 2 capital

#### Tier 3 capital

Allocation of capital for market risk

Allocation of capital for operational risk

#### Total Tier 3 capital

#### Deductions from total capital

Equity investments in non subsidiary companies

#### Total from total capital

#### Total regulatory capital

#### Total risk weighted assets

#### Capital adequacy ratio

#### Regulatory minimum capital adequacy ratio

| Unaudited Historical |                   |
|----------------------|-------------------|
| 31 December 2022     | 31 December 2021  |
| ZWLm                 | ZWLm              |
|                      |                   |
| 35.00                | 35.00             |
| 59 463.65            | 9 515.70          |
| (0.60)               | (1.04)            |
| (3 663.67)           | (378.02)          |
| (2 147.13)           | (601.68)          |
| <b>53 687.25</b>     | <b>8 569.96</b>   |
|                      |                   |
| 28 883.06            | 4 377.81          |
| 3 132.52             | 629.16            |
| 7.27                 | 7.27              |
| <b>32 022.85</b>     | <b>5 014.24</b>   |
|                      |                   |
| 3 663.67             | 378.02            |
| 2 147.13             | 601.68            |
| <b>5 810.80</b>      | <b>979.70</b>     |
|                      |                   |
| (3 326.42)           | (1 016.78)        |
| <b>(3 326.42)</b>    | <b>(1 016.78)</b> |
|                      |                   |
| <b>88 194.48</b>     | <b>13 547.12</b>  |
|                      |                   |
| <b>250 601.27</b>    | <b>50 333.16</b>  |
|                      |                   |
| <b>35.19%</b>        | <b>26.91%</b>     |
|                      |                   |
| <b>12.00%</b>        | <b>12.00%</b>     |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 27 External credit rating

The Society is assessed by the Global Credit Rating Company (GCR), a credit rating agency accredited by the Reserve Bank of Zimbabwe. Below are the ratings by the GCR for the Society for the past 3 years:

| Rating class | Rating scale | Ratings | Rating outlook | Expiry date |
|--------------|--------------|---------|----------------|-------------|
| Long-term    | National     | A+      | Evolving       | Aug-2022    |
| Long-term    | National     | A+      | Stable         | Aug-2021    |
| Long-term    | National     | A+      | Stable         | Aug-2020    |

The evolving outlook is reflective of the operating conditions exacerbated by a hyperinflationary environment, exchange rate deterioration and unstable monetary policy resulting in a more volatile financial profile.

### 28 Going concern

The Society has stable revenue streams and maintains strong liquidity and capital positions. It has a strong brand as the largest and oldest building society in Zimbabwe and it benefits from the strong support from its parent, Old Mutual Zimbabwe Limited.

In March 2021, the Society's core capital reached the RBZ 31 December 2021 threshold set as the ZWL equivalence of US\$30m. This position was maintained at 31 December 2022. In terms of managing liquidity, the Society ensures as far as possible that it will always have sufficient liquidity to meet both its short term and long term liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Society's reputation.

The Directors have assessed the ability of the Society to continue operating as a going concern and are satisfied it has the resources to continue in business for the foreseeable future. The Directors have engaged themselves to continuously assess the Society's ability to continue as a going concern and to determine the continued appropriateness of the going concern assumption that has been used in preparation of the separate financial statements. Therefore, the preparation of these separate financial statements on a going concern basis is still appropriate.

### 29 Foreign currency denominated transactions and balances

Following the gazetting of SI 185 of 2020 on 24 July 2020 which requires sellers of goods and services to display, quote, and offer prices in both the Zimbabwean (ZWL) and foreign currency at the ruling auction exchange rate, the Zimbabwean economy effectively became a multi-currency environment with the ZWL and US\$ being the dominant currencies. In the Monetary Policy Statement of 2 February 2023, the Governor indicated that an estimated 76.56% of all domestic expenditure is transacted in United States Dollars. In line with the requirements of IAS 21, we have assessed our functional currency and determined it to be the inflationary ZWL and have thus presented our financial statements in ZWL on an inflation adjusted basis.

However, from the time that SI 185 was promulgated, there has been a gradual increase in the proportion of foreign currency business, with the US\$ being the dominant foreign currency within the business. Foreign currency denominated transactions and balances are included in our financial statements at applicable exchange rates in line with the requirements of IAS 21.

A summary of foreign currency transactions and balances included in our financial statements and the respective financial statement lines that they have been reported in is shown below, presented in US\$.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 29 Foreign currency denominated transactions and balances (continued)

#### Balances denominated in foreign currency

|                           | 2022<br>US\$m | 2021<br>US\$m |
|---------------------------|---------------|---------------|
| <b>Assets</b>             |               |               |
| Cash and cash equivalents | 115.66        | 67.60         |
| Investment securities     | 8.91          | 1.66          |
| Statutory receivable      | 5.12          | 12.28         |
| Loans and advances        | 147.25        | 99.31         |
| Other assets              | 2.28          | 2.97          |
| Authorised overdrafts     | -             | -             |
| <b>Total assets</b>       | <b>279.22</b> | <b>183.82</b> |
| <b>Liabilities</b>        |               |               |
| Lines of credit           | 108.63        | 66.19         |
| Deposits                  | 100.21        | 91.16         |
| Other liabilities         | 11.83         | 6.98          |
| <b>Total liabilities</b>  | <b>220.67</b> | <b>164.33</b> |

#### Transactions denominated in foreign currency

|                           | 2022<br>US\$m | 2021<br>US\$m |
|---------------------------|---------------|---------------|
| <b>Revenue</b>            |               |               |
| Interest income           | 16.19         | 7.05          |
| Fee and commission income | 9.88          | 5.39          |
| Other income              | 2.46          | 2.65          |
| <b>Total revenue</b>      | <b>28.53</b>  | <b>15.09</b>  |

### 30 Subsequent events

Litigation Against The Society: Stone Beattie Studio Partnership v CABS, The Minister Of Finance And The Reserve Bank Of Zimbabwe

#### Background

Stone and Beattie are the Society's clients and in November 2016 they had a Nostro Foreign Currency Account (FCA) with a balance of US\$142 000. The account balance was designated in US\$ at the time in line with the multi-currency system prevailing in Zimbabwe then.

#### Stone and Beattie vs Central Africa Building Society first application

After the conversion of FCA balances into the local currency (RTGS) at a rate of US\$1: RTGS1, Stone and Beattie approached the High Court seeking to have Exchange Control Directive Number RT120/2018 set aside. This directive was issued by the Reserve Bank of Zimbabwe (RBZ) and it resulted in Nostro balances held in FCAs being converted to ZWL\$. The client also sued the RBZ and the Minister of Finance and Economic Development (MoF).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

On 14 May 2020, the High Court ruled in favour of Stone and Beattie and they ordered that the Society restore their FCA balance to US\$142 000, together with interest thereon at the rate of 5% per annum calculated from 17 October 2018 to the date of payment in full. The Society, the RBZ and the MoF appealed against the High Court's decision in the Supreme Court of Zimbabwe and the Supreme Court of Zimbabwe set aside the High Court judgment and ruled in favour of the Society, the RBZ and the MoF.

### **Stone and Beattie vs Central Africa Building Society second application**

Subsequent to the Supreme Court of Zimbabwe's ruling in favour of the Society, Stone and Beattie approached the High Court and filed a fresh application seeking to have:

1. Exchange Control Directive No R120/2018 declared unconstitutional and invalid as it violated section 71 of the Constitution;
2. Exchange Control Directive declared grossly unreasonable and in violation of section 35(1) of the Exchange Control Regulations and therefore invalid;
3. Section 44B (3) and (4) of the Reserve Bank Act declared unconstitutional and invalid as they violated section 71 of the Constitution;
4. The conversion of their US\$142 000.00 to RTGS142 000.00 declared unconstitutional and invalid as it violated section 71 of the Constitution; and
5. The Society be ordered to pay Stone and Beattie US\$142 000.00 and interest thereon at the rate of 5% from 28 November 2016 to the date of payment.

The matter was heard in June 2022 and judgment was handed down in favour of Stone Beattie in February of 2023. The High Court ruled that paragraphs 2.2 and 2.6 of the Exchange Control Directive RT120/2018 violates section 71 of the Constitution and that sections 22(1)(b) and (d) and section 22(4)(a) of the Finance Act (No.2) Act No. 7 of 2019 violate section 71 of the Constitution and set them aside. The High Court, therefore, ordered that the Society pay Stone and Beattie the sum of US\$142 000, together with interest thereon at the rate of 5% per annum from 28 November 2016 to the date of payment.

### **Effect of ruling and next steps**

The Society and the other respondents in the matter have lodged appeals to both the Supreme Court and the Constitutional Court of Zimbabwe. It should be noted that the High Court judgment cannot be enforced until it is confirmed by the Constitutional Court of Zimbabwe in terms of section 175 of the Constitution. Therefore, the High Court judgment is suspended until it is considered by the Constitutional Court of Zimbabwe.

The Society is of the view that it has good prospects of success on appeal.

