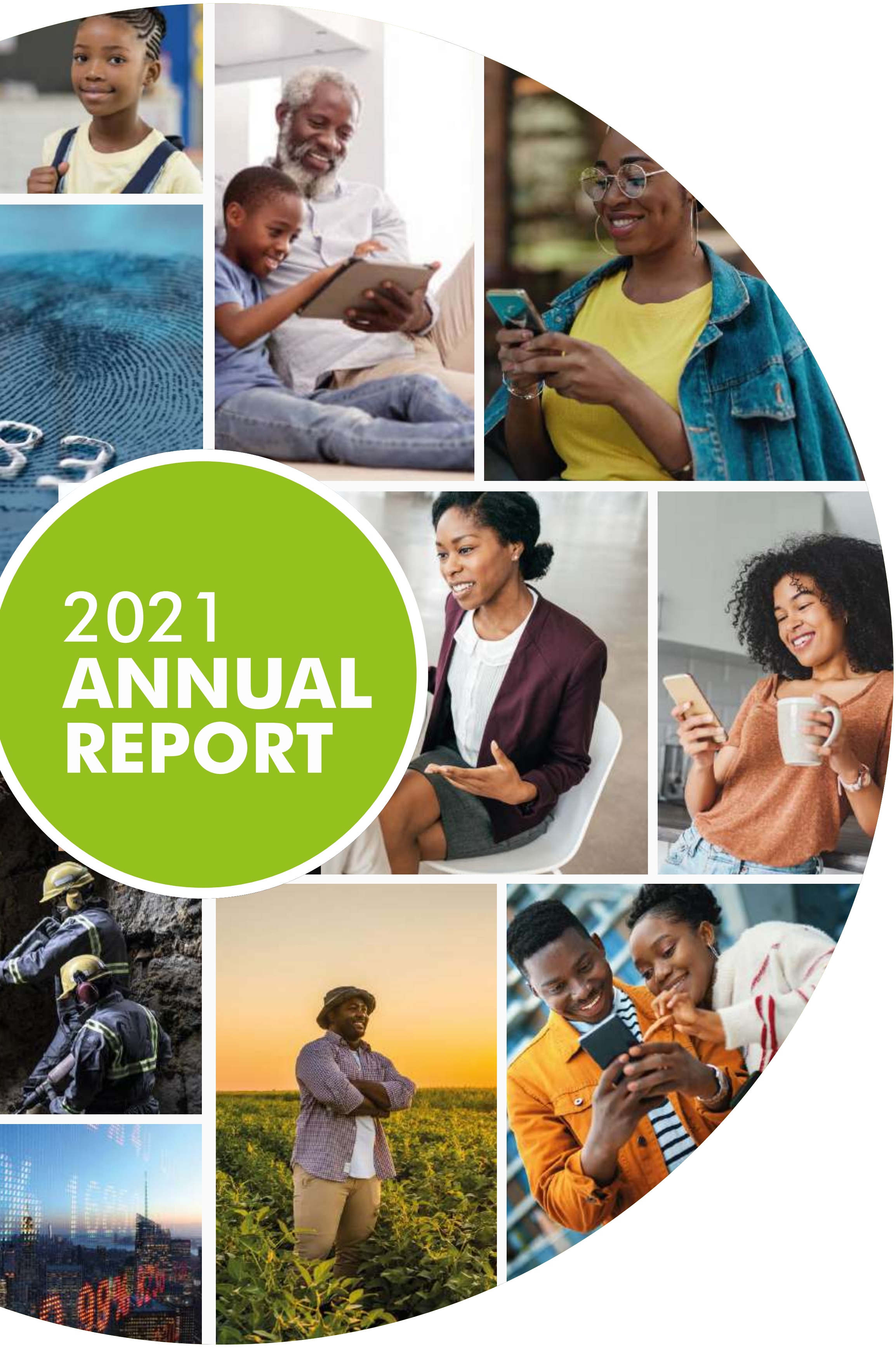


2021 ANNUAL REPORT

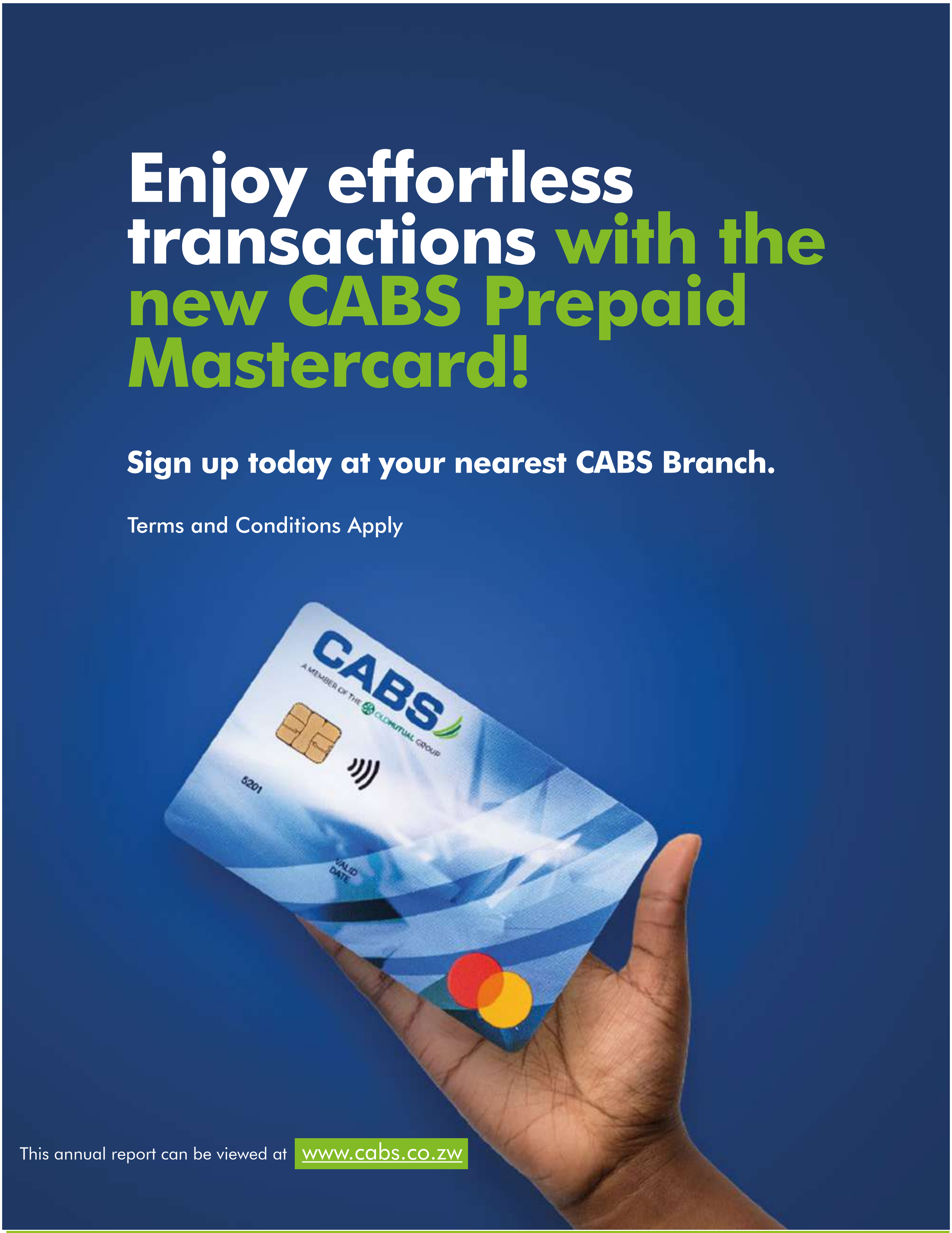
WE'LL HELP YOU GET THERE

CABS

A Member of the OLDMUTUAL Group

CONTENTS

ABOUT THIS REPORT



This annual report can be viewed at www.cabs.co.zw

DIRECTORATE AND ADMINISTRATION

Board of Directors

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

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 (Appointed 11 February 2021)

Board Credit Committee

AE Siyavora	Chairman
DEB Long	Member
T Mutaviri	Member (Appointed 11 February 2021)

Board Loans Review Committee

MJR Dube	Chairman
RCD Chitengu (Mrs)	Member (Appointed 11 February 2021)
W Gillwald	Member (Appointed 11 February 2021)

Board ICT Committee (Established 11 February 2021)

AE Siyavora	Member (Chairman with effect from 1 January 2022)
W Gillwald	Member (Appointed 1 January 2022)
J Idesoh	Member
T Mutaviri	Member

Executive Committee Members

M Mpofu	Managing Director [Chairman]
CT Ndoro	Deputy Managing Director
VC Muyambo	Chief Finance Officer
J Chipunza	Human Capital Business Partner
E Dzonga	Head of Risk
JTR Jabangwe	Head of Operations and Retail Banking
P Kudakwashe	Head of Credit
S Manyoni	Head of CABS Custodial
FE Machawira	Head of Compliance
J Mapiye	Head of Treasury
B Sithole	Head of Corporate Banking
T Muzvidzwa	Head of Information and Communication Technology
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
J Mapiye	Member
P Koen	Member
B Sithole	Member

Regional Councils

Manicaland

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. Warren Gillwald was appointed as an independent non-executive Director to the Society's Board with effect from 1 January 2021.
2. Johnson Idesoh was appointed as a non-executive Director to the Society's Board with effect from 1 January 2021.

* Executive Director
** Non-Executive Director
*** Independent Non-Executive Director

NOTICE TO MEMBERS
For the year ended 31 December 2021

Notice is hereby given that the sixty-seventh (67th) Annual General Meeting (AGM) of Members of CABS (the Society) will be held via Microsoft Teams on Monday, 3 May 2022.

ORDINARY BUSINESS

Minutes of last Annual General Meeting

1. To approve minutes of the Annual General Meeting held on 18 August 2021.

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 2021.

Directorate

3. Mr MJR Dube, Mr DEB Long and Mr W Matsaira retire by rotation in terms of Rule 71 of the CABS Rules and, being eligible, offer themselves for re-election.

4. To confirm the remuneration of Directors amounting to ZWL25 177 830 for the year ended 31 December 2021.

Dividends

5. To confirm the total dividend amounting to ZWL700.00m for the year ended 31 December 2021, comprising an interim dividend amounting to ZWL200.00m declared by the Board on 27 May 2021 and a final dividend amounting to ZWL500.00m declared by the Board on 29 March 2022.

External auditors

6. To approve the external auditors' remuneration amounting to ZWL49 317 192 for the year ended 31 December 2021.

7. To appoint Deloitte & Touche as the Society's auditors for the ensuing year.

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

Electronic Annual Report
The Society's 2021 Annual Report is now available on the Society's website www.cabs.co.zw.

By order of the Board

H R NHARINGO
COMPANY SECRETARY

Registered Office
3 Northend Close
Northridge Park
Highlands
HARARE

29 March 2022

ANNUAL FINANCIAL REVIEW

For the year ended 31 December 2021

	Audited Inflation Adjusted		Unaudited Historical	
	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
ASSETS				
Cash and cash equivalents	11 444.58	8 825.41	11 444.58	5 490.56
Investment securities	3 695.24	5 541.86	3 695.24	3 447.76
Other assets	6 205.97	6 690.43	3 922.31	2 858.31
Loans and advances	27 531.19	11 339.91	27 531.19	7 054.91
Non-current assets held for sale	51.98	45.55	51.98	28.34
Property and equipment	6 045.70	5 391.79	5 109.87	2 703.98
Investment property	2 382.09	2 066.43	2 382.09	1 285.59
Intangible assets	864.51	859.45	198.96	92.80
Total assets	**58 221.26**	**40 760.83**	**54 336.22**	**22 962.25**
LIABILITIES				
Deposits	28 194.64	21 331.09	28 194.64	13 270.73
Credit lines	9 729.93	5 069.53	9 729.93	3153.91
Trade and other liabilities	2 882.51	2 990.60	2 752.54	1 304.68
Deferred taxation	352.71	308.01	352.71	191.62
Shareholder's equity	17 061.47	11 061.60	13 306.40	5 041.31
Total liabilities	**58 221.26**	**40 760.83**	**54 336.22**	**22 962.25**
Income and expenses				
Net interest income	5 655.67	2 174.85	4 565.07	895.38
Allowance for expected credit losses (ECL)	(903.21)	(928.66)	(903.18)	(577.27)
Income from lending activities	4 752.46	1 246.19	3 661.89	318.11
Net non-interest income	8 343.02	5 318.51	7 871.51	3 586.98
Allowance for ECL	(50.15)	(73.17)	(50.15)	(45.52)
Total income	**13 045.33**	**6 491.53**	**11 483.25**	**3 859.57**
Operating expenses	**(5 462.95)**	**(3 472.81)**	**(4 201.79)**	**(1 307.85)**
- Administration	(2 514.16)	(1 342.09)	(2 124.07)	(603.84)
- Depreciation	(620.10)	(626.62)	(167.42)	(51.52)
- Staff costs	(2 328.69)	(1 504.10)	(1 910.30)	(652.49)
Surplus before impairments	**7 582.38**	**3 018.72**	**7 281.46**	**2 551.72**
Impairment on non-financial assets	(684.16)	(231.88)	(684.16)	(124.97)
Monetary loss	(1 013.53)	(230.32)	-	-
Net surplus for the year	**5 884.69**	**2 556.52**	**6 597.30**	**2 426.75**

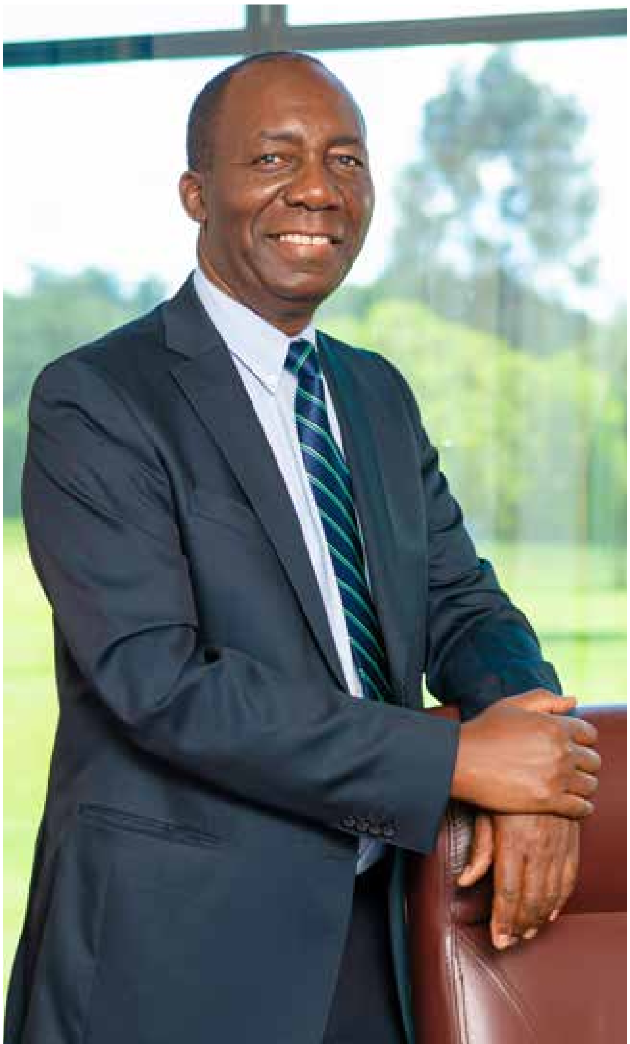
ANNUAL FINANCIAL REVIEW (continued)

For the year ended 31 December 2021

	Unaudited Historical 31 December 2021 ZWLm	31 December 2020 ZWLm
Tier 1 capital		
Ordinary class "A" share capital	35.00	35.00
Retained earnings	9 515.70	2 926.56
Exposures to insiders and connected parties	(1.04)	(10.39)
Less Tier 1 allocated to market risk	(378.02)	(181.13)
Les Tier 1 allocated for operational risk	(601.68)	(137.57)
Total Tier 1 capital	**8 569.96**	**2 632.47**
Tier 2 capital		
Revaluation reserve (limited by Tier 1)	4 377.81	2 358.35
General provisions (limited to 1.25% of TRWA)	629.16	199.26
Other	7.27	7.27
Total Tier 2 capital	**5 014.24**	**2 564.88**
Tier 3 capital		
Allocation of capital for market risk	378.02	181.13
Allocation of capital for operational risk	601.68	137.57
Total Tier 3 capital	**979.70**	**318.70**
Deductions from total capital		
Shareholding in subsidiary company	-	(18.54)
Equity investments in non subsidiary company	(1 016.77)	(111.77)
Total deductions from total capital	**(1 016.77)**	**(130.31)**
Total regulatory capital	**13 547.13**	**5 385.74**
Total risk weighted assets	**50 333.16**	**15 938.33**
Capital adequacy ratio	26.91%	33.79%
Regulatory minimum capital adequacy ratio	12.00%	12.00%
Liquidity ratio	**43.60%**	**64.08%**
• Total liquid assets	16 533.50	10 498.89
• Total liabilities to the public	37 924.57	16 383.42
Return on average assets	**17.07%**	**17.57%**
• Surplus for the year	6 597.30	2 426.76
• Average assets	38 649.24	13 810.16
Return on equity	**38.67%**	**48.14%**
• Surplus for the year	6 597.30	2 426.76
• Shareholders' equity	17 061.46	5 041.31
Cost to income ratio	**42.40%**	**49.40%**

CHAIRMAN'S STATEMENT

For the year ended 31 December 2021



"The improvement in the surplus was driven by growth in both interest and non-interest income that surpassed the 57% growth in operating expenses."

Overview

The Society's results for the year ended 31 December 2021 reflect resilience in the face of a challenging macro-economic environment. Despite disruptions to normal business operations brought about by the Covid-19 pandemic, both income and the surplus improved during the year.

Inflation adjusted results

In the 2021 financial year, the Society achieved a surplus amounting to ZWL5.88bn, an improvement from ZWL2.56bn in 2020. The improvement in the surplus was driven by growth in both interest and non-interest income that surpassed the 57% growth in operating expenses.

Net interest income and net fee income improved significantly during the year, with net interest income growing by 161% to ZWL5.66bn in 2021 (2020: ZWL2.17bn). Net fee and commission income grew by 69% to ZWL5.23bn in 2021 (2020: ZWL3.10bn).

The Society's financial position improved during the year, with total assets increasing by 43% from ZWL40.76bn in 2020 to ZWL58.22bn in 2021 and the loan book growing from ZWL11.34bn to ZWL27.53bn. The quality of the loan book improved with the non-performing loans ratio reducing from 0.41% in 2020 to 0.23% in 2021.

Historical results

In 2021, the Society achieved a surplus amounting to ZWL6.60bn (2020: ZWL2.43bn).

Net interest income grew by 408% to ZWL4.57bn in 2021 (2020: ZWL0.90bn), while net fee and commission income grew by 210% to ZWL4.13bn in 2021 (2020: ZWL1.33bn). Operating expenses increased from ZWL1.31bn in 2020 to ZWL4.20bn in 2021, an increase of 221%.

The Society was compliant with the Reserve Bank of Zimbabwe's 31 December 2021 minimum Tier 1 capital requirement of US$30m. Tier 1 capital increased from ZWL2.63bn (US$32.19m) at 31 December 2020 to ZWL8.57bn (US$78.87m) at 31 December 2021. Measures have been put in place to maintain adequate capital throughout 2022.

Human resources

The challenging economic environment has not spared our staff and the Society remains committed to preserving the well-being of its workforce. Industrial relations remained cordial throughout the year, with continual staff engagement at all levels. In 2021, the Society continued to adhere to the Ministry of Health and Child Care and World Health

CHAIRMAN'S STATEMENT (continued)

For the year ended 31 December 2021

Organization Covid-19 prevention guidelines to protect staff and clients. The Society also continued to facilitate interventions through various wellness programs to support employees.

Operations

The Covid-19 pandemic has led to business disruptions and the Society continues to adapt to the changing operating environment.

To ensure good service delivery, while maintaining customer and staff safety, the Society has continued to promote the use of its digital channels which include point of sale (POS) machines, mobile and internet banking services.
The Society received the following awards in 2021:

- Best Building Society [Banks and Banking Survey]
- First runner up in the Banking Sector 2020 [Superbrand]
- 2nd runner up, Best Banking Governance Practices [Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ)]
- 2nd runner up, Best Banking Risk Management Practices [ICSAZ]
- 2nd runner up, Overall Best Banking Corporate Governance Disclosures [ICSAZ].

Investing in the economy

The Society is committed to supporting private sector investment in Zimbabwe, as well as enabling its customers to invest for the future and create economic opportunities. As part of this commitment, the following initiatives were undertaken:

- Enabling growth of the export sector through provision of targeted foreign currency financing. The Society increased its foreign currency loan book twofold, with agricultural firms and the energy sector being the main beneficiaries;
- The Society has a reasonably balanced portfolio of correspondent banking relationships after securing an additional correspondent banking relationship with EBI SA Groupe, Ecobank, Paris, to support both inward and outward international payments for our clients;
- The Society has increased access to local currency consumer lending through the Flexi Credit, CPS and Eezy Credit facilities; and
- CABS received EUR15 million long-term financing from the European Investment Bank (EIB). This was part of the EIB's rapid response programme across Africa that aims to strengthen economic resilience with respect to the Covid-19 pandemic. The facility allows for longer loan repayment tenures which, in turn, have a positive impact on client cash flows.

Corporate social responsibility and responsible business

The Society recognises the need to invest in the communities in which it operates. The following initiatives were undertaken during the year:

- The Society drilled ten boreholes at ten schools during the year. The borehole drilling project is aimed at facilitating ease of access to clean and safe water;
- Through the Old Mutual Group, the Society was involved in Covid-19 relief efforts;
- The Society provided sponsorship towards the National Institute of Allied Arts Virtual Festival; and
- The Society extended funding to sectors that are critical for economic recovery such as agriculture, mining, and manufacturing.

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 period under review to assess operations, evaluate risk, as well as to monitor and develop systems and procedures that will further safeguard the Society's assets.

Compliance issues

The Society was largely compliant with regulatory requirements.

Outlook

2021 ended on an improved note compared to 2020, despite uncertainties relating to the Covid-19 pandemic. The implementation of prudent fiscal and monetary policies will continue to strengthen the economic stability and the Society will continue to play its part by providing full banking services to clients.

Appreciation

Having risen above yet another challenging year, I extend sincere appreciation to the Board of Directors and staff for their resilience and diligence. Most importantly, thank you to all our customers for your continued support and constructive engagement.

Washington Matsaira
Chairman

29 March 2022

MANAGING DIRECTOR'S REPORT
For the year ended 31 December 2021

The Society continues to remain in a strong position despite the difficulties brought about by the Covid-19 pandemic. The year 2021 saw reduced national lockdowns, thereby supporting an improvement in economic performance.

Operations
We were able to open our branches to serve clients during the year. All branches were operating in line with Covid-19 safety protocols. Healthcare services were made available to staff exposed to the virus. The Society continually provides updates and alerts to staff on how to safeguard themselves and their loved ones from the virus.

Investing in innovation
In our pursuit of progressive digital transformation, the following achievements were attained during the year under review:

- A WhatsApp banking platform. Clients interact with the number 0777 227 227 for their banking services. The platform has various banking services which include but are not limited to balance and mini statement enquiries, airtime purchase, internal funds transfer and ZIPIT;
- The Society zero-rated its services for the CABS Mobile Banking Application and CABS Secure WhatsApp Banking link to enable customers to enjoy the services without using data;
- Customers are now able to send US$ from their nostro accounts using the internet banking platform;
- Introduction of the contactless Prepaid Tap and Go Mastercard which can be used for US$ cash withdrawals, e-commerce payments, transacting in foreign countries, as well as local POS transactions;
- Partnering WorldRemit and Senditoo to allow for convenient and safe remittance of foreign currency;
- The rationalisation of the branch network through a reduction in the number of branches from 53 to 38;
- The launch of Eezy Credit, an instant payday loan facility accessible through our *227# USSD platform. This is an instant loan which is available to clients who receive their salaries through CABS;
- Flexi Credit: Qualifying customers can now apply for a loan on their mobile phones and get instant approval. This allows for faster disbursement and enhanced customer experience;
- Enhancements on the Mobile Banking Application: Our clients can now download or share a digitally stamped proof of payment after transacting using the CABS Mobile Banking Application; and
- The Society added Zuva and Telone as billers on the CABS Mobile Banking Application. All payments instantly reflect in the two billers' accounts.

"The Society achieved a solid performance on the back of an increase in lending and growth in digital transactions."

MANAGING DIRECTOR'S REPORT
For the year ended 31 December 2021

Our digital transformation initiatives are aimed at improving customer experience and reducing physical interactions that may expose our clients and staff to the Covid-19 virus.

Cybercrime continues to be a major risk to the banking sector and our clients. To minimise the risk to our clients, the Society embarked on an exercise to issue bank cards with chip and pin functionality. We continue to urge our customers to swap their cards to the more secure card.

We will continue to focus on bringing innovation to our clients for a better banking experience.

Investing in the communities we serve
The Society recognises the need to invest in the communities in which it operates. Initiatives undertaken during the year include investment in social health infrastructure through the drilling of boreholes at some schools in the country.

Investing in our people
Our human resources remain our greatest asset and the Society continues to explore ways to enhance their welfare and development. CABS facilitates various local and foreign training programmes for staff to maintain and enhance their skills. In the wake of the Covid-19 pandemic, the Society shifted to online learning for staff, with topics ranging from financial literacy to management being covered. During the year under review, Covid-19 screening exercises were carried out at the Society's branches countrywide and assistance was provided to staff members who were either infected or affected by the virus.

Our clients
CABS is committed to delivering value to its clients. The Society encouraged clients to use digital platforms for their transactions and visit branches where necessary. We serve our clients with respect, giving them timely updates and responses to their queries. Feedback from clients on social media, emails, branch visits and feedback registers is taken seriously; and continuous improvement to service delivery from such feedback is encouraged to all CABS staff.

Financial performance
The Society achieved a solid performance on the back of an increase in lending and growth in digital transactions. The digitalisation strategy resulted in an increase in the volume of digital transactions through the provision of a safer and more convenient digital experience for our clients.

In inflation adjusted terms, the Society's surplus increased by 130% to ZWL5.88bn from ZWL2.56bn (2020). This growth was mainly driven by growth in net interest income attributable to the growth in the loan book. In addition, 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 that will carry the business into 2022. Our capital position allowed us to return capital to our shareholder through dividend declarations.

Outlook and appreciation
The outlook, based on the strategy in place, is positive. The digitalisation strategy, coupled with the customer centric plans, will grow the business and counter the Covid-19 pandemic that remains a potential deterrent to our growth strategy.

To our customers, who are the reason for our being, I would like to sincerely appreciate your continued support under very challenging circumstances. Let me also take this opportunity to express our deepest sympathies to all our customers and colleagues who lost their loved ones to this pandemic.

Much appreciation goes to the CABS Board for its unwavering support and guidance. I also appreciate the Regulators for their support. Lastly, I would like to thank the CABS Team, indeed, amazing colleagues committed to deliver, as well as to serve and delight our customers.

The Society will continue to focus on delivering on its long-term strategy of meeting our customers' needs and preserving shareholder value.

M Mpofu
Managing Director

29 March 2022

REPORT OF THE DIRECTORS
For the year ended 31 December 2021

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.

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. In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019, which, based on our legal interpretation, for accounting and other purposes, prescribed parity between the US Dollar and local currency as at and up to the effective date of 22 February 2019, and also prescribed the manner in which certain balances in the financial statements may be treated as a consequence of the recognition of the RTGS Dollar as currency in Zimbabwe. It is the Society's view that the prescribed parity in value between local currency and the US$ did not accurately reflect underlying market economic conditions between 1 October 2018 and 22 February 2019. The treatment resulted in a misstatement of foreign currency transactions in the year ended 31 December 2018 up to 28 February 2019, and the impact of the misstatement is included in the opening retained earnings balance of the 31 December 2020 comparative year opening balances. The Society has determined that the impact of the prior year misstatement is no longer material for the 2021 financial year.

The directors are not aware of other areas of non-compliance with IFRS in the 2021 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 2021 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 2021

	Audited Inflation Adjusted		Unaudited Historical	
	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
Results from operations				
Net interest income	5 655.67	2 174.85	4 565.07	895.38
Allowance for ECL	(903.21)	(928.66)	(903.18)	(577.27)
Income from lending activities	**4 752.46**	**1 246.19**	**3 661.89**	**318.11**
Net non-interest income	8 343.02	5 318.51	7 871.51	3 586.98
Allowance for ECL	(50.15)	(73.17)	(50.15)	(45.52)
Income from non-lending activities	**8 292.87**	**5 245.34**	**7 821.36**	**3 541.46**
Total income	**13 045.33**	**6 491.53**	**11 483.25**	**3 859.57**
Operating expenses	(5 462.95)	(3 472.81)	(4 201.79)	(1 307.85)
Impairment on non-financial assets	(684.16)	(231.88)	(684.16)	(124.97)
Monetary loss	(1 013.53)	(230.32)	-	-
Surplus for the year	**5 884.69**	**2 556.52**	**6 597.30**	**2 426.75**

Restated net interest income increased significantly from ZWL2.17bn in 2020 to ZWL5.66bn in 2021 due to improved effective interest rates compared to 2020. Restated non-interest income improved from ZWL5.32bn in 2020 to ZWL8.34bn in 2021 as disposable incomes grew on the back of a stabilising macro-economic environment. Asset quality slightly improved as well, resulting in the non-performing loans ratio improving to 0.23% from 0.41% in 2020. The Society recorded a restated surplus of ZWL5.28bn in 2021.

Share capital and reserves

Details of share capital of the Society are set out in note 19 to the Society's separate financial statements. There were no movements during the year except for International Accounting Standard 29 restatements *Financial Reporting in Hyperinflationary Economies* (IAS 29).

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. Additional detail on using this basis is provided in note 28. In addition, given the Covid-19 virus that was declared a global pandemic by the World Health Organisation, the Directors found it prudent to add additional disclosure in the financial statements on the impact to the business. The significant doubt associated with current uncertainties related to the Covid-19 virus at this time does not result in a material uncertainty related to events or conditions that may cast doubt on the Society's ability to continue operating as a going concern. However, considering the nature of the uncertainties, note 28 also discloses the potential areas of short to medium term risk for the Society.

These financial statements were approved by the Board of Directors on 15 March 2022 and were signed on its behalf by:

W MATSAIRA	**RCD CHITENGU (MRS)**
CHAIRMAN	**NON-EXECUTIVE DIRECTOR**
29 March 2022	**29 March 2022**

CORPORATE GOVERNANCE STATEMENT

For the year ended 31 December 2021

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 2021, 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.

Board and Board Committee meeting attendance

During the year ended 31 December 2021, the Board and four (4) of its Committees met at least four times. The ICT Committee started meeting in the second quarter of 2021 and held three (3) meetings during the year.

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

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 six times during the year ended 31 December 2021.

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 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 non-executive Directors, two of whom are independent. The Committee met four times during the year ended 31 December 2021.

Board Credit Committee

The Board Credit Committee is responsible for the management of credit risk. It reviews and recommends for

CORPORATE GOVERNANCE STATEMENT (continued)

For the year ended 31 December 2021

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 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 times during the year ended 31 December 2021.

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.

The Committee comprises three independent non-executive Directors. The Board Loans Review Committee met four times during the year ended 31 December 2021.

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 two non-executive Directors. The ICT Committee met three times during the year ended 31 December 2021.

Management Executive Committee (EXCO)

The Committee comprises the Managing Director, the Deputy Managing Director, the Chief Finance Officer, Human Capital Business Partner, Head of Risk, Head of Operations and Retail Banking, Head of Credit, Head of Custodial Services, Head of Compliance, Head of Treasury, Head of Marketing, Head of Corporate Banking, 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, Head of Operations and Retail Banking, Head of Credit, Head of Compliance, Head of Treasury, Head of Corporate 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 Head of Corporate Banking and Head of 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 and Early Alert 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.

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

CORPORATE GOVERNANCE STATEMENT (continued)

For the year ended 31 December 2021

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

This is the risk that the Society may fail to fund increases in assets and meet obligations as they fall due, without incurring unacceptable losses. 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)

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. 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 level and are reviewed periodically, but at least annually.

These limits include the following:

a. Dealer and trading limits
b. Counterparty limits
c. Limits by type of instruments
d. 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.

CORPORATE GOVERNANCE STATEMENT (continued)

For the year ended 31 December 2021

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 conducts 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
Overall composite rating	**2 - Satisfactory**

CORPORATE GOVERNANCE STATEMENT (continued)

For the year ended 31 December 2021

Key

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.

CORPORATE GOVERNANCE STATEMENT (continued)

For the year ended 31 December 2021

Overall composite risk

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.

Deloitte.

PO Box 267
Harare
Zimbabwe

Deloitte & Touche
Registered Auditors
West Block
Borrowdale Office Park
Borrowdale Road
Borrowdale
Harare
Zimbabwe

Tel: +263 (0) 8677 000261
+263 (0) 8644 041005
Fax: +263 (0) 4 852130
www.deloitte.com

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 25 to 90, which comprise the inflation adjusted statement of financial position as at 31 December 2021, 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 2021, 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.

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 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.

Key Audit Matter	How the matter was addressed in the audit
1. Valuation of the asset receivable from the Reserve Bank of Zimbabwe	
As detailed in note 9.4, at 31 December 2021, the Society reported an asset receivable from the Reserve Bank of Zimbabwe (RBZ) of ZW$ 1.234 billion (2020: ZW$ 2.293 billion.) In line with the Monetary Policy Statement issued on 20 February 2019, the Society registered with the RBZ a foreign currency liability of USD 27.7 million, being the legacy debt contracted prior to 20 February 2019. At the time of preparing the 2021 inflation adjusted financial statements, there was uncertainty with respect to the timing of recoverability of the RBZ asset receivable. To date, the RBZ has not issued formal communication on the appropriate instrument to be used to settle the foreign debts. However, the RBZ has reimbursed the Society with the ZW$ equivalent of US$ 15.4 million since registration of the legacy debt. This constitutes 58% of the total amount receivable. The amount receivable from the RBZ has been accounted for as a foreign currency denominated asset. Management believe that the treatment of the receivable as a statutory receivable is appropriate for both the current year and the prior year. Given the materiality of the balance, the absence of a contract with the RBZ to determine the accounting treatment and the judgements involved in determining the timing of recovery of the asset, we have determined this to be a key audit matter.	To address the key audit matter, we performed the following procedures: • Reviewed the applicable Statutory Instruments and Exchange Control Directives of the RBZ and assessed compliance with the terms by the Society; • Inspected registration of related payments to the RBZ to ensure the registration of the blocked funds was in line with RBZ stipulations; • Reviewed contracts and all correspondence with the regulator regarding the blocked funds; • Performed a recomputation of the balance and obtained a confirmation of the amount receivable from the RBZ at year-end; • Reviewed management's valuation model and proposed accounting treatment, in comparison to IFRS; • Engaged Deloitte Technical Accounting experts to assist with assessment of the appropriateness of the accounting treatment and model as well as the impairment recognised; • Reviewed the appropriateness and reasonableness of the impairment of the asset receivable; • Evaluated the accuracy, completeness and reasonableness of input data from which the impairment was derived from and inspected source documents where applicable; and • Evaluated whether disclosures made in the financial statements are in accordance with the requirements of International Financial Reporting Standards (IFRS) in the current year and prior year. We determined that the valuation was found to be appropriate in terms of the relevant accounting standards for the current year and that of the previous year.

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 Matters (continued)

Key Audit Matter	How the matter was addressed in the audit
2. Valuation of expected credit losses on financial assets	

As detailed in note 10, the Society reported expected credit losses of ZW$ 1.468 billion on the inflation adjusted statement of financial position (2020: ZW$ 880 million).
 	
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. Furthermore, the Society adopted a new ECL model during the current year.
 	
Due to the judgement applied in determining the complex ECL, we have determined this to be a key audit matter.
 	
Note 10.6 to the inflation adjusted financial statements provides detailed information with respect to the determination of the expected credit losses.
	To address the key audit matter, we performed the following procedures:
	• Reviewed the Society's IFRS 9 based impairment provisioning policy and compared it with the requirements of IFRS 9;
	• 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;
	• Tested the design and implementation of controls with respect to the determination of the expected credit losses;
	• 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;
	• Tested the completeness and accuracy of loans and advances, treasury bills, off balance sheet items, and other financial assets included in the ECL calculations;
	• With the assistance of an auditors' expert, performed an independent assessment on the appropriateness of the model by performing the following:
	    • Obtained an understanding of the Society's internal rating models for financial assets to assess whether the rating model was appropriate;
	    • 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;
	    • For a sample of exposures, tested the appropriateness of the Society's staging;
	    • Tested assumptions used in the ECL calculations and assessed them for reasonableness; and
	    • For a sample of exposures, tested the appropriateness of determining exposure at default, and probability of default.
	• Assessed the completeness of collateral recognised during the period under review;
	• Assessed the consistency of inputs and assumptions used by the Society's management to determine expected credit losses; and
	• Assessed whether the appropriate required disclosures have been included and presentation requirements have been properly reflected in the financial statements.
	
	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.

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 Matters (continued)

Key Audit Matter	How the matter was addressed in the audit
3. Valuation of owner-occupied property and investment property	
As detailed in notes 13 and 12, at 31 December 2021, the Society reported investment properties of ZW$ 2.4 billion and land and buildings which were recognised at fair value of ZW$ 4.1 billion (2020 - ZW$ 2.1 billion and ZW$ 3.6 billion respectively). 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. We identified the valuation of investment properties and land and buildings 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. These judgments have a higher estimation uncertainty as a result of there being minimal market data arising from a subdued and depressed property market (i.e. limited data on property sales in ZW$ transactions) which is largely due to the prevailing liquidity and other economic constraints in Zimbabwe. Judgements and estimates used in the valuation of properties have been disclosed in notes 12 and 20 of the inflation adjusted financial statements.	To address the key audit matter, we performed the following procedures: • Convened meetings with managements' valuation experts to obtain an understanding of the assumptions employed in the valuation of investment property; • Performed an assessment of the external valuer's competence, capabilities and objectivity; • Engaged with external valuation experts to obtain an understanding of their own independent assumptions, and valuation conclusions, then, proceeded to compare the independent valuers' valuations to those of management and challenged any noted deviations in approach or valuation outcomes; • Performed an assessment of the Society's valuation techniques against acceptable industry practice and IFRS requirements and where applicable compare derived property values with similar properties within the market and/or recently settled market transactions; • Evaluated consistency in the Society's valuation techniques with prior years; • Evaluated the accuracy, completeness and reasonability of input data from which the valuations are derived and inspect source documents where applicable; and • Evaluated whether disclosures made in the financial statements are in accordance with requirements of International Financial Reporting Standards (IFRS). The valuation of the owner-occupied property and investment property was found to be appropriate in terms of the relevant accounting standards.

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

Other Matter

The inflation adjusted financial statements of the Society for the year ended 30 December 2020 were audited by another auditor who expressed a qualified opinion on those Inflation Adjusted financial statements on 1 April 2021.

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 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.

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.

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

Auditor's Responsibilities for the Audit of the inflation adjusted Financial Statements (continued)

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.

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.

Deloitte & Touche

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

29 MARCH 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Audited Inflation Adjusted		Unaudited Historical	
	Notes	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
Interest income	2	6 247.65	2 957.43	5 039.38	1 181.99
Interest expense	2	(591.98)	(782.58)	(474.31)	(286.61)
Net interest income before impairment on financial assets		5 655.67	2 174.85	4 565.07	895.38
Allowance for ECL	3	(903.21)	(928.66)	(903.18)	(577.27)
Income from lending activities		**4 752.46**	**1 246.19**	**3 661.89**	**318.11**
Fee and commission income	4.1	7 492.98	4 652.46	5 931.28	1 957.49
Fee and commission expense	4.1	(2 263.46)	(1 550.28)	(1 804.37)	(623.21)
Net fee and commission income		5 229.52	3 102.18	4 126.91	1 334.28
Other income	4.2	3 113.50	2 216.33	3 744.60	2 252.70
Net non-interest income before impairment on financial assets		8 343.02	5 318.51	7 871.51	3 586.98
Allowance for ECL	3	(50.15)	(73.17)	(50.15)	(45.52)
Income from non-lending activities		**8 292.87**	**5 245.34**	**7 821.36**	**3 541.46**
Operating income for the year		**13 045.33**	**6 491.53**	**11 483.25**	**3 859.57**
Operating expenses	5	(5 462.95)	(3 472.81)	(4 201.79)	(1 307.85)
Impairment on non-financial assets	3	(684.16)	(231.88)	(684.16)	(124.97)
Monetary loss		(1 013.53)	(230.32)	-	-
Surplus for the year		**5 884.69**	**2 556.52**	**6 597.30**	**2 426.75**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss, net of tax		**599.93**	**429.91**	**2 017.79**	**1 910.93**
Movement in revaluation reserve		599.93	388.81	2 017.79	1 905.23
Movement in regulatory reserve		-	41.10	-	5.70
Total comprehensive income for the year		**6 484.62**	**2 986.43**	**8 615.09**	**4 337.68**

PAGE 25

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	Audited Inflation Adjusted 31 December 2021 ZWLm	Audited Inflation Adjusted 31 December 2020 ZWLm	Unaudited Historical 31 December 2021 ZWLm	Unaudited Historical 31 December 2020 ZWLm
ASSETS					
Cash and cash equivalents	7	11 444.58	8 825.41	11 444.58	5 490.56
Investment securities	8	3 695.24	5 541.86	3 695.24	3 447.76
Other assets	9	6 205.97	6 690.43	3 922.31	2 858.31
Loans and advances	10	27 531.19	11 339.91	27 531.19	7 054.91
Non-current assets held for sale	11	51.98	45.55	51.98	28.34
Property and equipment	12	6 045.70	5 391.79	5 109.87	2 703.98
Investment property	13	2 382.09	2 066.43	2 382.09	1 285.59
Intangible assets	14	864.51	859.45	198.96	92.80
Total assets		**58 221.26**	**40 760.83**	**54 336.22**	**22 962.25**
LIABILITIES					
Deposits	15	28 194.64	21 331.09	28 194.64	13 270.73
Credit lines	16	9 729.93	5 069.53	9 729.93	3 153.91
Trade and other liabilities	17	2 882.51	2 990.60	2 752.54	1 304.68
Deferred taxation	18	352.71	308.01	352.71	191.62
Total liabilities		**41 159.79**	**29 699.23**	**41 029.82**	**17 920.94**
SHAREHOLDER'S EQUITY					
Ordinary class "A" share capital	19.1	2 228.13	2 228.13	35.00	35.00
Retained earnings	19.2	11 297.35	5 897.41	8 887.99	2 640.69
Regulatory provision reserve	19.3	-	-	-	-
Non-distributable reserve	19.4	92.07	92.07	1.45	1.45
Revaluation reserve	19.5	3 074.38	2 474.45	4 376.14	2 358.35
Share-based payment reserve	19.6	369.54	369.54	5.82	5.82
		17 061.47	**11 061.60**	**13 306.40**	**5 041.31**
Total equity and liabilities		**58 221.26**	**40 760.83**	**54 336.22**	**22 962.25**

W MATSAIRA
CHAIRMAN

RCD CHITENGU (MRS)
NON-EXECUTIVE DIRECTOR

Harare

29 March 2022

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

Audited Inflation Adjusted

2021	Share capital ZWLm	Retained earnings ZWLm	Regulatory provision reserve ZWLm	Non distributable reserve ZWLm	Revaluation reserve ZWLm	Share based payment reserve ZWLm	Translation reserve ZWLm	Total equity ZWLm
Balance as at 1 January 2021	**2 228.13**	**5 897.41**	**-**	**92.07**	**2 474.45**	**369.54**	**-**	**11 061.60**
Surplus for the year	-	5 884.69	-	-	-	-	-	5,884.69
Dividend	-	(484.75)	-	-	-	-	-	(484.75)
Revaluation	-	-	-	-	599.93	-	-	599.93
Balance as at 31 December 2021	**2 228.13**	**11 297.35**	**-**	**92.07**	**3 074.38**	**369.54**	**-**	**17 061.47**

Audited Inflation Adjusted

	Share capital ZWLm	Retained earnings ZWLm	Regulatory provision reserve ZWLm	Non distributable reserve ZWLm	Revaluation reserve ZWLm	Share based payment reserve ZWLm	Translation reserve ZWLm	Total equity ZWLm
Balance as at 1 January 2020	**2 228.13**	**4 825.16**	**41.10**	**92.07**	**2 085.64**	**369.54**	**(1 357.16)**	**8 284.48**
Surplus for the year	-	2 556.52	-	-	-	-	-	2 556.52
Transfer between reserves	-	(1 316.06)	(41.10)	-	-	-	1 357.16	-
Dividend	-	(168.21)	-	-	-	-	-	(168.21)
Revaluation	-	-	-	-	388.81	-	-	388.81
Balance as at 31 December 2020	**2 228.13**	**5 897.41**	**-**	**92.07**	**2 474.45**	**369.54**	**-**	**11 061.60**

Unaudited Historical

	Share capital ZWLm	Retained earnings ZWLm	Regulatory provision reserve ZWLm	Non distributable reserve ZWLm	Revaluation reserve ZWLm	Share based payment reserve ZWLm	Translation reserve ZWLm	Total equity ZWLm
Balance as at 1 January 2021	**35.00**	**2 640.69**	**-**	**1.45**	**2 358.35**	**5.82**	**-**	**5 041.31**
Surplus for the year	-	6 597.30	-	-	-	-	-	6 597.30
Dividend	-	(350.00)	-	-	-	-	-	(350.00)
Revaluation	-	-	-	-	2 017.79	-	-	2 017.79
Balance as at 31 December 2021	**35.00**	**8 887.99**	**-**	**1.45**	**4 376.14**	**5.82**	**-**	**13 306.40**

Unaudited Historical

	Share capital ZWLm	Retained earnings ZWLm	Regulatory provision reserve ZWLm	Non distributable reserve ZWLm	Revaluation reserve ZWLm	Share based payment reserve ZWLm	Translation reserve ZWLm	Total equity ZWLm
Balance as at 1 January 2020	**35.00**	**345.79**	**5.70**	**1.45**	**453.12**	**5.82**	**(37.55)**	**809.33**
Surplus for the year	-	2 426.75	-	-	-	-	-	2 426.75
Transfer between reserves	-	(31.85)	(5.70)	-	-	-	37.55	-
Dividend	-	(100.00)	-	-	-	-	-	(100.00)
Revaluation	-	-	-	-	1 905.23	-	-	1 905.23
Balance as at 31 December 2020	**35.00**	**2 640.69**	**-**	**1.45**	**2 358.35**	**5.82**	**-**	**5 041.31**

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	Audited Inflation Adjusted 31 December 2021 ZWLm	Audited Inflation Adjusted 31 December 2020 ZWLm	Unaudited Historical 31 December 2021 ZWLm	Unaudited Historical 31 December 2020 ZWLm
Cash flows from operating activities					
Surplus for the year		5 884.69	2 556.52	6 597.30	2 426.75
Adjustments for:					
Net interest income	2	(5 655.67)	(2 174.85)	(4 565.07)	(895.38)
Allowance for ECL on interest earning financial assets	3	903.21	928.66	903.18	577.27
Allowance for ECL on non-interest earning financial assets	3	50.15	73.17	50.15	45.52
Fair value gain on investment property	4.2	(312.56)	(356.90)	(1 094.02)	(1 052.94)
Fair value (gain)/loss on non-current assets held for sale	4.2	(6.43)	11.77	(23.64)	(24.95)
Fair value gain on equity investments	4.2	(823.42)	(156.51)	(917.69)	(127.45)
Depreciation and amortisation	5	620.10	626.62	167.43	51.52
Transfer to investment property	9.3.1	-	(66.55)	-	(4.79)
Unrealised foreign currency exchange gains		(526.51)	(2 395.22)	(526.51)	(1 490.14)
Operating cash flows before working capital changes		**133.56**	**(953.29)**	**591.13**	**(494.59)**
Decrease/(increase) in investment securities		1 972.59	(827.03)	(121.51)	(1 861.81)
Decrease/(increase) in other assets		1 772.05	1 257.07	258.96	(876.24)
(Increase)/decrease in loans and advances		(13 648.31)	2 661.16	(17 933.28)	(3 527.51)
Decrease in non-current assets held for sale		-	11.77	-	7.37
Increase/(decrease) in deposits		4 591.84	(6 699.44)	12 652.19	5 386.05
(Decrease)/increase in trade and other liabilities		(430.33)	868.97	1 125.62	1 013.62
Operating cash flows after working capital changes		**(5 608.60)**	**(3 680.79)**	**(3 426.89)**	**(353.11)**
Interest income received	2	6 247.65	2 957.43	5 039.38	1 181.99
Interest expense paid	2	(591.98)	(782.58)	(474.31)	(286.61)
Net cash flows from operating activities		**47.07**	**(1 505.94)**	**1 138.18**	**542.27**
Cash flows from investing activities					
Additions to property and equipment	12	(521.89)	(292.90)	(385.07)	(121.52)
Additions to investment property	13	(3.10)	-	(2.48)	-
Additions to intangible assets	14	(145.62)	(510.15)	(123.63)	(86.17)
Net cash flows from investing activities		**(670.61)**	**(803.05)**	**(511.18)**	**(207.69)**
Cash flows from financing activities					
Dividends paid		(484.75)	(168.21)	(350.00)	(100.00)
Credit lines received		7 542.68	15 742.39	8 562.35	3 499.74
Credit lines paid		(5 284.28)	(21 203.19)	(4 388.34)	(3 768.15)
Net cash flows from financing activities		**1 773.65**	**(5 629.01)**	**3 824.01**	**(368.41)**
Net increase/(decrease) in cash and cash equivalents		**1 150.11**	**(7 938.00)**	**4 451.01**	**(33.83)**
Effects of exchange rate changes on cash and cash equivalents		1 469.06	6 628.73	1 503.01	4 118.84
Cash and cash equivalents at the beginning of the year		**8 825.41**	**10 134.68**	**5 490.56**	**1 405.55**
Cash and cash equivalents at the end of the year	**7**	**11 444.58**	**8 825.41**	**11 444.58**	**5 490.56**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021, the country continued experiencing hyperinflationary pressures, with the inflation rate closing at 60.74% as at 31 December 2021 from 348.59% 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 2021 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 2021 are given below.

Dates	Indices	Conversion Factors
31 December 2021	3 977.48	1.00
31 December 2020	2 474.51	1.61

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

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 2021 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 2021.

iii. Property and equipment were restated by applying the change in the index from the date of purchase to 31 December 2021. Depreciation amounts are based on restated costs. Owner-occupied buildings are revalued annually at the reporting date, 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.

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 2021.

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 2020 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 2020 were restated by applying the change in the index from 31 December 2020 to 31 December 2021;

ii. Non-monetary assets and liabilities that were not carried at amounts current at 31 December 2020 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 2021.

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 2021. 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 29 March 2022.

1.5 Functional and presentation currency

The financial statements are prepared in compliance 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 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.

In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 (SI 33) of 2019, which, based on our legal interpretation, for accounting and other purposes, prescribed parity between the US Dollar and local currency as at and up to the effective date of 22 February 2019, and prescribed the way certain balances in the financial statements may be treated because of the recognition of the RTGS dollar as currency in Zimbabwe. It is the Society's view that the prescribed parity in value between local currency and the US$ did not accurately reflect underlying market economic conditions.

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.

The weekly auction exchange rate system was intended to improve foreign currency supply and relative exchange rate stability. This was achieved during the first few months of the system but is no longer the same because , the economy is still witnessing alternative foreign currency exchange rates that are divergent from the auction determined exchange rate. The table below shows the official closing exchange rates against US$1 since 2019.

Year end	Closing rate
31 December 2021	108.6660
31 December 2020	81.7866
31 December 2019	16.7734

On 24 July 2020, Statutory Instrument 185 of 2020 (SI 185) was gazetted. The regulation 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 7.5% of the total value of transactions for the year. It is management's view that this does not constitute a significant weighting and the continued use of the official 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 Separate financial statements

On 01 January 2020, the Society acquired CABS Custodial ("CABSCUS") and Old Mutual Finance ("OMFIN") from OMZIL. CABSCUS became a division/department, while OMFIN became a subsidiary. CABSCUS has remained a division within CABS and the assets and liabilities are consolidated in the CABS financial statements.

As for OMFIN, after due consideration of several factors, the OMZIL and CABS boards agreed to transfer OMFIN back to OMZIL on 1 January 2021 to allow both CABS and OMFIN to operate effectively. For the purposes of effecting the transfer and simplifying the transaction, the original transfer value and any further injections made thereafter were used to determine the purchase consideration paid by OMZIL. Therefore, as at 1 January 2021, OMFIN became a direct subsidiary of OMZIL.

	ZWLm
Transaction consideration when OMFIN was transferred to CABS	8.12
Capital injection approved 12 October 2020	10.00
Total purchase consideration	**18.12**

For the year ended 31 December 2020, the Society elected to use the consolidation exemption as per IFRS 10 paragraph 4a.

1.7 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1 Significant Accounting Policies (continued)

1.7 Use of judgements and estimates (continued)

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.

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 1.21 - 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.

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 2021 is included in the following notes:

- Note 1.21 - Impairment of financial instruments: assessment of whether credit risk on the financial asset has increased significantly since initial recognition;
- Note 9.3.1 - Determination of write downs for inventory with significant unobservable inputs; and
- Note 20 - Determination of fair value on financial and non-financial assets with significant unobservable inputs i.e. Investment property and owner-occupied properties.

1.8 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.

1.9 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.

1.10 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.

1.11 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 nominal interest rate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1 Significant Accounting Policies (continued)

1.11 Revenue (continued)

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.

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

Other non-interest income
Other non-interest income comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends, foreign exchange differences and net sales from housing units.

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

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.

Other non-interest income
Other non-interest income comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends, foreign exchange differences and sales from housing units.

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

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

1.12 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1 Significant Accounting Policies (continued)

1.13 Share-based payments

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 22).
-National Social Security Authority Fund (NSSA) (note 22).

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1 Significant Accounting Policies (continued)

1.13 Share-based payments (continued)

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.

1.14 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:

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

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.

1.15 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 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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1 Significant Accounting Policies (continued)

1.15 Property and equipment (continued)

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.

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.

1.16 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.

1.17 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.

1.18 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 Significant Accounting Policies (continued)

1.19 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, Nedbank and key management employees and their close family members. Transactions and balances with related parties are shown in note 21.

1.20 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.

1 Significant Accounting Policies (continued)

1.20 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.

1.21 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 2021

1 Significant Accounting Policies (continued)

1.21 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 2021

1 Significant Accounting Policies (continued)

1.21 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 2021

1 Significant Accounting Policies (continued)

1.21 Financial instruments (continued)

Impairment of financial assets - Expected Credit Loss (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;
- lease receivables;
- 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 2021

1 Significant Accounting Policies (continued)

1.21 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.

1 Significant Accounting Policies (continued)

1.21 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 2021

1 Significant Accounting Policies (continued)

1.21 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.

1.22 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.

1.23 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.

1.24 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.

1.25 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 of 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.

1 Significant Accounting Policies (continued)

1.26 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 20.

1.27 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:

i 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.

ii. 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 2021

1 Significant Accounting Policies (continued)

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

A number of new standards or revised/amended standards are effective for annual years beginning after 01 January 2022 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
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
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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

		Notes	Audited Inflation Adjusted 31 December 2021 ZWLm	Audited Inflation Adjusted 31 December 2020 ZWLm	Unaudited Historical 31 December 2021 ZWLm	Unaudited Historical 31 December 2020 ZWLm
2	**Net interest income**					
	Interest income		**6 247.65**	**2 957.43**	**5 039.38**	**1 181.99**
	Loans and advances		5 914.37	2 734.81	4 783.59	1 084.32
	Mortgage loans		428.83	228.71	348.65	78.04
	Term loans and overdrafts		5 485.54	2 506.10	4 434.94	1 006.28
	Investment securities		333.28	222.62	255.79	97.67
	Treasury bills		173.04	117.97	136.56	51.25
	Money market investments		160.24	104.65	119.23	46.42
	Interest expense		**(591.98)**	**(782.58)**	**(474.31)**	**(286.61)**
	Credit lines		(419.19)	(559.97)	(333.70)	(222.39)
	Money market deposits		(158.09)	(213.04)	(126.42)	(61.16)
	Term deposits		-	(0.02)	-	-
	Savings deposits		(14.70)	(9.55)	(14.19)	(3.06)
	Net interest income		**5 655.67**	**2 174.85**	**4 565.07**	**895.38**
3	**Impairment reconciliation**					
	Allowance for ECL on interest earning financial assets		**903.21**	**928.66**	**903.18**	**577.27**
	Loans and advances		937.37	802.95	937.29	497.98
	Recovery of loans previously written off		(0.35)	(2.69)	(0.30)	(0.59)
	Investment securities		(33.81)	128.40	(33.81)	79.88
	Allowance for ECL on non-interest earning financial assets					
	- Unauthorised overdrafts and accrued rental income		50.15	73.17	50.15	45.52
	Impairment on non-financial assets					
	Write-offs and other losses		684.16	231.88	684.16	124.97
			1 637.52	**1 233.73**	**1 637.49**	**747.76**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

		Notes	Audited Inflation Adjusted 31 December 2021 ZWLm	Audited Inflation Adjusted 31 December 2020 ZWLm	Unaudited Historical 31 December 2021 ZWLm	Unaudited Historical 31 December 2020 ZWLm
4	**Net non-interest income**					
4.1	**Net fee and commission income**					
	Fee and commission income		**7 492.98**	**4 652.46**	**5 931.28**	**1 957.49**
	Commission fees		3 222.64	1 888.86	2 695.01	774.37
	Service fees		2 024.22	1 283.46	1 590.51	582.16
	Administration fees		2 246.12	1 480.14	1 645.76	600.96
	Fee and commission expense		**(2 263.46)**	**(1 550.28)**	**(1 804.37)**	**(623.21)**
	Transactional commission expense		(1 962.50)	(1 548.27)	(1 570.47)	(602.49)
	Other commissions and fee expense		(300.96)	(2.01)	(233.90)	(20.72)
	Net fee and commission expense		**5 229.52**	**3 102.18**	**4 126.91**	**1 334.28**
4.2	**Other income**					
	Housing projects trading profit	4.2.1	228.20	113.38	172.62	51.89
	Rental income from investment property	4.2.2	43.80	13.34	38.42	1.66
	Fair value gain on equity investments	9.2	823.42	156.51	917.69	127.45
	Fair value gain/(loss) on non-current assets held for sale	11	6.43	(11.77)	23.64	24.95
	Fair value gain on investment property	13	312.56	356.90	1 094.02	1 052.94
	Dividend and other income from equity investments	6.2	239.34	73.84	202.25	23.85
	Loss on sale of non-current assets held for sale		-	(14.93)	-	(7.37)
	Foreign exchange gain		1 459.75	1 529.06	1 295.96	977.33
	Net other income		**3 113.50**	**2 216.33**	**3 744.60**	**2 252.70**
4.2.1	**Trading income**					
	Housing projects sales		279.37	150.40	216.11	62.40
	Cost of housing units sold		(2.61)	(31.70)	(2.87)	(7.70)
	Gross profit		276.76	118.70	213.24	54.70
	Project operating expenses		(48.56)	(5.32)	(40.62)	(2.81)
	Net trading profit		**228.20**	**113.38**	**172.62**	**51.89**
4.2.2	**Investment property**					
	Rental income		327.82	196.73	287.52	24.54
	Less expenses		(284.02)	(183.39)	(249.10)	(22.88)
	Net rental income		**43.80**	**13.34**	**38.42**	**1.66**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

		Notes	Audited Inflation Adjusted 31 December 2021 ZWLm	Audited Inflation Adjusted 31 December 2020 ZWLm	Unaudited Historical 31 December 2021 ZWLm	Unaudited Historical 31 December 2020 ZWLm
5	**Operating expenses**					
	Advertising and marketing		136.12	74.21	108.13	27.10
	Auditors' remuneration		61.17	69.86	49.32	30.02
	Buildings security cost		154.71	79.68	132.30	33.08
	Cash in transit cost		58.07	31.34	47.82	12.01
	Deposit protection premium		51.05	12.65	51.05	7.87
	Directors' remuneration		31.81	21.52	25.18	8.28
	Other expenses		31.20	49.79	103.37	66.93
	Information systems maintenance		658.69	272.85	529.45	110.60
	Insurance premiums		190.52	135.13	147.78	59.79
	Maintenance of vehicles		142.93	81.29	116.08	37.08
	Occupancy cost		282.92	160.69	219.53	62.49
	Old Mutual Foundation		89.08	45.49	69.33	14.33
	Outsourced services					
	- Old Mutual Group		311.30	127.05	270.54	57.51
	Stationery and printing		77.79	35.33	63.45	13.53
	Telephones and postage		57.88	24.87	45.44	10.98
	Travelling and subsistence		178.92	120.34	145.30	52.23
	Administration		**2 514.16**	**1 342.09**	**2 124.07**	**603.83**
	Property and equipment	12	543.74	553.02	155.09	50.07
	Intangible assets	14	76.36	73.60	12.34	1.45
	Depreciation and amortisation		**620.10**	**626.62**	**167.43**	**51.52**
	Salaries, wages, and bonuses		2 090.78	1 330.78	1 716.88	582.19
	Pension contributions		72.56	36.57	58.68	14.82
	Cash-settled share based payments		0.14	10.43	0.14	6.49
	Other staff costs		165.21	126.32	134.59	49.00
	Staff costs		**2 328.69**	**1 504.10**	**1 910.29**	**652.50**
	Total operating expenses		**5 462.95**	**3 472.81**	**4 201.79**	**1 307.85**

The number of people employed by the Society as at 31 December 2021 was 719 (2020: 656).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

6 Financial instruments analysis

6.1 Classification of financial assets and liabilities

	Notes	Audited Inflation Adjusted Fair value through profit or loss ZWLm	Amortised cost ZWLm	Total carrying amount ZWLm
As at 31 December 2021				
Assets				
Cash and cash equivalents	7	-	11 444.58	11 444.58
Investment securities	8	-	3 695.24	3 695.24
Other financial assets	9	1 003.60	-	1 003.60
Loans and advances	10	-	27 531.19	27 531.19
		1 003.60	**42 671.01**	**43 674.61**
Liabilities				
Deposits	15	-	28 194.64	28 194.64
Credit lines	16	-	9 729.93	9 729.93
Other liabilities	17	-	14.03	14.03
		-	**37 938.60**	**37 938.60**
As at 31 December 2020				
Assets				
Cash and cash equivalents	7	-	8 825.41	8 825.41
Investment securities	8	-	5 541.86	5 541.86
Other financial assets	9	477.35	-	477.35
Loans and advances	10	-	11 339.91	11 339.91
		477.35	**25 707.18**	**28 184.53**
Liabilities				
Deposits	15	-	21 331.09	21,331.09
Credit lines	16	-	5 069.53	5,069.53
Other liabilities	17	-	367.06	367.06
		-	**26 767.68**	**26,767.68**

	Notes	Unaudited Historical Fair value through profit or loss ZWLm	Amortised cost ZWLm	Total carrying amount ZWLm
As at 31 December 2021				
Assets				
Cash and cash equivalents	7	-	11 444.58	11 444.58
Investment securities	8	-	3 695.24	3 695.24
Other financial assets	9	1 003.60	-	1 003.60
Loans and advances	10	-	27 531.19	27 531.19
		1 003.60	**42 671.01**	**43 674.61**
Liabilities				
Deposits	15	-	28 194.64	28 194.64
Credit lines	16	-	9 729.93	9 729.93
Other liabilities	17	-	14.03	14.03
		-	**37 938.60**	**37 938.60**
As at 31 December 2020				
Assets				
Cash and cash equivalents	7	-	5 490.56	5 490.56
Investment securities	8	-	3 447.76	3 447.76
Other financial assets	9	136.08	-	136.08
Loans and advances	10	-	7 054.91	7 054.91
		136.08	**15 993.23**	**16 129.31**
Liabilities				
Deposits	15	-	13 270.73	13 270.73
Credit lines	16	-	3 153.91	3 153.91
Other liabilities	17	-	228.36	228.36
		-	**16 653.00**	**16 653.00**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

6 Financial instruments analysis (continued)

6.2 Composition of gains and losses on financial instruments

	Notes	Audited Inflation Adjusted			
		Fair value through profit or loss ZWLm	Amortised cost financial assets ZWLm	Amortised cost financial liabilities ZWLm	Total ZWLm
December 2021					
Interest income	2	-	6 247.65	-	6 247.65
Dividends received	4.2	239.34	-	-	239.34
Fair value gain	4.2	823.42	-	-	823.42
Total income		**1 062.76**	**6 247.65**	**-**	**7 310.41**
Interest expense	2	-	-	(591.98)	(591.98)
Allowance for ECL	3	-	(903.21)	-	(903.21)
Total expenses		**-**	**(903.21)**	**(591.98)**	**(1 495.19)**
December 2020					
Interest income	2	-	2 957.43	-	2 957.43
Dividends received	4.2	73.84	-	-	73.84
Fair value gain	4.2	156.51	-	-	156.51
Total income		**230.35**	**2 957.43**	**-**	**3 187.78**
Interest expense	2	-	-	(782.58)	(782.58)
Allowance for ECL	3	-	(928.66)	-	(928.66)
Total expenses		**-**	**(928.66)**	**(782.58)**	**(1 711.24)**

		Unaudited Historical			
		Fair value through profit or loss ZWLm	Amortised cost financial assets ZWLm	Amortised cost financial liabilities ZWLm	Total ZWLm
December 2021					
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
Total income		**1 119.94**	**5 039.38**	**-**	**6 159.32**
Interest expense	2	-	-	(474.31)	(474.31)
Allowance for ECL	3	-	(903.18)	-	(903.18)
Total expenses		**-**	**(903.18)**	**(474.31)**	**(1 377.49)**
December 2020					
Interest income	2	-	1 181.99	-	1 181.99
Dividends received	4.2	23.85	-	-	23.85
Fair value gain	4.2	127.45	-	-	127.45
Total income		**151.30**	**1 181.99**	**-**	**1 333.29**
Interest expense	2	-	-	(286.61)	(286.61)
Allowance for ECL	3	-	(577.27)	-	(577.27)
Total expenses		**-**	**(577.27)**	**(286.61)**	**(863.88)**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

		Notes	Audited Inflation Adjusted 31 December 2021 ZWLm	Audited Inflation Adjusted 31 December 2020 ZWLm	Unaudited Historical 31 December 2021 ZWLm	Unaudited Historical 31 December 2020 ZWLm
7	**Cash and cash equivalents**					
	Cash balances		3 219.35	4 670.79	3 219.35	2 905.84
	Bank balances		6 455.92	3 812.35	6 455.92	2 371.78
	Statutory reserves		1 769.31	342.27	1 769.31	212.94
			11 444.58	**8 825.41**	**11 444.58**	**5 490.56**

		Notes	Audited Inflation Adjusted 31 December 2021 ZWLm	Audited Inflation Adjusted 31 December 2020 ZWLm	Unaudited Historical 31 December 2021 ZWLm	Unaudited Historical 31 December 2020 ZWLm
8	**Investment securities**					
	Money market investments		840.55	2 092.15	840.55	1 301.59
	Bankers' acceptances		-	-	-	-
	Treasury bills		2 914.64	3 615.25	2 914.64	2 249.16
			3 755.19	5 707.40	3 755.19	3 550.75
	Allowance for ECL	8.2	(59.95)	(165.54)	(59.95)	(102.99)
			3 695.24	**5 541.86**	**3 695.24**	**3 447.76**
8.1	**Maturity analysis - gross**					
	On demand to 3 months		1 935.46	1 994.27	1 935.46	1 240.70
	1 to 3 months		1 595.36	3.87	1 595.36	2.41
	3 months to 6 months		224.37	2 797.43	224.37	1 740.37
	6 months to 1 year		-	898.01	-	558.67
	1 year to five years		-	13.82	-	8.60
	Over 5 years		-	-	-	-
			3 755.19	**5 707.40**	**3 755.19**	**3 550.75**

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

8.2 Impairment analysis

	Audited Inflation Adjusted 31 December 2021 Stage 1 Gross carrying amount ZWLm	Audited Inflation Adjusted 31 December 2021 Stage 1 Allowance for ECL ZWLm	Audited Inflation Adjusted 31 December 2020 Stage 1 Gross carrying amount ZWLm	Audited Inflation Adjusted 31 December 2020 Stage 1 Allowance for ECL ZWLm
At the beginning of the year	**5 707.40**	**(165.54)**	**2 837.41**	**(50.55)**
	(1 952.19)	105.59	2 869.99	(114.99)
Purchases and interest accruals	3 755.19	-	4 933.53	(197.66)
Repayments	(3 550.75)	-	(2 671.69)	107.02
Monetary adjustment	(2 156.65)	105.59	608.15	(24.35)
At the end of the year	**3 755.19**	**(59.95)**	**5 707.40**	**(165.54)**

	Unaudited Historical 31 December 2021 Stage 1 Gross carrying amount ZWLm	Unaudited Historical 31 December 2021 Stage 1 Allowance for ECL ZWLm	Unaudited Historical 31 December 2020 Stage 1 Gross carrying amount ZWLm	Unaudited Historical 31 December 2020 Stage 1 Allowance for ECL ZWLm
At the beginning of the year	**3 550.75**	**(7.01)**	**393.51**	**(7.01)**
	204.44	**(52.94)**	**3 157.24**	**(95.98)**
Purchases and interest accruals	3 755.19	(59.95)	3 527.77	(102.32)
Repayments	(3 550.75)	7.01	(370.53)	6.34
At the end of the year	**3 755.19**	**(59.95)**	**3 550.75**	**(102.99)**

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 2021

9 Other assets

	Notes	Audited Inflation Adjusted 31 December 2021 ZWLm	Audited Inflation Adjusted 31 December 2020 ZWLm	Unaudited Historical 31 December 2021 ZWLm	Unaudited Historical 31 December 2020 ZWLm
Investments in equity	9.2	1 092.70	218.73	1 092.70	136.08
Housing projects	9.3	1 055.11	1 049.33	31.35	21.57
Statutory receivable	9.4	1 233.92	2 293.36	1 233.92	1 426.77
Investment in subsidiary		-	58.65	-	18.54
Prepayments		1 137.14	1 194.91	223.26	162.39
Other financial assets		1 003.60	477.35	1 003.60	296.98
Other		683.50	1 398.10	337.48	795.98
		6 205.97	**6 690.43**	**3 922.31**	**2 858.31**

Effective 1 January 2021, CABS disposed of OMFIN back to OMZIL and it is now a direct subsidiary of OMZIL.

9.1 Other overdrafts and accrued rental income

	Audited Inflation Adjusted 31 December 2021 ZWLm	Audited Inflation Adjusted 31 December 2020 ZWLm	Unaudited Historical 31 December 2021 ZWLm	Unaudited Historical 31 December 2020 ZWLm
Other overdrafts	71.20	81.93	71.20	50.97
Tenants debtors	9.61	2.15	9.61	1.34
Gross other financial assets at amortised cost	80.81	84.08	80.81	52.31
Allowance for ECL	(80.81)	(84.08)	(80.81)	(52.31)
Net other financial assets at amortised cost	**-**	**-**	**-**	**-**

The Society adopted the simplified IFRS 9 provisioning method for other overdrafts and accrued rental income.

9.2 Investments in equity

	Audited Inflation Adjusted 31 December 2021 ZWLm	Audited Inflation Adjusted 31 December 2020 ZWLm	Unaudited Historical 31 December 2021 ZWLm	Unaudited Historical 31 December 2020 ZWLm
Opening balance	218.73	62.22	136.08	8.63
Additional investment	50.55	-	38.93	-
Fair value gain	823.42	156.51	917.69	127.45
Closing balance	**1 092.70**	**218.73**	**1 092.70**	**136.08**

CABS' investments in equity are neither listed nor are they tracked on an active market. All investments in equity are valued at fair value.

9.3 Inventory work in progress

	Audited Inflation Adjusted 31 December 2021 ZWLm	Audited Inflation Adjusted 31 December 2020 ZWLm	Unaudited Historical 31 December 2021 ZWLm	Unaudited Historical 31 December 2020 ZWLm
- Hatcliffe housing project	5.01	12.76	5.01	7.94
- Budiriro housing project	776.74	775.43	9.86	8.47
- Pumula housing project	273.36	261.14	16.48	5.16
	1 055.11	**1 049.33**	**31.35**	**21.57**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

		Audited Inflation Adjusted		Unaudited Historical	
		31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
9	**Other assets (continued)**				
9.3.1	**Housing projects - inventory work in progress**				
	Opening balance	1 049.33	1 157.44	21.57	36.26
	Additions	8.09	13.08	12.40	3.18
	Cost of sales	(2.31)	(31.70)	(2.62)	(7.70)
	Write down	-	-	-	-
	Reclassifications		(22.94)	-	(5.38)
	Transfer to Investment property	-	(66.55)	-	(4.79)
		1 055.11	**1 049.33**	**31.35**	**21.57**
9.4	**Statutory receivable**				
	Principal amount	12.28	28.64	12.28	17.82
	Exchange gain	1 321.44	2 313.44	1 321.44	1 439.26
	Gross amount due	**1 333.72**	**2 342.08**	**1 333.72**	**1 457.08**
	Impairment	(99.80)	(48.72)	(99.80)	(30.31)
	Net amount due	**1 233.92**	**2 293.36**	**1 233.92**	**1 426.77**

On 31 December 2021, the Finance Act No. 7 of 2021 (the "Act") was enacted. Part 8 of the Act resulted in the introduction of a mechanism through which foreign obligations would be settled through the State by way of an assumption of liabilities by the same. This assumption is subject to the validation and reconciliation of the foreign obligations, or blocked funds, by the Minister of Finance (the "Minister") and shall be on terms to be fixed by the Minister. A total of US$27.73m was approved by the RBZ in 2019 for CABS with respect to blocked funds, and a balance amounting to US$12.28m was outstanding at 31 December 2021.

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 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
10	**Loans and advances**				
	Gross amount owing	28 999.45	12 219.82	28 999.45	7 602.33
	Allowance for ECL	(1 468.26)	(879.91)	(1 468.26)	(547.42)
	Loans and advances	**27 531.19**	**11 339.91**	**27 531.19**	**7 054.91**
10.1	**Maturity analysis**				
	Less than one month	1 241.75	1 004.42	1 241.75	624.88
	1 to 3 months	2 645.95	1 062.30	2 645.95	660.89
	3 to 6 months	3 087.51	1 325.51	3 087.51	824.64
	6 months to 1 year	4 897.31	2 083.24	4 897.31	1 296.05
	1 year to five years	16 904.36	6 605.44	16 904.36	4 109.45
	Over 5 years	222.57	138.91	222.57	86.42
		28 999.45	**12 219.82**	**28 999.45**	**7 602.33**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

10 Loans and advances (continued)

10.2 Concentration

	Note	Audited Inflation Adjusted 31 December 2021 ZWLm	Audited Inflation Adjusted 31 December 2020 ZWLm	Unaudited Historical 31 December 2021 ZWLm	Unaudited Historical 31 December 2020 ZWLm
Housing		1 525.31	689.12	1 525.31	428.72
Individuals		3 655.39	941.63	3 655.39	585.82
Commercial and industrial		23 818.75	10 589.07	23 818.75	6 587.79
		28 999.45	**12 219.82**	**28 999.45**	**7 602.33**

10.3 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		Audited Inflation Adjusted 31 December 2021 ZWLm	Audited Inflation Adjusted 31 December 2020 ZWLm	Unaudited Historical 31 December 2021 ZWLm	Unaudited Historical 31 December 2020 ZWLm
Agriculture		9 377.25	6 087.59	9 377.25	3 787.28
Construction, Transport & Communication		370.38	232.72	370.38	144.78
Distribution		6 246.00	1 302.22	6 246.00	810.15
Financial Service		14.57	14.50	14.57	9.02
Manufacturing		4 700.79	1 483.84	4 700.79	923.14
Mortgages		1 816.12	726.54	1 816.12	452.00
Private/Individuals		4 010.37	1 141.82	4 010.37	710.36
Services		815.80	119.14	815.80	74.12
Mining		1 648.17	1 111.45	1 648.17	691.48
Total		**28 999.45**	**12 219.82**	**28 999.45**	**7 602.33**
Allowance for ECL	10.6	(1 468.26)	(879.91)	(1 468.26)	(547.42)
		27 531.19	**11 339.91**	**27 531.19**	**7 054.91**

10.4 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 31 December 2021 ZWLm	Audited Inflation Adjusted 31 December 2020 ZWLm	Unaudited Historical 31 December 2021 ZWLm	Unaudited Historical 31 December 2020 ZWLm
Neither past due nor impaired	28 730.06	10 737.83	28 730.06	6 680.34
Past due but not impaired	204.11	1 433.61	204.11	891.90
Past due but less than 1 month	4.41	186.25	4.41	115.88
Past due, greater than 1 month but less than 3 months	199.70	1 247.36	199.70	776.02
Impaired loans and advances (non-performing loans)	65.28	48.37	65.28	30.09
Gross loans and advances	**28 999.45**	**12 219.82**	**28 999.45**	**7 602.33**
Allowance for ECL	(1 468.26)	(879.91)	(1 468.26)	(547.42)
Total net loans and advances	**27 531.19**	**11 339.91**	**27 531.19**	**7 054.91**

During the year, the Society deferred payment dates on some facilities as a direct result of liquidity constraints from the impact of Covid-19. All deferrals were granted after consideration of the impact of Covid-19 on credit risk of the facility and each facility that was granted a deferral is being monitored for credit deterioration. Where a facility's payment dates were deferred, the past due status is based on the revised payment date. Repayments of facilities that are past due but not impaired have been in the 60 to 75 days window, however management has set a 6-month cure window for IFRS 9 ECL purposes. However, the restructured facilities were performing satisfactorily as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

		Audited Inflation Adjusted 31 December 2021 ZWLm	Audited Inflation Adjusted 31 December 2020 ZWLm	Unaudited Historical 31 December 2021 ZWLm	Unaudited Historical 31 December 2020 ZWLm
10	**Loans and advances (continued)**				
10.5	**Commitment for loans and advances**	3 800.56	4 350.34	3 800.56	2 706.48

In response to the Covid-19 pandemic, the Society is monitoring the environment and limiting its exposure to clients that have been severely impacted.

10.6 ECL analysis

Audited Inflation Adjusted - Unsecured loans

	Stage 1 Gross carrying amount ZWLm	Stage 1 Allowance for ECL ZWLm	Stage 2 Gross carrying amount ZWLm	Stage 2 Allowance for ECL ZWLm	Stage 3 Gross carrying amount ZWLm	Stage 3 Allowance for ECL ZWLm	Total Gross carrying amount ZWLm	Total Allowance for ECL ZWLm
As at 1 January 2021	**2 091.27**	**(332.92)**	**73.05**	**(12.07)**	**34.74**	**(27.40)**	**2 199.06**	**(372.39)**
Net movement	**1 590.51**	**(61.13)**	**(40.06)**	**(5.41)**	**11.24**	**2.49**	**1 561.69**	**(64.05)**
Originations and interest accruals	4 101.35	(301.83)	25.38	(11.02)	30.21	(1.39)	4 156.94	(314.24)
Repayments and derecognitions	(1 021.17)	59.55	(36.54)	8.26	(11.70)	4.39	(1 069.41)	72.20
Transfer to:								
Stage 1	26.51	(0.62)	(22.63)	2.86	(3.87)	2.54	0.01	4.78
Stage 2	(21.23)	1.25	21.80	(13.38)	(0.57)	0.31	-	(11.82)
Stage 3	(13.29)	0.43	(4.10)	0.40	17.38	(15.99)	(0.01)	(15.16)
Monetary adjustment	(1 481.66)	180.09	(23.97)	7.47	(20.21)	12.63	(1 525.84)	200.19
As at 31 December 2021	**3 681.78**	**(394.05)**	**32.99**	**(17.48)**	**45.98**	**(24.91)**	**3 760.75**	**(436.44)**

Audited Inflation Adjusted - Secured loans

	Stage 1 Gross carrying amount ZWLm	Stage 1 Allowance for ECL ZWLm	Stage 2 Gross carrying amount ZWLm	Stage 2 Allowance for ECL ZWLm	Stage 3 Gross carrying amount ZWLm	Stage 3 Allowance for ECL ZWLm	Total Gross carrying amount ZWLm	Total Allowance for ECL ZWLm
As at 1 January 2021	**7 972.32**	**(340.98)**	**1 823.51**	**(164.08)**	**224.93**	**(2.46)**	**10 020.76**	**(507.52)**
Net movement	**16 223.05**	**(521.90)**	**(798.72)**	**2.59**	**(206.39)**	**(4.99)**	**15 217.94**	**(524.30)**
Originations and interest accruals	22 630.54	(1 185.71)	264.55	(104.78)	-	-	22 895.09	(1 290.49)
Repayments and derecognitions	1 627.29	(103.87)	0.67	(1.83)	0.61	(4.62)	1 628.57	(110.32)
Transfer to:								
Stage 1	645.18	(37.62)	(561.69)	75.22	(83.46)	(0.18)	0.03	37.42
Stage 2	(72.20)	(0.52)	156.53	(45.28)	(84.39)	0.17	(0.06)	(45.63)
Stage 3	(9.01)	0.04	(1.59)	-	10.59	(7.24)	(0.01)	(7.20)
Changes in risk parameters	-	487.97	-	-	-	-	-	487.97
Monetary adjustment	(8 598.75)	317.81	(657.19)	79.26	(49.74)	6.88	(9 305.68)	403.95
As at 31 December 2021	**24 195.37**	**(862.88)**	**1 024.79**	**(161.49)**	**18.54**	**(7.45)**	**25 238.70**	**(1 031.82)**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

10 Loans and advances (continued)

10.6 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
As at 1 January 2020	**2 975.03**	**(58.17)**	**152.51**	**(9.16)**	**67.78**	**(44.93)**	**3195.32**	**(112.26)**
Net movement	**(883.76)**	**(274.75)**	**(79.46)**	**(2.91)**	**(33.04)**	**17.53**	**(996.26)**	**(260.13)**
Originations and interest accruals	3 465.60	(703.44)	-	-	-	-	3 465.60	(703.44)
Repayments and derecognitions	(441.87)	19.26	20.77	1.45	(4.44)	1.93	(425.54)	22.64
Transfer to:								
Stage 1	22.33	(0.43)	(18.05)	1.00	(4.28)	1.03	-	1.60
Stage 2	(88.86)	23.55	89.15	(27.07)	(0.29)	0.14	-	(3.38)
Stage 3	(37.11)	15.29	(12.02)	7.27	49.14	(29.50)	0.01	(6.94)
Changes in risk parameters	-	(8.47)	-	(3.18)	-	(9.69)	-	(21.34)
Monetary adjustment	(3 803.85)	379.49	(159.31)	17.62	(73.17)	53.62	(4 036.33)	450.73
As at 31 December 2020	**2 091.27**	**(332.92)**	**73.05**	**(12.07)**	**34.74**	**(27.40)**	**2 199.06**	**(372.39)**

	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
As at 1 January 2020	**7 308.69**	**(209.31)**	**420.09**	**(2.59)**	**183.06**	**(60.81)**	**7 911.84**	**(272.71)**
Net movement	**663.63**	**(131.67)**	**1 403.42**	**(161.49)**	**41.87**	**58.35**	**2 108.92**	**(234.81)**
Originations and interest accruals	16 032.27	(651.21)	-	-	-	-	16 032.27	(651.21)
Repayments and derecognitions	(389.37)	21.65	1 286.45	(0.53)	(45.86)	22.25	851.22	43.37
Transfer to:								
Stage 1	35.60	(0.50)	(31.04)	0.11	(4.56)	0.87	-	0.48
Stage 2	(2 282.57)	333.88	2 282.67	(333.88)	(0.10)	0.03	-	0.03
Stage 3	(425.99)	0.10	(0.96)	-	426.95	(8.13)	-	(8.03)
Changes in risk parameters	-	(305.21)	-	-	-	-	-	(305.21)
Monetary adjustment	(12 306.31)	469.62	(2 133.70)	172.81	(334.56)	43.33	(14 774.57)	685.76
As at 31 December 2020	**7 972.32**	**(340.98)**	**1 823.51**	**(164.08)**	**224.93**	**(2.46)**	**10 020.76**	**(507.52)**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

10 Loans and advances (continued)

10.6 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
As at 1 January 2021	**1 301.05**	**(207.13)**	**45.44**	**(7.52)**	**21.62**	**(17.04)**	**1 368.11**	**(231.69)**
Net movement	**2 380.76**	**(186.93)**	**(12.48)**	**(9.98)**	**24.37**	**(7.86)**	**2 392.65**	**(204.77)**
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	(10.30)	0.33	(3.18)	0.31	13.47	(12.39)	(0.01)	(11.75)
As at 31 December 2021	**3 681.81**	**(394.06)**	**32.96**	**(17.50)**	**45.99**	**(24.90)**	**3 760.76**	**(436.46)**

	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
As at 1 January 2021	**4 959.82**	**(212.12)**	**1 134.46**	**(102.08)**	**139.94**	**(1.53)**	**6 234.22**	**(315.73)**
Net movement	**19 235.55**	**(650.72)**	**(109.68)**	**(59.42)**	**(121.40)**	**(5.93)**	**19 004.47**	**(716.07)**
Originations and interest accruals	17 537.44	(918.86)	205.01	(81.20)	-	-	17 742.45	(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	499.98	(29.15)	(435.28)	58.29	(64.68)	0.05	0.02	29.19
Stage 2	(55.95)	(0.40)	121.30	(35.09)	(65.40)	0.08	(0.05)	(35.41)
Stage 3	(6.98)	0.03	(1.23)	-	8.21	(3.80)	-	(3.77)
Changes in risk parameters	-	378.15	-	-	-	-	-	378.15
As at 31 December 2021	**24 195.37**	**(862.84)**	**1 024.78**	**(161.50)**	**18.54**	**(7.46)**	**25 238.69**	**(1 031.80)**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

10 Loans and advances (continued)

10.6 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
As at 1 January 2020	**412.61**	**(8.07)**	**21.15**	**(1.27)**	**9.40**	**(6.23)**	**443.16**	**(15.57)**
Net movement	**888.44**	**(199.06)**	**24.29**	**(6.25)**	**12.22**	**(10.81)**	**924.95**	**(216.12)**
Originations an interest accruals	1 054.42	(214.02)	-	-	-	-	1 054.42	(214.02)
Repayments and derecognitions	(134.44)	5.86	6.32	0.44	(1.34)	0.55	(129.46)	6.85
Transfer to:								
Stage 1	6.79	(0.63)	(5.49)	0.31	(1.30)	0.51	-	0.19
Stage 2	(27.04)	7.17	27.12	(7.21)	(0.09)	0.04	(0.01)	-
Stage 3	(11.29)	4.65	(3.66)	2.21	14.95	(6.86)	-	-
Changes in risk parameters	-	(2.09)	-	(2.00)	-	(5.05)	-	(9.14)
As at 31 December 2020	**1 301.05**	**(207.13)**	**45.44**	**(7.52)**	**21.62**	**(17.04)**	**1 368.11**	**(231.69)**

	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
As at 1 January 2020	**1 013.62**	**(29.03)**	**58.26**	**(0.36)**	**25.38**	**(8.43)**	**1 097.26**	**(37.82)**
Net movement	**3 946.20**	**(183.09)**	**1 076.20**	**(101.72)**	**114.56**	**6.90**	**5 136.96**	**(277.91)**
Originations and interest accruals	4 877.94	(198.14)	-	-	-	-	4 877.94	(198.14)
Repayments and derecognitions	(118.47)	6.59	391.41	(0.16)	(13.94)	6.78	259.00	13.21
Transfer to:								
Stage 1	10.83	(0.30)	(9.44)	0.03	(1.39)	0.41	-	0.14
Stage 2	(694.49)	101.59	694.52	(101.59)	(0.01)	-	0.02	-
Stage 3	(129.61)	0.03	(0.29)	-	129.90	(0.29)	-	(0.26)
Changes in risk parameters	-	(92.86)	-	-	-	-	-	(92.86)
As at 31 December 2020	**4 959.82**	**(212.12)**	**1 134.46**	**(102.08)**	**139.94**	**(1.53)**	**6 234.22**	**(315.73)**

The following factors contributed to the increase in the 2021 allowance for ECL:
- Restructuring of facilities facing liquidity constraints; and
- The adoption of the Oracle IFRS 9 solution with enhanced functions, PD precisions and forward looking capabilities.

	Audited Inflation Adjusted		Unaudited Historical	
	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
11 Non-current assets held for sale				
Opening valuation	**45.55**	**77.59**	**28.34**	**10.76**
Disposals	-	(20.27)	-	(7.37)
Fair value gain/(loss)	6.43	(11.77)	23.64	24.95
Closing valuation	**51.98**	**45.55**	**51.98**	**28.34**

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 2021

12 Property and equipment

	Audited Inflation Adjusted					
	Land at fair value ZWLm	Buildings at fair value ZWLm	Leased buildings at cost ZWLm	Office equipment ZWLm	Vehicles ZWLm	Total ZWLm
31 December 2021						
Opening net book value	444.81	3 598.82	105.30	1 068.25	174.63	5 391.81
Additions	-	31.57	-	314.21	176.11	521.89
Modifications	-	-	75.81	-	-	75.82
Revaluation gain	29.97	569.96	-	-	-	599.93
Depreciation charge	-	(71.98)	(22.28)	(373.48)	(76.00)	(543.74)
Closing net book value	**474.78**	**4 128.37**	**158.83**	**1 008.98**	**274.74**	**6 045.70**
Cost or valuation	474.78	4 128.37	211.20	3 312.80	635.49	8 762.64
Accumulated depreciation	-	-	(52.37)	(2 303.82)	(360.75)	(2 716.94)
Net book value	**474.78**	**4 128.37**	**158.83**	**1 008.98**	**274.74**	**6 045.70**
31 December 2020						
Opening net book value	407.05	3 293.16	42.12	1 319.08	164.90	5 226.31
Additions	-	60.63	-	167.35	64.92	292.90
Modifications	-	-	76.94	-	-	76.94
Revaluation gain	37.76	310.90	-	-	-	348.66
Depreciation charge	-	(65.87)	(13.78)	(418.18)	(55.19)	(553.02)
Closing net book value	**444.81**	**3 598.82**	**105.28**	**1 068.25**	**174.63**	**5 391.79**
Cost or valuation	444.81	3 598.82	135.39	2 998.60	459.39	7 637.01
Accumulated depreciation	-	-	(30.11)	(1 930.35)	(284.76)	(2 245.22)
Net book value	**444.81**	**3 598.82**	**105.28**	**1 068.25**	**174.63**	**5 391.79**

	Unaudited Historical					
	Land at fair value ZWLm	Buildings at fair value ZWLm	Leased buildings at cost ZWLm	Office equipment ZWLm	Vehicles ZWLm	Total ZWLm
31 December 2021						
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)
Closing net book value	**492.10**	**4 111.05**	**64.77**	**273.74**	**168.21**	**5 109.87**
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)
Net book value	**492.10**	**4 111.05**	**64.77**	**273.74**	**168.21**	**5 109.87**
31 December 2020						
Opening net book value	56.45	456.72	1.95	53.31	5.06	573.49
Additions	-	2.69	-	78.98	39.85	121.52
Modifications		-	35.44	-	-	35.44
Revaluation gain	220.27	1 803.33	-	-	-	2 023.60
Depreciation charge	-	(23.80)	(5.81)	(18.28)	(2.18)	(50.07)
Closing net book value	**276.72**	**2 238.94**	**31.58**	**114.01**	**42.73**	**2 703.98**
Cost or valuation	276.72	2 238.94	38.66	157.83	47.71	2 759.86
Accumulated depreciation	-	-	(7.08)	(43.82)	(4.98)	(55.88)
Net book value	**276.72**	**2 238.94**	**31.58**	**114.01**	**42.73**	**2 703.98**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

12 Property and equipment (continued)

The carrying amount of owner occupied property as well as investment property is the fair value of property as determined annually by internal professional valuers, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The recorded values are tested by comparing with values determined by independent external valuers for a sample of properties accounting for at least 65% of the total value of the property portfolio, or for at least the top nine buildings by value.

Key assumptions and considerations applied in the valuation process include:
- The valuation has been prepared in ZWL, on account of a reducing rate of inflation and increased market evidence of transactions in ZWL;
- 90% of our rentals were invoiced in ZWL;
- ZWL rentals have a low default risk as compared to US$ rentals; and
- Softer cap rates were applied relative to previous US$ valuations because of the valuation currency.

The Group changed the application of its valuation technique through:
- Reverting to the Direct Capitalisation Method (DCM) for income earning properties from the two stage Discounted Cash Flow Method.
- Replacing the US$ as the valuation currency with the ZWL.

The change in the application of the valuation technique were brought about by:
- The year on year inflation for the ZWL having fallen to 60% in December 2021 from a high of 837.53% in July 2020. This has made forecasting in ZWL and using the DCM more reliable than in previous years;
- There has been an increase in observable market data in the form of valuation inputs that is now being obtained in the functional currency;
- Rental collection rates and void rates in the property portfolio have held steady compared to last year despite the inflationary environment;
- A US$ valuation would require translation at the official exchange rate, while at the same time rental yields in ZWL have been driven by factors that are not just limited to exchange rate dynamics. Going forward, US$ cap rates may be unreliable for valuations due to limited evidence of US$ transactions outside the residential market, which is a market where we have limited exposure. Most institutional investors transact in ZWL with rent mostly accruing in ZWL;
- Most available data is from over 5 years ago when underlying economic conditions and currency factors were very different from what prevails today; and
- Cap rates were derived from the observed transactions and adjusted using building specific factors as well as subject property performance.

12.1 Leased assets

Property and equipment include leased buildings.

	Audited Inflation Adjusted		Unaudited Historical	
	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
12.1.1 Right of use assets				
Property				
Balance at the beginning of the year	105.30	42.12	31.58	1.95
Change in parameters	75.81	76.94	50.76	35.44
Depreciation charge for the year	(22.28)	(13.78)	(17.57)	(5.81)
Balance at the end of the year	**158.83**	**105.28**	**64.77**	**31.58**
12.1.2 Lease liabilities				
Lease liabilities included in the statement of financial position				
Current	12.40	26.65	12.40	16.58
Non-current	57.59	22.81	57.59	14.19
Total	**69.99**	**49.46**	**69.99**	**30.77**
12.2 Amounts recognised in profit or loss				
Interest on lease liabilities	23.08	6.26	20.38	2.96
Depreciation charge for the year	22.28	13.78	17.57	5.81
	45.36	**20.04**	**37.95**	**8.77**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

		Audited Inflation Adjusted		Unaudited Historical	
		31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
13	**Investment property**				
	Opening fair value	2 066.43	1 642.98	1 285.59	227.86
	Transfer from housing projects	-	66.55	-	4.79
	Additions	3.10	-	2.48	-
	Fair value adjustment	312.56	356.90	1 094.02	1 052.94
	Closing fair value	**2 382.09**	**2 066.43**	**2 382.09**	**1 285.59**

Investment property comprises office buildings that are leased to third parties under operating leases.

For all investment property leases, the rental income is fixed under the contracts. The income and direct expenditure are shown under note 4.

Details of the valuation methodology have been disclosed in notes 12 and 20.

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 16.

		Audited Inflation Adjusted		Unaudited Historical	
14	**Intangible assets**	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
	Opening carrying amount				
	Cost	2 121.19	1 611.04	112.79	26.62
	Accumulated amortisation	(1 261.74)	(1 188.14)	(19.99)	(18.54)
		859.45	**422.90**	**92.80**	**8.08**
	Movement in intangible assets				
	Additions	145.62	510.15	123.63	86.17
	Reclassifications	(64.20)	-	(5.13)	-
	Amortisation charge	(76.36)	(73.60)	(12.34)	(1.45)
		5.06	**436.55**	**106.16**	**84.72**
	Closing carrying amount				
	Cost	2 202.34	2 121.19	231.42	112.79
	Accumulated amortisation	(1 337.83)	(1 261.74)	(32.46)	(19.99)
		864.51	**859.45**	**198.96**	**92.80**

Intangible assets comprise right of use licences.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

		Audited Inflation Adjusted		Unaudited Historical	
		31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
15	**Deposits**				
	Money market deposits	2 414.53	722.82	2 414.53	449.69
	Term deposits	-	0.16	-	0.10
	Savings deposits	25 780.11	20 608.11	25 780.11	12 820.94
		28 194.64	**21 331.09**	**28 194.64**	**13 270.73**
	Maturity analysis				
	Less than 1 month	25 780.11	20 988.17	25 780.11	13 057.39
	1 to 3 months	-	152.03	-	94.58
	3 to 6 months	-	4.15	-	2.58
	6 months to 1 year	576.02	8.24	576.02	5.13
	1 to 5 years	1 805.47	67.77	1 805.47	42.16
	Over 5 years	33.04	110.73	33.04	68.89
		28 194.64	**21 331.09**	**28 194.64**	**13 270.73**
	Concentration				
	Financial institutions	6 553.76	1 832.60	6 553.76	1 140.12
	Companies	16 408.34	16 127.93	16 408.34	10 033.68
	Individuals	5 232.54	3 370.56	5 232.54	2 096.93
		28 194.64	**21 331.09**	**28 194.64**	**13 270.73**

	Audited Inflation Adjusted		Unaudited Historical	
	31 December 2021 %	31 December 2020 %	31 December 2021 %	31 December 2020 %
Concentration				
Financial institutions	23.24%	8.59%	23.24%	8.59%
Companies	58.20%	75.61%	58.20%	75.61%
Individuals	18.56%	15.80%	18.56%	15.80%
	100.00%	**100.00%**	**100.00%**	**100.00%**

		Audited Inflation Adjusted		Unaudited Historical	
		31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
16	**Credit lines**				
	Trade and Development Bank (TDB)	2 749.78	820.47	2 749.78	510.44
	Shelter Afrique	285.56	594.09	285.56	369.60
	African Development Bank (AfDB)	-	3 388.00	-	2 107.78
	African Export-Import Bank (Afreximbank)	4 757.73	266.97	4 757.73	166.09
	European Investment Bank (EIB)	1 936.86	-	1 936.86	-
		9 729.93	**5 069.53**	**9 729.93**	**3 153.91**
	Maturity analysis				
	Less than 1 month	-	149.53	-	93.03
	1 to 3 months	632.54	875.23	632.54	544.51
	3 to 6 months	487.85	71.16	487.85	44.27
	6 months to 1 year	3 274.83	3 571.92	3 274.83	2 222.20
	1 year to five years	5 334.71	401.69	5 334.71	249.90
		9 729.93	**5 069.53**	**9 729.93**	**3 153.91**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

16 Credit Lines (continued)

	Currency	Nominal amount	Tier of debt	Maturity date	Type of loan
TDB loan 6 months LIBOR + 6.75%	US$	10 000 000	Senior	26 October 2024	Term Loans
TDB loan 12 months LIBOR + 6.75%	US$	15 000 000	Senior	22 October 2022	Term Loans
Shelter Afrique variable base rate 9.19% + margin rate of 4%	US$	9 600 000	Senior	31 December 2023	Term Loans
Shelter Afrique base rate 8.37% + margin rate of 4%	US$	4 800 000	Senior	31 December 2022	Term Loans
Afrexim applicable margin plus LIBOR	US$	80 000 000	Senior	20 June 2023	Term Loans
EIB All in one rate 4.1030%	EUR	15 000 000	Senior	2 August 2028	Term Loans

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 ZWL4.99bn as at 31 December 2021 (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 TDB facility expired in March 2021 and was renewed in October 2021. The AfDB facility expired in September 2021 while a new facility was acquired from the European Investment Bank in August 2021.

17 Trade and other liabilities

	Audited Inflation Adjusted		Unaudited Historical	
	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
Trade creditors	1 961.95	1 500.62	1 961.95	899.58
Other financial liabilities	14.03	367.06	14.03	228.36
Other non-financial liabilities	354.73	-	350.27	-
Deferred revenue	551.80	1 122.92	426.29	176.74
	2 882.51	**2 990.60**	**2 752.54**	**1 304.68**

Included in trade creditors is the lease liability as per note 12.1.2.

18 Deferred taxation

	Audited Inflation Adjusted		Unaudited Historical	
	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
As at the beginning of the year	308.01	271.33	191.62	37.63
Other timing differences	44.70	36.68	161.09	153.99
As at the end of the year	**352.71**	**308.01**	**352.71**	**191.62**

Deferred tax comprises potential capital gains tax on properties.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

	Audited Inflation Adjusted		Unaudited Historical	
	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
19 Share capital and reserves				
19.1 Ordinary class "A" share capital				
Comprising 35 000 000 authorised, issued and fully paid shares of $1 each.	**2 228.13**	**2 228.13**	**35.00**	**35.00**

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		Unaudited Historical	
	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
19.2 Retained earnings				
As at the beginning of the year	5 897.41	4 825.17	2 640.69	345.79
Net surplus for the year	5 884.69	2 556.52	6 597.30	2 426.75
Dividend	(484.75)	(168.21)	(350.00)	(100.00)
Transfer between reserves	-	(1 316.07)	-	(31.85)
As at the end of the year	**11 297.35**	**5 897.41**	**8 887.99**	**2 640.69**
19.3 Regulatory provision reserve				
As at the beginning of the year	-	41.10	-	5.70
Regulatory impairment allowance	-	(41.10)	-	(5.70)
As at the end of the year	**-**	**-**	**-**	**-**
19.4 Non-distributable reserve	**92.07**	**92.07**	**1.45**	**1.45**
19.5 Revaluation reserve				
As at the beginning of the year	2 474.45	2 085.64	2 358.35	453.12
Revaluation of property	599.93	388.81	2 017.79	1 905.23
As at the end of the year	**3 074.38**	**2 474.45**	**4 376.14**	**2 358.35**
19.6 Share-based payment reserve				
As at the beginning of the year	369.54	369.54	5.82	5.82
Fair value gain	-	-	-	-
As at the end of the year	**369.54**	**369.54**	**5.82**	**5.82**
19.7 Translation reserve				
As at the beginning of the year	-	(1 357.16)	-	(37.55)
Movement for the year	-	1 357.16	-	37.55
As at the end of the year	**-**	**-**	**-**	**-**

20 Determination of fair value of financial and non-financial assets

20.1 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.

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

20.1 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 ZWLm	Level 2 ZWLm	Level 3 ZWLm	Total ZWLm
As at 31 December 2021					
Assets at fair value through profit or loss					
Investments in equity	9	-	-	1 092.70	1 092.70
Investment property	13	-	-	2 382.09	2 382.09
Non-current assets held for sale	11	-	-	51.98	51.98
Assets at fair value through other comprehensive income					
Owner occupied property (land and buildings)	12	-	-	4 603.15	4 603.15
		-	**-**	**8 129.92**	**8 129.92**
As at 31 December 2020					
Assets at fair value through profit or loss					
Investment in equity	9	-	-	218.73	218.73
Investment property	13	-	-	2 066.43	2 066.43
Non-current assets held for sale	11	-	-	45.55	45.55
Assets at fair value through other comprehensive income					
Owner occupied property (land and buildings)	12	-	-	4 043.62	4 043.62
		-	**-**	**6 374.33**	**6 374.33**

		Unaudited Historical			
	Notes	Level 1 ZWLm	Level 2 ZWLm	Level 3 ZWLm	Total ZWLm
As at 31 December 2021					
Assets at fair value through profit or loss					
Investments in equity	9	-	-	1 092.70	1 092.70
Investment property	13	-	-	2 382.09	2 382.09
Non-current assets held for sale	11	-	-	51.98	51.98
Assets at fair value through other comprehensive income					
Owner occupied property (land and buildings)	12	-	-	4 603.15	4 603.15
		-	**-**	**8 129.92**	**8 129.92**
As at 31 December 2020					
Assets at fair value through profit or loss					
Investments in equity	9	-	-	136.08	136.08
Investment property	13	-	-	1 285.59	1 285.59
Non-current assets held for sale	11	-	-	28.34	28.34
Assets at fair value through other comprehensive income					
Owner occupied property (land and buildings)	12	-	-	2 515.66	2 515.66
		-	**-**	**3 965.67**	**3 965.67**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

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

20.2 Reconciliation of level 3 items

	Audited Inflation Adjusted		Unaudited Historical	
	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
Balance as at 1 January	6 374.33	5 482.98	3 965.67	760.42
Transfer in (investments in equity)	-	66.55	-	4.79
Additions	85.14	60.63	55.66	2.69
Disposal of non-current assets held for sale	-	(20.27)	-	(7.37)
Depreciation recognised on owner occupied property	(71.98)	(65.87)	(51.91)	(23.80)
Gains for the year:				
Fair value gain through profit or loss	1 142.50	501.65	2 035.35	1 205.34
Revaluation gain on owner occupied property	599.93	348.66	2 125.15	2 023.60
Closing balance	**8 129.92**	**6 374.33**	**8 129.92**	**3 965.67**

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

20.3 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.

Assets	Valuation technique and inputs
Owner occupied property (land and buildings)	Sales comparison method, market rentals and yields
Investment property	Sales comparison method, market rentals and yields
Non-current assets held for sale	Sales comparison method, market rentals and yields
Investment in equity	Income approach - discount rates, cash flows and growth

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

20.3 Fair value estimation (continued)

Type of property	Key unobservable inputs	Interrelationship between unobservable inputs and key fair value measurement
Office, Retail and Industrial Properties **Valuation approach:** Income capitalisation	**Office** - Capitalisation rates: 4.5% to 7.5% - Market rentals per m²: ZWL 396 to ZWL 799 - Vacancy rates: 13% to 73% **Retail** - Capitalisation rates: 4.00% to 8.00% - Market rentals per m²: ZWL 100 to ZWL 1,000 - Vacancy rates: 0% to 4.74%	The estimated fair value would increase/(decrease) if: > net rental income increased/(decreased) > capitalisation rates were lower/(higher). > vacancies decreased/(increased) • The estimated fair value would decrease if the unobservable inputs changed the other way.
Residential Valuation approach: Direct comparison/Market approach	Residential rent from ZWL22,000 to ZWL 216,000	The estimated fair value would increase/(decrease) if prices for comparable properties increased/(decreased).
Land Valuation approach: Direct comparison/Market approach	Land value per m²: ZWL4,500	The estimated fair value would increase/(decrease) if prices for comparable properties increased/(decreased).

20.4 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 investments securities, loans and advances, credit lines and other financial assets and financial liabilities at amortised cost. The calculation of the fair value of these financial instruments represents the Society's best estimate of the value at which these financial assets could be exchanged, or financial liabilities transferred, between market participants at the measurement date. The Society's estimate of fair value does not necessarily represent the amount it would be able to realise on the sale of the asset or transfer the financial liability in an involuntary liquidation or distressed sale.

The table below shows the fair value hierarchy only for those assets and liabilities for which the fair value is different to the carrying value and which is being estimated for the purpose of IFRS disclosure. Additional information regarding these and other financial instruments not carried at fair value is provided in the narrative following the table:

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Audited Inflation Adjusted	ZWLm	ZWLm	ZWLm	ZWLm	ZWLm
31 December 2021					
Treasury bills	2 914.65	-	-	2 504.09	2 504.09
31 December 2020					
Treasury bills	3 615.25	-	-	2 989.77	2 989.77
Unaudited Historical					
31 December 2021					
Treasury bills	2 914.65	-	-	2 410.38	2 410.38
31 December 2020					
Treasury bills	2 249.16	-	-	1 860.03	1 860.03

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

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

20.4 Fair value hierarchy for assets and liabilities not measured at fair value (continued)

Investment securities
For investment securities other than Treasury Bills presented within note 8 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 10 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 16 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).

21 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;
- Old Mutual Shared Services (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, Head of Corporate Banking, Head of Retail Banking, Head of Risk, Head of Operations and Retail Banking, Head of Treasury, Head of Compliance, Head of Credit and the Head of Marketing.

21 Related party disclosures (continued)

	Audited Inflation Adjusted		Unaudited Historical	
	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
21.1 Loans to Directors				
Opening balance	16.68	29.56	10.38	4.10
Issued during the year	-	20.41	-	6.21
Interest and insurance charges	10.61	7.39	5.19	2.25
Repayments during the year	(29.71)	(7.17)	(14.53)	(2.18)
Monetary adjustment	3.46	(33.51)	-	-
Closing balance	**1.04**	**16.68**	**1.04**	**10.38**

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.

	Audited Inflation Adjusted		Unaudited Historical	
	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
21.2 Balances with group companies				
During the year, the Society had transactions with Group companies and the outstanding balances at year end were:				
Amounts due to fellow subsidiaries	93.37	109.85	93.37	68.34
Amounts due from fellow subsidiaries	31.37	42.76	31.37	26.60
Amounts due to the holding company	185.27	72.04	185.27	44.82
Amounts due from OMFIN	0.36	14.08	0.36	8.76
21.3 Transactions with group companies				
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	24.30	7.67	24.30	4.77
Outsourced services to Group companies	311.30	127.05	270.54	57.51
21.4 Loans to key management personnel	49.45	26.84	49.45	16.70

These loans were approved at arm's length. However, the employer gives a subsidy on staff loans.

21.5 Compensation of key management personnel				
The remuneration of Directors and other members of key management during the year was as follows:				
Short term benefits	642.13	496.14	514.54	218.52
Post employment benefits	9.48	4.53	7.72	1.84
Severance pay	27.52	-	27.52	-
	679.13	**500.67**	**549.78**	**220.36**
21.6 Directors' fees	**31.81**	**21.52**	**25.18**	**8.28**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

22 Post employment employee benefits

	Audited Inflation Adjusted		Unaudited Historical	
	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
Old Mutual Group Pension Fund	59.64	30.48	48.02	12.29
NSSA	12.92	6.09	10.66	2.53
	72.56	**36.57**	**58.68**	**14.82**

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.

23 Share-based payments

23.1.1 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.

23.1.2 Composition of share-based payment liabilities

	Audited Inflation Adjusted		Unaudited Historical	
	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
Total liability	**369.54**	**369.54**	**5.82**	**5.82**

24 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

24.1 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 and Early Alert Committees 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 2021

24 Risk management (continued)

24.1 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; 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.

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 11) 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:

24 Risk management (continued)

24.1 Credit risk (continued)

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.

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 (2020: ZWL5 282.07m).

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

	31 December 2021 ZWLm	31 December 2020 ZWLm	Principal type of collateral held
Type of credit exposure			
Treasury bills	0%	0%	None
Fixed deposits	100%	100%	Treasury bills
Mortgage loans	100%	100%	Property
Corporate loans	84%	60%	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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

24 Risk management (continued)

24.1 Credit risk (continued)

Collateral held and other credit enhancements (continued)

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.

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

	Audited Inflation Adjusted		Unaudited Historical	
	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
LTV ratio				
Non credit impaired loans				
Less than 50%	52.59	219.81	52.59	136.75
51% to 75%	187.77	15.45	187.77	9.61
76% to 100%	927.52	180.94	927.52	112.57
More than 100%	686.16	173.63	686.16	108.02
Total	**1 854.04**	**589.83**	**1 854.04**	**366.95**
Credit-impaired loans				
Less than 50%	0.25	5.55	0.25	3.45
51% to 75%	0.30	3.09	0.30	1.92
76% to 100%	0.66	2.23	0.66	1.39
More than 100%	5.69	-	5.69	-
Total	**6.90**	**10.87**	**6.90**	**6.76**

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 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
Property	-	-	-	-

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.

24 Risk management (continued)

24.1 Credit risk (continued)

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 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	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**

31 December 2020 - 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	9 675.83	213.80	9 462.03
Grade D,E,F,G	Special mention	3-10% general provision	2 495.64	166.66	2 328.98
Grade H	Sub standard	20% specific provision on balance less security value	5.60	4.60	1.00
Grade I	Doubtful	50% of total outstanding balance less security value	11.65	10.19	1.46
Default	Loss	100% of total outstanding balance less security held	31.11	25.06	6.05
		Portfolio total	**12 219.83**	**420.31**	**11 799.52**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

24 Risk management (continued)

24.1 Credit risk (continued)

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**

31 December 2020 - 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	6 019.64	133.01	5 886.63
Grade D,E,F,G	Special mention	3-10% general provision	1 552.61	103.68	1 448.93
Grade H	Sub standard	20% specific provision on balance less security value	3.48	2.86	0.62
Grade I	Doubtful	50% of total outstanding balance less security value	7.25	6.34	0.91
Default	Loss	100% of total outstanding balance less security held	19.35	15.59	3.76
		Portfolio total	**7 602.33**	**261.48**	**7 340.85**

The Society also takes into account provisions requirement 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

24 Risk management (continued)

24.2 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 gap, liquidity ratio and the loan to deposit ratio (LDR). The institution has also adopted the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). Stress testing is carried out to ascertain the Society's resilience to agreed stress scenarios.

Liquidity ratio

The liquidity ratio is the ratio of net liquid assets to deposits from customers. 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 2021 ZWLm	**31 December 2020 ZWLm**	**31 December 2021 ZWLm**	**31 December 2020 ZWLm**
Total liquid assets	16 533.50	16 875.69	16 533.50	10 498.89
Total liabilities to the public	37 924.57	26 334.36	37 924.57	16 383.42
Liquidity ratio	44%	64%	44%	64%
Maximum for the year	65%	70%	65%	70%
Minimum for the year	40%	45%	40%	45%
Average for the year	52%	61%	52%	61%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

24 Risk management (continued)

24.2.1 Liquidity gap analysis

Liquidity gap analysis as at 31 December 2021	Audited Inflation Adjusted On demand to 3 months ZWLm	3 months to 1 year ZWLm	1 year to 5 years ZWLm	Over 5 years ZWLm	Non-determinant maturity ZWLm	Total ZWLm
Assets						
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
Loans and advances	3 690.86	7 580.54	16 048.48	211.31	-	27 531.19
Trade and other assets	-	-	-	-	6 205.97	6 205.97
Intangible assets	-	-	-	-	864.51	864.51
Property and equipment	-	-	-	-	6 045.70	6 045.70
Investment property	-	-	-	-	2 382.09	2 382.09
Non-current assets held for sale	-	-	-	-	51.98	51.98
Total assets	**18 458.36**	**7 837.49**	**16 161.78**	**213.38**	**15 550.25**	**58 221.26**
Liabilities						
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	-	9 729.91
Trade and other liabilities	-	-	-	-	2 882.51	2 882.51
Deferred taxation	-	-	-	-	352.71	352.71
Shareholders' equity	-	-	-	-	17 061.47	17 061.47
Total liabilities	**26 412.64**	**4 338.70**	**6 890.38**	**282.84**	**20 296.69**	**58 221.26**
Net liquidity gap	**(7 954.29)**	**3 498.79**	**9 271.40**	**(69.46)**	**(4 746.44)**	**-**
Cumulative liquidity gap	**(7 954.29)**	**(4 455.50)**	**4 815.90**	**4 746.44**	**-**	**-**

Liquidity gap analysis as at 31 December 2020	Audited Inflation Adjusted On demand to 3 months ZWLm	3 months to 1 year ZWLm	1 year to 5 years ZWLm	Over 5 years ZWLm	Non-determinant maturity ZWLm	Total ZWLm
Assets						
Cash and cash equivalents	8 823.40	0.19	1.09	0.73	-	8 825.41
Investment securities	1 940.22	3 588.25	13.39	-	-	5 541.86
Loans and advances	1 917.91	3 163.29	6 129.80	128.91	-	11 339.91
Other assets	-	-	-	-	6 690.43	6 690.43
Intangible assets	-	-	-	-	859.45	859.45
Property and equipment	-	-	-	-	5 391.79	5 391.79
Investment property	-	-	-	-	2 066.43	2 066.43
Non-current assets held for sale	-	-	-	-	45.55	45.55
Total assets	**12 681.53**	**6 751.73**	**6 144.28**	**129.64**	**15 053.65**	**40 760.83**
Liabilities						
Deposits	21 206.49	12.38	67.77	44.45	-	21 331.09
Credit lines	1 024.78	3 643.08	401.67	-	-	5 069.53
Trade and other liabilities	-	-	-	-	2 990.60	2 990.60
Deferred taxation	-	-	-	-	308.01	308.01
Shareholders' equity	-	-	-	-	11 061.60	11 061.60
Total liabilities	**22 231.27**	**3 655.46**	**469.44**	**44.45**	**14 360.21**	**40 760.83**
Net liquidity gap	**(9 549.74)**	**3 096.27**	**5 674.84**	**85.19**	**693.44**	**693.44**
Cumulative liquidity gap	**(9 549.74)**	**(6 453.47)**	**(778.63)**	**(693.44)**	**-**	**-**

24 Risk management (continued)

24.2.1 Liquidity gap analysis (continued)

Liquidity gap analysis as at 31 December 2021	On demand to 3 months ZWLm	3 months to 1 year ZWLm	1 year to 5 years ZWLm	Over 5 years ZWLm	Non-determinant maturity ZWLm	Total ZWLm
	Unaudited Historical					
Assets						
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
Loans and advances	3 690.86	7 580.54	16 048.48	211.31	-	27 531.19
Other assets	-	-	-	-	3 922.31	3 922.31
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
Total assets	**18 458.36**	**7 837.49**	**16 161.78**	**213.38**	**11 665.21**	**54 336.22**
Liabilities						
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
Total liabilities	**26 412.65**	**4 338.70**	**6 890.38**	**282.84**	**16 411.65**	**54 336.22**
Net liquidity gap	**(7 954.29)**	**3 498.79**	**9 271.40**	**(69.46)**	**(4 746.44)**	**-**
Cumulative liquidity gap	**(7 954.29)**	**(4 455.50)**	**4 815.90**	**4 746.44**	**-**	**-**

Liquidity gap analysis as at 31 December 2020	On demand to 3 months ZWLm	3 months to 1 year ZWLm	1 year to 5 years ZWLm	Over 5 years ZWLm	Non-determinant maturity ZWLm	Total ZWLm
	Unaudited Historical					
Assets						
Cash and cash equivalents	5 489.31	0.12	0.68	0.45	-	5 490.56
Investment securities	1 207.07	2 232.36	8.33	-	-	3 447.76
Loans and advances	1 193.19	1 967.98	3 813.54	80.20	-	7 054.91
Other assets	-	-	-	-	2 858.31	2 858.31
Intangible assets	-	-	-	-	92.80	92.80
Property and equipment	-	-	-	-	2 703.98	2 703.98
Investment property	-	-	-	-	1 285.59	1 285.59
Non-current assets held for sale	-	-	-	-	28.34	28.34
Total assets	**7 889.57**	**4 200.46**	**3 822.55**	**80.65**	**6 969.02**	**22 962.25**
Liabilities						
Deposits	13 193.21	7.70	42.16	27.66	-	13 270.73
Credit lines	637.55	2 266.47	249.89	-	-	3 153.91
Trade and other liabilities	-	-	-	-	1 304.68	1 304.68
Deferred taxation	-	-	-	-	191.62	191.62
Shareholders' equity	-	-	-	-	5 041.31	5 041.31
Total liabilities	**13 830.76**	**2 274.17**	**292.05**	**27.66**	**6 537.61**	**22 962.25**
Net liquidity gap	**(5 941.19)**	**1 926.29**	**3 530.50**	**52.99**	**431.41**	**-**
Cumulative liquidity gap	**(5 941.19)**	**(4 014.90)**	**(484.40)**	**(431.41)**	**-**	**-**

24 Risk management (continued)

24.3 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. 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 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 by type of instruments; and
- 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.

24.3.1 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:

	Audited Inflation Adjusted		Unaudited Historical	
	31 December 2021 ZWLm	31 December 2020 ZWLm	31 December 2021 ZWLm	31 December 2020 ZWLm
Increase/(decrease) in interest rates on interest income				
0.5%	34.92	100.88	34.92	40.32
1%	69.84	202.66	69.84	80.99
2%	139.68	408.89	139.68	163.42
(2)%	(139.68)	(394.84)	(139.68)	(157.80)
(1)%	(69.84)	(199.14)	(69.84)	(79.59)
(0.5)%	(34.92)	(100.01)	(34.92)	(39.68)

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 2021

24 Risk management (continued)

24.3 Market risks (continued)

24.3.1 Exposure to interest rate risk

Interest rate repricing and gap analysis December 2021	On demand to 3 months ZWLm	3 months to 1 year ZWLm	1 year to 5 years ZWLm	Over 5 years ZWLm	Total
	Audited Inflation Adjusted				
Assets					
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
Total assets	**7 165.30**	**7 801.34**	**16 048.48**	**211.31**	**31 226.43**
Liabilities					
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
Total liabilities	**26 412.65**	**4 338.70**	**6 890.38**	**282.84**	**37 924.57**
Net liquidity gap	**(19 247.35)**	**3 462.64**	**9 158.10**	**(71.53)**	**(6 698.14)**
Cumulative interest rate repricing liquidity gap	**(19 247.35)**	**(15 784.71)**	**(6 626.61)**	**(6 698.14)**	**-**

Interest rate repricing and gap analysis December 2020	On demand to 3 months ZWLm	3 months to 1 year ZWLm	1 year to 5 years ZWLm	Over 5 years ZWLm	Total
	Audited Inflation Adjusted				
Assets					
Investment securities	1 940.22	3 588.25	13.39	-	5 541.86
Loans and advances	1 917.91	3 163.29	6 129.80	128.91	11 339.91
Total assets	**3 858.13**	**6 751.54**	**6 143.19**	**128.91**	**16 881.77**
Liabilities					
Deposits	21 206.49	12.38	67.77	44.45	21 331.09
Credit lines	1 024.78	3 643.08	401.67	-	5 069.53
Total liabilities	**22 231.27**	**3 655.46**	**469.44**	**44.45**	**26 400.62**
Net liquidity gap	**(18 373.14)**	**3 096.08**	**5 673.75**	**84.46**	**(9 518.85)**
Cumulative interest rate repricing liquidity gap	**(18 373.14)**	**(15 277.06)**	**(9 603.31)**	**(9 518.85)**	**-**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

24 Risk management (continued)

24.3 Market risks (continued)

24.3.1 Exposure to interest rate risk

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
Assets					
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
Total assets	**7 165.30**	**7 801.34**	**16 048.48**	**211.31**	**31 226.43**
Liabilities					
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
Total liabilities	**26 412.65**	**4 338.70**	**6 890.38**	**282.84**	**37 924.57**
Net liquidity gap	**(19 247.35)**	**3 462.64**	**9 158.10**	**(71.53)**	**(6 698.14)**
Cumulative interest rate repricing liquidity gap	**(19 247.35)**	**(15 784.71)**	**(6 626.61)**	**(6 698.14)**	**-**

Interest rate repricing and gap analysis December 2020	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
Assets					
Investment securities	1 207.07	2 232.36	8.33	-	3 447.76
Loans and advances	1 193.19	1 967.98	3 813.54	80.20	7 054.91
Total assets	**2 400.26**	**4 200.34**	**3 821.87**	**80.20**	**10 502.67**
Liabilities					
Deposits	13 193.21	7.70	42.16	27.66	13 270.73
Credit lines	637.55	2 266.47	249.89	-	3 153.91
Total liabilities	**13 830.76**	**2 274.17**	**292.05**	**27.66**	**16 424.64**
Net liquidity gap	**(11 430.50)**	**1 926.17**	**3 529.82**	**52.54**	**(5 921.97)**
Cumulative interest rate repricing liquidity gap	**(11 430.50)**	**(9 504.33)**	**(5 974.51)**	**(5 921.97)**	**-**

24.3.2 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 2021.

Currency name	Exchange rate 31 December 2021	31 December 2020
United States Dollar (USD)	108.58	81.79
South African Rand (ZAR)	0.15	0.18
Great British Pound (GBP)	146.67	111.80
Euro (EUR)	122.92	100.41
Botswana Pula (BWP)	9.23	7.57

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

24 Risk management (continued)

24.3 Market risk (continued)

	Assets Cash and cash equivalents 2021	Assets Cash and cash equivalents 2020	Net ZWL equivalent as at 31 December 2021	Net ZWL equivalent as at 31 December 2020	Effect on profit of 10% depreciation 2021	Effect on profit of 10% depreciation 2020	Effect on profit of 10% appreciation 2021	Effect on profit of 10% appreciation 2020
United States Dollar	**US$m**	**US$m**	**ZWLm**	**ZWLm**	**ZWLm**	**ZWLm**	**ZWLm**	**ZWLm**
	34.36	16.59	3,734.27	1,356.55	(373.43)	(135.66)	-	135.66
South African Rand	**ZARm**	**ZARm**	**ZWLm**	**ZWLm**	**ZWLm**	**ZWLm**	**ZWLm**	**ZWLm**
	98.64	2.62	673.80	14.54	(67.38)	(1.45)	-	1.45
Great British Pound	**GBPm**	**GBPm**	**ZWLm**	**ZWLm**	**ZWLm**	**ZWLm**	**ZWLm**	**ZWLm**
	0.54	0.28	79.34	31.06	(7.93)	(3.11)	-	3.11
Euro	**EURm**	**EURm**	**ZWLm**	**ZWLm**	**ZWLm**	**ZWLm**	**ZWLm**	**ZWLm**
	1.57	1.48	193.24	148.77	(19.32)	(14.88)	-	14.88
Botswana Pula	**BWPm**	**BWPm**	**ZWLm**	**ZWLm**	**ZWLm**	**ZWLm**	**ZWLm**	**ZWLm**
	4.83	0.66	44.59	4.96	(4.46)	(0.50)	-	0.50

24.4 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 under the oversight of the Board Risk and Compliance Committee, the Board Audit Committees and the Board.

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), Counter Terrorist Financing (CTF), and Sanctions Screening Programme (SSP) as well as other internal policies and processes, which include 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.

The Compliance function provides advice on regulatory and other issues pertaining to the Society. Through the Regulatory Change Management Process, the Compliance function assists Management to identify, assess and mitigate risks associated with current or emerging regulations. The Compliance function also independently monitors departments to ensure adherence to policies and procedures and other regulatory and technical requirements mindful of the impact that regulatory breaches have on the CABS brand, relationships with key regulators , 3rd party banking partners and customers.

The Compliance function also plays a pivotal role in ensuring we comply with a board approved Environmental Social and Governance Framework through advising the business on the services and the products we provide along with the customers we bank, on their role in meeting and maintaining ESG requirements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

24 Risk management (continued)

24.5 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 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.

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. These tools include:

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

24 Risk management (continued)

24.5 Operational risks (continued)

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.

24.6 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.

24.7 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.

24.8 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 principles within the Society and all third parties who deal with the Society. The Society has a dedicated Compliance unit responsible for monitoring compliance with conduct risk regulations and policies.

25 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 as at 31 December 2021. The Society was compliant with respect to the minimum capital requirement by 31 March 2021.

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 include revaluation reserves and subordinated debt.

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 2021 was as follows:

	Unaudited Historical	
CAPITAL ADEQUACY	**31 December 2021 ZWLm**	**31 December 2020 ZWLm**
Tier 1 capital		
Ordinary class "A" share capital	35.00	35.00
Retained earnings	9 515.70	2 926.56
Exposures to insiders and connected parties	(1.04)	(10.39)
Less Tier 1 allocated to market risk	(378.02)	(181.13)
Les Tier 1 allocated for operational risk	(601.68)	(137.57)
Total Tier 1 capital	**8 569.96**	**2 632.47**
Tier 2 capital		
Revaluation reserve (Limited by Tier 1)	4 377.81	2 358.35
General provisions	629.16	199.26
Other	7.27	7.27
Total Tier 2 capital	**5 014.24**	**2 564.88**
Tier 3 capital		
Allocation of capital for market risk	378.02	181.13
Allocation of capital for operational risk	601.68	137.57
Total Tier 3 capital	**979.70**	**318.70**
Deductions from total capital		
Shareholding in subsidiary company	-	(18.54)
Equity investments in non subsidiary companies	(1 016.78)	(111.77)
Total from total capital	**(1 016.78)**	**(130.31)**
Total regulatory capital	**13 547.13**	**5 385.74**
Total risk weighted assets	**50 333.16**	**15 938.33**
Capital adequacy ratio	**26.9%**	**33.79%**
Regulatory minimum capital adequacy ratio	**12.00%**	**12.00%**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

26 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+	Stable	Aug-2021
Long-term	National	A+	Stable	Aug-2020
Long-term	National	A+	Positive	Aug-2019

27 Custodial services

The Society provides custodial trust services to individuals and institutions by holding assets on behalf of customers. As at 31 December 2021, assets under custody amounted to ZWL231.73bn and fee income amounting to ZWL217.95m on an inflation adjusted basis (31 December 2020: ZWL126.32m) had been received in return for these services. Assets held for related parties as at 31 December 2021 amounted to ZWL140.65bn and fee income received from related parties as at 31 December 2021 amounted to ZWL104.76m (31 December 2020: ZWL29.71m).

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. 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.

Impact of Covid-19

Covid-19 has generated significant instability and high volatility in global capital markets. Covid-19 was declared a pandemic by the WHO on 11 March 2020 and affected business and economic activity during the year under review.

The virus continues to spread globally, with governments continuing to adopt restrictive measures to reduce the spread of the virus, resulting in a reduction of economic activities in both the global and domestic financial markets. The Society has considered the future impact Covid-19 might have on the business as a going concern.

Restrictive measures, such as lockdowns aimed at reducing the number of Covid-19 infections, have the potential to negatively affect the operations of the Society. The following actions were taken to minimise the negative impact of the measures on the Society's operations:

- A significant number of staff were enabled to work remotely from home to facilitate safe social distancing and continued service delivery;
- Branches remained open to cater for banking activities that otherwise would not be done online such as cash deposits and remittances collection; and
- Digital channels remained available through point of sale machines for card transactions, mobile banking services on both the mobile app and *227#, as well as internet banking.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

29 Subsequent events

Litigation against the Society: *Case of Stone Beattie Studio Partnership v CABS, the Minister of Finance and the Reserve Bank of Zimbabwe*

In the above case, in 2018 a CABS customer approached the High Court seeking an order for the payment of US$0.14m in cash or into the customer's nominated nostro foreign currency account (FCA). The customer also sought a declaration setting aside the Exchange Control Directive Number RT120/2018 which was issued by the Reserve Bank of Zimbabwe (RBZ) and an order directing RBZ and the Minister of Finance and Economic Development to pay the claimed amount.

On 14 May 2020, the High Court ruled in favour of the Society's customer and ordered the Society to pay US$0.14m 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 Reserve Bank of Zimbabwe and the Ministry of Finance and Economic Development filed an appeal against the High Court judgement in the Supreme Court. On 17 March 2021, the Supreme Court set aside the High Court judgement and ruled in favour of CABS, RBZ and the Ministry of Finance and Economic Development.

Appeal to the Constitutional Court

Pursuant to failure on their Appeal, Stone Beattie filed a court application for a Constitutional Court relief seeking an order that Exchange Control Directive Number RT120/2018 be declared unconstitutional and invalid as it violates section 71 of the Constitution. Stone Beattie also cited that the Exchange Control Directive is grossly unreasonable and violates section 35(1) of the Exchange Control Regulations and is invalid. In addition. Stone Beattie cited that sections 44B (3) and (4) of the Reserve Bank Act, together with conversion of the Applicants' US$0.14m to ZW$0.14m, are unconstitutional and invalid as they violate section 71 of the Constitution. They also challenged that CABS be ordered to pay to the Applicants' US$0.14m and interest thereon at the rate of 5% from 28 November 2016 to the date of payment.

The parties filed their heads of argument and a hearing date is yet to be advised.