ZWMB

ZIMBABWE WOMEN'S MICROFINANCE BANK LIMITED

Creating a woman with power

ANNUAL REPORT FOR YEAR ENDING 31 DEC 2022

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CHAIRMAN'S STATEMENT

During 2022, the Zimbabwe Women's Microfinance Bank showed resilience in the fulfilment of its mandate which is to empower all women economically and socially as the world continues to be influenced by exchange rate volatility and price fluctuations. The Microfinance Bank also managed to gradually grow its loan book during the period under review. Products and services have also been reviewed to address the client's needs.

OPERATING ENVIRONMENT IN THE COUNTRY

Post pandemic global growth prospects continue to be influenced by geopolitical strain around the world and inflationary pressure. The effects of the Russia-Ukraine conflict contributed to production costs. The economy experienced a limited recovery from the effects of COVID-19 with the Gross Domestic Product (GDP) growing at 3% according to the International Monetary Fund compared to the initial projection of 3,4%, whilst annual domestic year on year inflation closed the year at 243.8%, up from 60.6 % in December 2021.

The domestic operating environment has remained inflationary largely because of the rapid depreciation of the Zimbabwean Dollar against the US Dollar. This has caused an increase in the prices in the market. The Government, however, implemented some policy measures to curb the inflation rates and to stabilize the exchange rate through introduction of gold coins, increase in interest rates, statutory reserves on foreign currency deposits, the foreign currency Willing Buyer Willing Seller market.

OPERATIONAL RESULTS

A comprehensive inflation adjusted loss after tax of ZWL 2.5 billion was recorded for the year ended December 31, 2022

CAPITAL

As of 31 December 2022, the Microfinance Bank had a core capital of ZWL1.5 billion equivalent to USD 2.1 million. Efforts are being made to capitalize the Microfinance Bank to meet the regulatory requirements.

CORPORATE SOCIAL RESPONSIBILITY

The Microfinance Bank continued to support communities through several initiatives during the year and continuously strive to meet its mandate that is to include and empower women economically and socially.

OUTLOOK

The Microfinance Bank will focus on its mandate of financially including and empowering the women of Zimbabwe. Focus will also be on job creation and sustaining those currently employed through funding women's projects.

Directorate

Four non-executive directors resigned during the year as they were taking up new positions elsewhere. Mrs. Julia Mapungwana joined the Board in July 2022. The shareholder is in the process of appointing more directors.

Appreciation

I extend my appreciation to the shareholder, stakeholders, my fellow board members, management and staff for the work that they are doing to improve the business of the Bank. I also extend my gratitude to the Microfinance Bank clients for their support.

________________________________ Dr. Matthews Tichaona Kunaka
July, 2023 (Board Chairman)

CORPORATE GOVERNANCE STATEMENT

GOVERNANCE

The Bank strives to practice what is contained in the various corporate governance guidelines. It adheres to the Public Entities Corporate Governance Act (Chapter 10:31), The Reserve Bank Corporate Governance Guidelines, and the Microfinance Act (Chapter 24:29). It also derives guidance from internal policies such as the Board Charter and Code of Ethics. These policies uphold the importance of clients and stakeholders and their needs are always a priority. The Bank upholds the corporate values of integrity, responsiveness, empowerment and innovation.

BOARD COMPOSITION

For the first half of 2022, the ZWMB's Board comprised of (9) directors in total of which seven (7) were independent non-executive directors. The Chairman and the CEO have separate functions. Lysias Kunaka resigned in March and three of the directors namely Ntokozo Mkandla, Chipo Bhebe and Obert Ngwenya resigned in July and August 2022 respectively. Lysias Kunaka retired from Public Service and as result had to relinquish his role as a director of the bank. The other directors had to take up new assignments and hence could not continue on the Board. Julia Mapungwana was appointed to the Board in July 2022 replacing Lysias Kunaka. We thank the directors for the good work they performed during their tenure.

BOARD COMMITTEES

Board committees were put in place to assist the Board in carrying out its duties and responsibilities. The Bank has established the following five (5) Board committees: Loans Review Committee, Risk Committee, Human Resources and Nominations Committee, Audit Committee and Credit Granting Committee.

Audit Committee

The Audit Committee gives assurance to the Board on the effectiveness of internal controls and risk management. It also monitors the effectiveness and objectivity of internal as well as external auditors. The Committee oversees the integrity and appropriateness of the financial statements for approval by the Board.

Credit Granting Committee

This committee grants loans above the limit of the Executive Credit Committee. It also recommends for approval by the Board loans above the Committee's limit. Some of the committee's responsibilities include recommending lending policies and procedures to the Board. The committee is also responsible for monitoring credit risk.

Loans Review Committee

The committee reviews loans granted to ensure that there is compliance with lending policies and legislation. Members of the committee are independent of the granting process. This committee also reviews the performance of the loan portfolio.

Risk Committee

This committee is responsible for enterprise-wide risk management systems. It monitors the identified risks the motive being to implement effective mitigants to minimize risks. The committee is also responsible for ensuring that the Bank complies with legislation and regulatory guidelines.

Human Resources and Nominations Committee

The committee oversees the human capital of the Bank. It recommends to the Board recruitment of senior management and is responsible for the remuneration of staff members.

BOARD EVALUATION

In 2022 a Board Evaluation exercise was conducted for all board members to improve the operations of the Board.

BOARD & BOARD COMMITTEE MEETINGS

The following table shows the number of Board and Committee meetings held in 2022 and attendance by directors:

DIRECTOR	BOARD MEETINGS	SPECIAL BOARD MEETINGS	LOANS REVIEW COMMITTEE	AUDIT COMMITTEE	RISK COMMITTEE	HUMAN RESOURCES COMMITTEE	CREDIT GRANTING COMMITTEE
M.T Kunaka (Chairman)	5	1	n/a	n/a	n/a	4	4
R. Ninga (Vice Chairperson)	5	1	4	5	4	n/a	n/a
O. Ngwenya	1	n/a	n/a	3	2	n/a	n/a
N. Mkandla	2	n/a	2	n/a	2	n/a	n/a
N. Ncube	5	1	n/a	5	n/a	n/a	4
L. Kunaka	1	n/a	n/a	n/a	n/a	1	1
C. Bhebe	1	n/a	1	n/a	n/a	2	n/a
J. Mapungwana	3	1	2	n/a	1	2	n/a

n/a – not applicable

Note that

- L. Kunaka resigned in March 2022
- N. Mkandla resigned in July 2022
- C. Bhebe resigned in August 2022
- O. Ngwenya resigned in August 2022
- J. Mapungwana was appointed in July 2022

DIRECTORS' STATEMENT OF RESPONSIBILITY

The directors are responsible for the preparation and integrity of financial statements that fairly present the state of the affairs of the Microfinance Bank at the end of the financial year, income statement and the statements of comprehensive income, changes in equity and cash flows for the year and other information contained in this report in accordance with International Financial Reporting Standards and all applicable laws including the Microfinance Act (Chapter 24:30). The financial statements are required by law and IFRS to present fairly the financial position and performance of the Microfinance Bank for the year.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge, the financial statements, are prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Microfinance Bank. We consider the annual report and accounts taken as a whole, to be fair, balanced, and understandable and that they provide the information necessary for shareholder to assess the Microfinance Bank's position and performance, business model and strategy.

Governance

Compliance with IFRS and laws and regulations

The financial statements have been prepared in accordance with IFRS and requirements of the Companies and Other Business Entities Act (Chapter 24:31), 2019 and Microfinance Act (Chapter 24:30).

Approval

The financial statements for the year ended December 31, 2022, have been approved by the Board of Directors and are signed on its behalf by the Chairman and the Chief Executive Officer.

________________________________ **The Company Secretary**

July, 2023

CHIEF EXECUTIVE OFFICER STATEMENT

Though existing in an everchanging, uncertain local and global environment, the Women's Bank thrives as a unique and special vehicle, lending and reaching out to empower the financially excluded women population of Zimbabwe. 2022 was yet another year for growth and new opportunities, developments, strategies, and challenges.

Business Performance Overview

The Microfinance Bank exist in a hyperinflationary environment and as such, in line with International Financial Reporting Standards, inflation adjusted financial statements have been presented. During the year under review, the Microfinance bank received a total of ZWL 1,8 billion and achieved the below operational results:

	Inflation adjusted		
Net interest income	ZW$ 452.4m	↗	19%
Loss before tax	ZW$ 2.71bn	↗	28%
Net comprehensive loss	ZW$ 2.57bn	↗	30%
Total assets	ZW$ 3.17bn	↗	105%
Customer deposits	ZW$ 194.4m	↗	353%
Financial Assets at armotised cost	ZW$ 855.15m	↗	51%

Financial Inclusion Impact

Jobs Created	13 764	↗ 754%
Jobs Sustained	18 259	↗ 12%
% age of loans to women	81%	↗ 1%
% age of women with accounts	96%	↗ 4%

The Microfinance Bank's strategy is to broaden financial services such that all women in the Zimbabwean population continue to have equal access to resources and assets, education and financial literacy, access to a bank account and access to skills for women capacitation in all sectors of the economy (agriculture, mining, tourism, and trade). This is evidenced by the growth in the value for loans and statistics for women capacitated. The Microfinance Bank continues to invest in technology with the expectancy of cost reduction, increase efficiencies while creating platforms to bring the Microfinance Bank to every woman's doorstep.

With the Agency banking model, the Microfinance Bank has managed to maintain and achieve a broader geographical footprint, 91 service points.

Capital and value preservation remains a topical issue with the aim to reach regulatory threshold levels. This will be achieved by property acquisition and partnering with allied organisations. Cost containment also is key on account of inflationary pressures.

Outlook

The Microfinance bank strives to fund and support at least 10 000 projects as part of the institution's women empowerment initiative. Since inception, the women's bank has provided loans for over 114,000 projects predominantly fronted by women across the country and will continue to economically and socially empower females. The Microfinance Bank has planned for 10,000 disbursements according to the available resources with the hope of trebling resources permitting. With an attitude of collaboration and support, the microfinance bank is looking forward to walking the journey with newbies on board, struggling enterprises and successful ones.

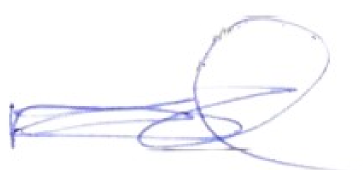
It is also the Microfinance Bank's ambition to further expand to all provinces, districts, wards, and villages to offer services to women as it is sincere in its determination to reach all parts of Zimbabwe. Funds permitting, the institution will continue to invest in digitalization which in turn should result in positive customer experience by increasing transaction channel options and ultimately, boost institutional revenue. The Microfinance Bank will strategically position itself to leverage on new opportunities and seek appropriate business partnerships, empower employees with new skills and develop and maintain new products lines. With the continued support from all stakeholders, we are confident that the Microfinance Bank's will fulfill its mandate of economically and socially empowering Zimbabwean women.

Management, led by the Board will continue to develop and implement strategies to address the risk and corporate governance gaps identified by the Reserve Bank.

Appreciation

In conclusion, I would like to wholeheartedly extend my appreciation to our shareholder, the Board, clients, and regulator for continued support and confidence in us. I would also like to appreciate the Microfinance Bank staff for their strong contributions and commitment.

Existing and future partners wish to express my sincere gratitude, we look forward to your continued support.



________________________________ **Dr. Mandas Marikanda**

July, 2023 **(Chief Executive Officer)**

ZWMB 2022 PROVINCIAL DISBURSEMENT STATISTICS

Province	Number	Value`	Total Clients	Female Clients	Male Clients	Jobs Created	Jobs Sustained
BULAWAYO	954	44 182 434	975	871	104	2 222	2 948
HARARE	513	200 243 637	841	746	95	1 303	1 791
MANICALAND	916	40 346 619	962	855	107	1 471	2 174
MASH CENTRAL	297	20 881 444	324	252	72	467	681
MASH EAST	479	44 572 778	618	512	106	750	1 205
MASH WEST	732	37 622 609	2 270	2 197	73	1 500	1 924
MASVINGO	677	39 476 259	2 109	2 048	61	1 291	1 502
MAT NORTH	478	43 234 869	619	526	93	788	1 167
MAT SOUTH	215	13 930 618	288	254	34	284	446
MIDLANDS	989	48 957 842	1 055	903	152	1 390	2 123
TOTAL	6 250	533 449 108	10 061	9 164	897	11 466	15 961
KATSAONA	2 298	28 156 120	2 298	901	1 397	2 298	2 298
GRAND TOTAL	8 548	561 605 228	12 359	10 065	2 294	13 764	18 259

ZWMB 2022 DISBURSEMENT STATISTICS AS PER PROVINCE AND DISTRICTS

		2022 DISBURSEMENTS						
PROVINCE	DISTRICT	Number	Value	Total Clients	Female Clients	Male Clients	Jobs Created	Jobs Sustained
BULAWAYO	BULAWAYO	954	44 182 434	975	871	104	2 222	2 948
HARARE	HARARE	513	200 243 637	841	746	95	1 303	1 791
MANICALAND	BUHERA	85	3 129 030	85	54	31	137	202
	CHIMANIMANI	24	1 160 000	24	24	-	39	57
	CHIPINGE	53	4 729 440	75	65	10	85	126
	MUTASA	433	3 041 239	433	429	4	695	1 028
	MAKONI	189	10 901 696	189	144	45	304	449
	MUTARE	128	16 139 427	150	134	16	206	304
	NYANGA	4	1 245 786	6	5	1	6	9
	SUB/TOTAL	916	40 346 619	962	855	107	1 471	2 174
MASH CENTRAL	BINDURA	6	576 420	6	6	-	9	14
	MAZOWE	58	10 500 975	64	57	7	91	133
	MUKUMBURA	-	-	-	-	-	-	-
	MBIRE	6	375 000	6	5	1	9	14
	GURUVE	75	6 158 592	87	81	6	118	172
	SHAMVA	5	445 000	5	5	-	8	11
	MOUNT DARWIN	9	930 600	11	10	1	14	21
	MUZARABANI	136	1 789 857	140	83	57	214	312
	RUSHINGA	2	105 000	2	2	-	3	5
	SUB/TOTAL	297	20 881 444	321	249	72	467	681
MASH EAST	SEKE	75	7 588 806	89	75	14	117	189
	CHIKOMBA	47	5 590 160	109	103	6	74	118
	GOROMONZI	57	5 704 683	63	56	7	89	143
	WEDZA	38	5 271 147	47	46	1	59	96
	UMP	25	877 800	25	13	12	39	63

	MUDZI	**37**	**2 732 748**	**37**	**37**	**-**	**58**	**93**
	MARONDERA	**63**	**7 607 177**	**83**	**67**	**16**	**99**	**158**
	MUREWA	**103**	**8 552 228**	**131**	**102**	**29**	**161**	**259**
	MUTOKO	**34**	**648 030**	**34**	**13**	**21**	**53**	**86**
	SUB/TOTAL	**479**	**44 572 778**	**618**	**512**	**106**	**750**	**1 205**
MASH WEST	**ZVIMBA**	**26**	**3 763 054**	**35**	**33**	**2**	**53**	**68**
	KADOMA	**69**	**6 581 642**	**69**	**58**	**11**	**141**	**181**
	CHEGUTU	**53**	**5 234 403**	**53**	**36**	**17**	**109**	**139**
	MAKONDE	**194**	**8 750 707**	**656**	**639**	**17**	**398**	**510**
	HURUNGWE	**237**	**9 756 031**	**396**	**376**	**20**	**486**	**623**
	KARIBA	**6**	**450 000**	**6**	**6**	**-**	**12**	**16**
	MHONDORO-NGEZI	**139**	**2 426 771**	**1 050**	**1 047**	**3**	**285**	**365**
	SANYATI	**8**	**660 000**	**8**	**5**	**3**	**16**	**21**
	SUB/TOTAL	**732**	**37 622 609**	**2 273**	**2 200**	**73**	**1 500**	**1 924**
MAT NORTH	**BINGA**	**111**	**3 617 878**	**134**	**112**	**22**	**183**	**271**
	BUBI	**43**	**1 183 613**	**43**	**32**	**11**	**71**	**105**
	HWANGE	**103**	**28 458 176**	**103**	**89**	**14**	**170**	**251**
	LUPANE	**50**	**2 625 038**	**56**	**38**	**18**	**82**	**122**
	NKAYI	**118**	**5 767 778**	**230**	**204**	**26**	**195**	**288**
	TSHOLOTSHO	**3**	**233 000**	**3**	**3**	**-**	**5**	**7**
	UMGUZA	**50**	**1 349 386**	**50**	**48**	**2**	**82**	**122**
	SUB/TOTAL	**478**	**43 234 869**	**619**	**526**	**93**	**788**	**1 167**
MAT SOUTH	**BEITBRIDGE**	**67**	**4 692 124**	**88**	**71**	**17**	**89**	**139**
	BULILIMA	**65**	**5 433 742**	**99**	**88**	**11**	**86**	**135**
	UMZINGWANE	**20**	**204 500**	**20**	**19**	**1**	**26**	**41**
	INSIZA	**12**	**620 000**	**14**	**14**	**-**	**16**	**25**
	GWANDA	**50**	**2 940 251**	**66**	**61**	**5**	**66**	**104**
	MANGWE	**1**	**40 000**	**1**	**1**	**-**	**1**	**2**

	MATOBO	-	-	-	-	-	-	-
	SUB/TOTAL	215	13 930 618	288	254	34	284	446
MIDLANDS	CHIRUMHANZU	57	3 590 618	57	52	5	80	122
	GOKWE NORTH	359	5 065 274	374	265	109	505	771
	GOKWE SOUTH	13	322 608	13	10	3	18	28
	GWERU	380	31 883 246	390	362	28	534	816
	KWEKWE	41	1 358 537	82	79	3	58	88
	MBERENGWA	15	665 803	15	13	2	21	32
	SHURUGWI	17	827 219	17	17	-	24	36
	ZVISHAVANE	107	5 244 537	107	105	2	150	230
	SUB/TOTAL	989	48 957 842	1 055	903	152	1 390	2 123
MASVINGO	MASVINGO	197	20 668 425	441	417	24	376	437
	BIKITA	12	1 104 965	12	11	1	23	27
	GUTU	95	5 644 708	319	311	8	181	211
	CHIREDZI	38	4 901 403	50	47	3	72	84
	CHIVI	198	3 492 422	881	878	3	378	439
	ZAKA	114	2 712 373	371	351	20	217	253
	MWENEZI	23	951 963	35	33	2	44	51
	SUB/TOTAL	677	39 476 259	2 109	2 048	61	1 291	1 502
	TOTAL	6 250	533 449 108	10 061	9 164	897	11 466	15 961
	KATSAONA	2 298	28 156 120	2 298	901	1 397	2 298	2 298
	GRAND TOTAL	8 548	561 605 228	12 359	10 065	2 294	13 764	18 259

Some of the success stories registered by Zimbabwe Women's Microfinance Bank during the year 2022.

Harare Province

Peanut Butter making machine | Sawing machine | Poultry

Bulawayo Province

Brick Molding | Stationery and Printing | Incubator

Midlands Province

Hardware

Gas refilling

Masvingo Province

3 Miller Tractor

Poultry and egg production

Events and deco

Manicaland Province

Grinding Mill

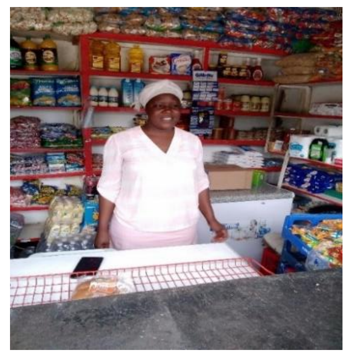
Pop Gun

Solar System

Mashonaland Central Province

Hammermill Beekeeping Horticulture

Mashonaland East Province



Garment making **Accommodation** **Groceries**

Mashonaland West Province

Clothing Stationery Grinding mill

Matebeleland North Province


Solar


Bakeries


Brick molding

Matebeleland South Province


Poultry


Vendor


Groceries

All communications should be addressed to
“The Auditor-General”
P.O. Box CY 143, Causeway, Harare
Telephone No.: 793611/3-4/762817/8/20-23
Telegrams: “AUDITOR”

Reference: SB 175
OFFICE OF THE AUDITOR-GENERAL
5th Floor, Burroughs House
48 George Silundika

We assure accountability
OAG ZIMBABWE
Office of the Auditor-General

REPORT OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL

TO

THE MINISTER OF WOMEN AFFAIRS, COMMUNITY, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE

ZIMBABWE WOMEN'S MICROFINANCE BANK LIMITED

FOR THE YEAR ENDED DECEMBER 31, 2022

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Zimbabwe Women's Microfinance Bank Limited as set out on pages 6 to 44, which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Zimbabwe Women's Microfinance Bank Limited as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSS) and in the manner required by the Microfinance Act [Chapter 24:29].

Basis of Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAS) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report.

I am independent of the Bank in accordance with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Material uncertainty related to going concern

I draw your attention to the statement of comprehensive income and note 26 to the financial statements, which indicates that the Bank incurred loss of ZWL2 859 233 918 (2021: ZWL2 121 948 732) for the year ended December 31, 2022. The Bank was operating below the prescribed capital requirement set by the Regulator (Reserve Bank of Zimbabwe) of ZWL equivalent to USD 5 million since inception. These events or conditions indicate the existence of material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern and my opinion is not modified in respect of this matter.

Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the Zimbabwe Women's Microfinance Bank Limited for the year ended December 31, 2022. These matters were addressed in the context of my audit of the Zimbabwe Women's Microfinance Bank's financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matter	**How my audit addressed the Key Audit Matter**
Valuation and classification of financial assets at amortized cost. Refer to note 3.2 and note 5 of the financial statements. The Bank recognised financial assets at amortized cost of ZWL855 152 066 as at December 31, 2022. An allowance for credit losses of ZWL 24 556 668 was deducted from these assets as at December 31, 2022. Significant judgement was applied in determining the expected credit loss allowance over the over the Bank's loans and advances and treasury bills. The use of judgements and assumptions results in significant estimation uncertainty which is considered a key audit risk. As a result, the valuation of the financial assets at amortised costs was considered to be a key audit matter.	My procedures to address the risk of material misstatement with regard to valuation of financial assets included; • Evaluate the Bank's classification of its financial assets based on their contractual Cashflow characteristics and the Bank's business model for managing the financial assets. • Assessed the reasonableness of the assumptions and method used to fair value the Treasury bills taking into account the discount rate used by other entities in the financial sector for treasury bills of similar characteristics and compared whether it's in line with the discount rate used by the Bank. Reviewed the adequacy of disclosures made by the Bank for financial assets at amortised costs in the 2022 financial statements and confirmed compliance with the requirements of IFRS 9. • Reviewed the value of financial assets at amortized cost to ensure that it represents

Key Audit Matter	How my audit addressed the Key Audit Matter
	the fair value of the financial assets held at year end. • I also verified the mathematical accuracy of the valuations and confirmed that the approaches used are consistent with IFRS and banking industry norms. I therefore found the disclosures on note 3.2 and note 9 to be appropriate.
Revenue recognition. Refer to note 3.11 and note 19 to the financial statements. The Bank recognised Revenue amounting to ZWL425 253 341 for 2022 Financial year. Revenue from the interest on loans and investments is a key measure used to evaluate the performance of the Bank. There is a presumed fraud risk with regards revenue recognition as guided by International Standard on Auditing (ISA 240 Revised). The Bank reported an accounting loss for the year under review. This posed a risk of material overstatement of revenue in order to improve the Banks performance. The was was therefore Recognition of revenue considered a key audit matter for this audit.	My procedures to address the risk of material misstatement with regard to revenue recognition included; • Tested the operating effectiveness of the IT controls, including those in the environment, that are designed to prevent, detect and deter material misstatements from fraud. • Performed cut off procedures for interest income through our IT Audit Specialists who also tested the General Internal Controls (GITCS) and Application Controls of the Bank's systems. • Assessed the appropriateness of the accounting for significant transactions that are outside the component's normal course of business, or are otherwise unusual. • Reviewed the frequency as well as the robustness of the preparation and review of suspense accounts. • Reviewed the IT report on the exceptions noted on data analysis procedures on interest income and other income. • Reviewed the adequacy of the Bank's disclosures in respect of revenue; and Performed substantive tests including fraud related procedures. I therefore found revenue recognition and disclosures appropriate.

Other Information in the Annual Report

Management is responsible for the other information. The other information comprises all the information in the Zimbabwe Women's Microfinance Bank 2022 annual report other than the financial statements and my auditor's report thereon ("the Other Information").

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other Information and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I concludes that there is a material misstatement of the other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Bank's Management and Those Charged with Governance are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Microfinance Act [Chapter 24:29], and Banking Act [Chapter 24:20] and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or cease operations or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it's 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 financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. I also:

- Identify and assess the risks of material misstatement of the 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 my 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my Auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date the Auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with 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 I identify during my audit.

I also provide directors with a statement that I 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 my independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In my opinion, the financial statements of Zimbabwe Women's Microfinance bank have, in all material respects, been prepared in compliance with the disclosure requirements of the Microfinance Act [Chapter 24:29], and other relevant Statutory Instruments.

04 August 2023.

R. KUJINGA,
ACTING AUDITOR – GENERAL.

Zimbabwe Women's Microfinance Bank Limited
Statement of financial position
for the year ended December 31, 2022

	Notes	Inflation adjusted		Historical cost	
		Dec-22	Dec-21	Dec-22	Dec-21
		ZWL	ZWL	ZWL	ZWL
ASSETS					
Cash and balances with banks	4	425 253 341	332 378 510	425 253 341	96 689 152
Balances with the Central Bank	4	75 246 510	1 290 224	75 246 510	375 327
Financial assets at armotised cost	5	855 152 066	568 195 569	855 152 066	165 288 507
Bureau de change	6	41 365 232	21 096 303	12 927 316	6 136 930
Other receivables	7	185 890 801	90 210 137	144 186 744	26 242 195
Asset finance inventory	8	68 203 662	30 635 977	25 458 267	8 912 028
Deferred tax asset		872 480 958	-	57 482 510	-
Right of use asset	9	-	17 790 914	-	5 175 390
Property, plant and equipment	10	559 702 283	361 000 644	543 481 048	105 015 352
Intangible assets	11	90 708 369	121 500 741	26 531 005	35 344 655
TOTAL ASSETS		**3 174 003 222**	**1 544 099 019**	**2 165 718 807**	**449 179 536**
EQUITY & LIABILITIES					
LIABILITIES					
Trade and other payables	12	288 527 457	208 090 395	288 527 457	60 533 648
Customer deposits	13	194 448 322	42 936 296	194 448 322	12 490 200
Deferred tax liability	14	1 106 450 904	17 810 636	193 433 118	5 181 127
Lease liability	15	-	18 423 406	-	5 359 382
Short term borrowings	16	61 810 392	-	61 810 392	-
Total liabilities		**1 651 237 075**	**287 260 733**	**738 219 289**	**83 564 357**
EQUITY					
Share capital	17	15 031	15 031	100	100
Share premium	17	1 503 129 025	1 503 129 025	9 999 900	9 999 900
Other equity	17	4 796 746 178	1 959 431 300	2 370 000 000	570 000 000
Revaluation reserve	17	439 352 405	151 905 953	331 636 005	44 189 553
Retained loss		(5 216 476 492)	(2 357 643 024)	(1 284 136 487)	(258 574 375)
Total equity		**1 522 766 147**	**1 256 838 285**	**1 427 499 518**	**365 615 178**
TOTAL EQUITY AND LIABILITIES		**3 174 003 222**	**1 544 099 018**	**2 165 718 807**	**449 179 535**

26/07/,2023
Date

Charles Mavengere CA(Z) (PAAB #M3472),
(Chief Finance Officer).

26/07/,2023
Date

Dr. Mandas Marikanda,
(Chief Executive Officer).

26/07/,2023
Date

Dr. Matthews .T. Kunaka CA(Z) ,
(Board Chairman).

Zimbabwe Women's Microfinance Bank Limited
Statement of profit and loss and other comprehensive income
for the year ended December 31, 2022

		Inflation adjusted		Historical cost	
	Notes	Dec-22	Dec-21	Dec-22	Dec-21
		ZWL	ZWL	ZWL	ZWL
Interest income	19	485 145 057	386 117 630	335 589 365	112 321 901
Interest expense	20	(32 253 873)	(6 454 007)	(42 517 865)	(1 877 475)
Net Interest Income		**452 891 184**	**379 663 623**	**293 071 500**	**110 444 426**
Increase in allowance for credit losses	5	90 036 808	(110 040 027)	(4 445 554)	(32 185 144)
Net interest income after allowance for credit losses		**542 927 992**	**269 623 596**	**288 625 946**	**78 259 282**
Non interest income	21	188 441 219	84 934 444	84 239 272	24 707 492
Net foreign exchange gain/(loss)		82 165 694	(51 110 885)	82 853 828	(14 868 194)
Net Operating Income		**813 534 905**	**303 447 155**	**455 719 046**	**88 098 580**
Staff costs	22	(723 570 376)	(414 429 535)	(543 543 693)	(120 557 854)
Operating expenses	23	(1 631 473 567)	(531 209 329)	(889 076 555)	(154 529 185)
Loss on net monetary position		(1 167 679 778)	(1 469 367 657)	-	-
Loss before tax		**(2 709 188 816)**	**(2 111 559 366)**	**(976 901 202)**	**(186 988 459)**
Income tax expense	14	(149 644 652)	(10 389 366)	(48 660 909)	(3 022 274)
Loss for the year		**(2 858 833 468)**	**(2 121 948 732)**	**(1 025 562 111)**	**(190 010 733)**
Other Comprehensive income					
Net surplus on revaluation of property	17	375 994 244	156 230 772	375 994 244	45 447 646
Effect of revaluation on deferred tax	17	(84 325 293)	(4 324 819)	(87 289 699)	(1 258 093)
Net comprehensive loss for the year		**(2 567 164 517)**	**(1 970 042 779)**	**(736 857 566)**	**(145 821 180)**

Zimbabwe Women's Microfinance Bank Limited
Statement of changes in equity
for the year ended December 31, 2022

Inflation Adjusted	Share capital ZWL	Share premium ZWL	Other equity ZWL	Revaluation Reserve ZWL	Retained Earnings ZWL	Total ZWL
Balance at January 1, 2021	15 031	1 503 129 025	584 391 791	-	(235 694 292)	1 851 841 555
Revaluation of property net of tax	-	-	-	151 905 953	-	151 905 953
Other equity	-	-	1 375 039 509	-	-	1 375 039 509
Loss for the year	-	-	-	-	(2 121 948 732)	(2 121 948 732)
Balance at December 31, 2021	**15 031**	**1 503 129 025**	**1 959 431 300**	**151 905 953**	**(2 357 643 024)**	**1 256 838 285**
Balance at January 1, 2022	15 031	1 503 129 025	1 959 431 300	151 905 953	(2 357 643 024)	1 256 838 285
Revaluation of property net of tax	-	-	-	287 446 452	-	287 446 452
Other equity	-	-	2 837 314 878	-	-	2 837 314 878
Loss for the year	-	-	-	-	(2 858 833 468)	(2 858 833 468)
Balance at December 31, 2022	**15 031**	**1 503 129 025**	**4 796 746 178**	**439 352 405**	**(5 216 476 492)**	**1 522 766 147**

Historical cost	Share capital ZWL	Share premium ZWL	Other equity ZWL	Revaluation Reserve ZWL	Retained Earnings ZWL	Total ZWL
Balance at January 1, 2021	100	9 999 900	170 000 000	-	(68 563 642)	111 436 358
Revaluation of property net of tax	-	-	-	44 189 553	-	44 189 553
Other equity	-	-	400 000 000	-	-	400 000 000
Loss for the year	-	-	-	-	(190 010 733)	(190 010 733)
Balance at December 31, 2021	**100**	**9 999 900**	**570 000 000**	**44 189 553**	**(258 574 375)**	**365 615 178**
Balance at January 1, 2022	100	9 999 900	570 000 000	44 189 553	(258 574 376)	365 615 177
Revaluation of property net of tax	-	-	-	287 446 452	-	287 446 452
Other equity	-	-	1 800 000 000	-	-	1 800 000 000
Loss for the year	-	-	-	-	(1 025 562 111)	(1 025 562 111)
Balance at December 31, 2022	**100**	**9 999 900**	**2 370 000 000**	**331 636 005**	**(1 284 136 487)**	**1 427 499 518**

	Notes	Inflation adjusted		Historical cost	
		Dec-22	Dec-21	Dec-22	Dec-21
		ZWL	ZWL	ZWL	ZWL
Cash flows from operating activities					
Profit / (Loss) for the year		(2 858 833 468)	(2 121 948 732)	(1 025 562 111)	(190 010 733)
Income taxes	14	149 644 652	10 389 366	48 660 909	3 022 274
Adjustments for non-cash income and expenses		1 417 815 703	1 585 583 756	(45 948 315)	63 718 156
- Monetary loss		1 167 679 778	1 469 367 657	-	-
- Exchange (gains)/loss		(82 165 694)	(51 110 885)	(82 853 828)	14 868 194
- Depreciation of property plant and equipment		389 572 239	18 810 353	18 470 919	5 471 946
- Armotisation of right-of-use asset		17 370 001	20 831 178	5 175 390	6 059 805
- Amortisation of intangible assets	10	15 396 187	17 645 425	8 813 650	5 133 067
- Increase / (Decrease) allowance for credit losses		(90 036 808)	110 040 027	4 445 554	32 185 144
Changes in operating assets and liabilities		(1 164 213 874)	(221 268 352)	(305 787 592)	(93 229 692)
- Increase / (Decrease) in customer deposits	12	151 512 026	32 511 225	181 958 122	9 457 539
- Decrease / (Increase) in financial assets	5	(1 338 049 983)	(378 412 811)	(614 341 213)	(138 943 130)
- Decrease / (Increase) in other receivables	6	(95 680 664)	(46 543 857)	(117 944 549)	(13 539 642)
- Decrease / (Increase) in inventory	7	37 567 685	(3 068 052)	16 546 239	(892 499)
- Increase / (Decrease) in other payables	11	80 437 062	174 245 143	227 993 809	50 688 040
Net cash from operating activities		**(2 455 586 987)**	**(747 243 962)**	**(1 328 637 110)**	**(216 499 995)**
Cash flows from investing activities					
Purchases of property, plant & equipment	10	(236 933 384)	(116 313 141)	(105 596 120)	(33 835 578)
Purchases of intangible assets	11	-	(137 298 859)	-	(39 940 339)
Capitalisation of Bureau de change		-	(21 096 303)	-	(6 136 930)
Net cash used in investing activities		**(236 933 384)**	**(274 708 303)**	**(105 596 120)**	**(79 912 847)**
Cash flows from financing activities					
Capitalisation		2 837 314 878	1 375 039 509	1 800 000 000	400 000 000
Lease payments	15	(17 987 530)	(22 980 589)	(5 359 382)	(6 685 070)
Borrowing from other banks	16	46 027 984	-	46 027 984	-
Loan repayments	16	(3 000 000)	(34 853 432)	(3 000 000)	(10 138 889)
Net cash used in financing activities		**2 862 355 332**	**1 317 205 488**	**1 837 668 602**	**383 176 041**
Net increase / (decrease) in cash and cash equivalents		**169 834 961**	**295 253 223**	**403 435 372**	**86 763 199**
Cash and cash equivalents at beginning of year	4	330 664 890	35 411 667	97 064 479	10 301 280
Cash and cash equivalents at end of year		**500 499 851**	**330 664 890**	**500 499 851**	**97 064 479**

1. General information

1.1 Reporting entity and nature of business

The Zimbabwe Women's Microfinance Bank ('the Microfinance Bank") is a corporate body established and duly incorporated in Zimbabwe. The Microfinance Bank was established by the Government of Zimbabwe to be a vehicle for the empowerment of women and to address financial inclusion challenges. The Microfinance Bank accepts deposits that will accumulate interest for the benefit of the depositors and lends to a targeted market in line with its developmental mandate. The Microfinance Bank is also a member of the Deposit Protection Corporation (DPC).

The Microfinance Bank's Head Office at 31 Mutley Bend, Belvedere, Harare, Zimbabwe.

2. Basis of preparation

2.1 Statement of compliance

The financial statements for the year ended December 31, 2022 have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) interpretations promulgated by International Accounting Standards Board (IASB) which include standards and interpretations approved by the IASB, International Accounting Standards (IAS) as well as Standing Interpretations Committee (SIC) in a manner required by the Companies and Other Business Entities Act,(Chapter24:31), the Zimbabwe Microfinance Act (Chapter 24:30).

Although the Microfinance Bank managed to comply with the requirements of IAS 21 in the current reporting period it was not fully possible to comply in prior years due to absence of exchange rate references and other structural deficiencies emanating from the inconsistent foreign exchange pronouncements by the authorities.

The Microfinance Bank's financial statements for the year ended December 31, 2022, were authorized for issue in accordance with the resolution of the directors on 26 July, 2023.

2.2 Basis of Preparation

The financial statements are prepared under the historical cost convention and adjusted for the effects of hyperinflation as well as the revaluation of financial instruments held at fair value through profit or loss.

In October 2019, the Public Accountants and Auditors Board (PAAB) pronounced that Zimbabwe was now a hyperinflationary economy in line with the provisions of IAS 29 – Financial reporting in Hyperinflationary economies and this was applicable to entities operating in Zimbabwe with financial periods ending on or after July 01, 2019. Accordingly, all comparative figures have been restated to show the effects of hyperinflation. The Microfinance Bank made use of readily available inflation data, which data was obtained from the Reserve Bank of Zimbabwe website. The following general price indices and conversion factors were used;

Month	Indices	Conversion Factor
December 31,2019	551.63	24.200
December 31,2020	2474.52	5.395
December 31,2021	3977.46	3.438
December 31,2022	13672.91	1.000

The indices have been applied to the historical costs of transactions and balances as follows:

- All comparative figures as of and for the periods ended December 31, 2021 have been restated by applying the change in the index to December 31, 2022;
- Income statement transactions have been restated by applying the change in the index from the approximate date of the transactions to December 31, 2022;
- Gains and losses arising from the monetary assets or liability positions have been included in the income statement;
- Non-monetary assets and liabilities have been restated by applying the change in the index from the date of the transaction to December 31,2022;
- Property, plant and equipment and accumulated depreciation have been restated by applying the change in the index from the date of their purchase or re-assessment to December 31,2022;

The net impact of applying the procedures above is shown in the statement of comprehensive income as the gain or loss on net monetary position.

IAS 29 discourages the publication of historical results as a supplement to the inflation adjusted results. However, historical results have been published as additional information for the users of the Microfinance Bank’s financial statements.

Functional Currency and presentation currency

The Microfinance Bank’s financial statements are presented in Zimbabwe Dollar (ZW), which is the Microfinance Bank’s functional currency. The Microfinance Bank’s functional and presentation currencies have since changed with effect from February 22,2019 to Zimbabwe Dollars following the monetary policy pronouncement by the Reserve Bank of Zimbabwe. In January 2019 figures were in USD and these were converted at USD1:ZW1 the rate ruling at that time. SI 33 of February 22, 2019 introduced a new RTGS dollar as a legal tender in Zimbabwe and the establishment of an interbank foreign market by the Reserve Bank of Zimbabwe in the same month which opened at an exchange rate of ZW2.50: USD1. The Government of Zimbabwe issued SI 142 of June 24, 2019 which introduced the Zimbabwe dollar as the sole legal tender in the country and subsequently issued SI 85/2020 in April 2020 which gave exceptions to the usage of the foreign currency.

Comparative financial information

The financial statements comprise the statement of financial position, comprehensive income, changes in equity and cash flows. The comparative information covers a period of twelve months to December 31,2022.

2.3 Critical estimates, judgements, and assumptions in applying accounting policies

In conformity with IFRS, the preparation of financial statements for the Microfinance Bank requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. These estimates are based on management's knowledge of current events and actions that may be undertaken in the future therefore actual results may ultimately differ from estimates and will require a material adjustment to the carrying amount of assets and/or liabilities affected in the future.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below;

2.3.1. Deferred tax

Provision for deferred taxation is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences arising out of the initial recognition of assets or liabilities and temporary differences on initial recognition of business combinations that affect neither accounting nor taxable profit are not recognized. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2.3.2. Intangible assets

Intangible assets are initially recognized at cost. Subsequently the assets are measured at cost less accumulated amortization and any impairment loss.

2.3.3. Allowance for Credit losses on financial instruments

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Microfinance Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Credit risk grading

The Microfinance Bank uses internal credit risk grading that reflect its assessment of the probability of default of individual counterparties. The Microfinance Bank uses internal rating models tailored to the various categories of counterparties. Borrower and loan specific information collected at the time of application (such as disposable income and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers.

In addition, the models enable expert judgement from the Head of Risk to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between a 1 and 2 rating grade is lower than the difference in the PD between a 3 and 4 rating grade.

The Microfinance Bank's internal rating scale and mapping of external ratings are set out below:

Numerical Classification	Descriptive Classification	Risk Level	Five Tier Loan Classification	Probability of Default (PD)	IFRS 9 ECL Stage
1	Prime Grade	Insignificant	Pass	<=0,05	Stage 1
2	High Grade	Modest		0,05<PD<=0,10	
3	Satisfactory	Average		0,10<PD<=0,20	
4	Medium Grade	Acceptable		0,20<PD<=0,25	
5	Sufficient	With Care	Special Attention	0,25<PD<=0,30	Stage 2
6	Speculative	Attention		0,30<PD<=0,40	
7	Highly speculative	Attention		0,40<PD<=0,50	
8	Extremely speculative	Substandard	Substandard	0,50<PD<=0,60	Stage 3

9	Poor	Doubtful	Doubtful	0,60<PD<=0,95
10	Default	Loss	Loss	0,95<PD<=1,00

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Microfinance Bank.
- If a significant increase in credit risk ("SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2', but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECLS measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECLS in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit- impaired on initial recognition. Their ECLs are always measured on a lifetime basis (Stage 3).

Further explanation is also provided of how the Microfinance Bank determines appropriate groupings when ECLS are measured on a collective basis.

The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3

(Initial Recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Microfinance Bank in addressing the requirements of IFRS 9 standard are discussed below:

Significant increase in credit risk (SICR)

To determine whether the risk of default of the financial instrument has increased significantly since initial recognition, the Microfinance Bank compares the current risk of default at the reporting date with the risk of default at the initial recognition.

The Microfinance Bank assesses whether there has been significant increase in credit risk at each reporting date. The impairment model is symmetrical, and assets can move into and out of the lifetime ECLs category.

To be 'significant, a larger absolute increase in the risk of default will be required for an asset with a higher risk of default at initial recognition than for assets with a low risk of default at initial recognition. For example, an absolute change of 2% in the probability of default (PD) occurring will be more significant for an asset with an initial PD of 5% than for an asset with an initial PD of 20%. The basis for conclusion also indicates that to be significant, a larger absolute increase in the risk of default will be required for long-term financial asset than for a short-term financial asset.

Microfinance Bank's measure of significant increase in credit risk

The Microfinance Bank uses the following as measures of a significant increase in credit risk:

a) Payments that are more than 30 days past due

The Microfinance Bank follows the rebuttable presumption that the condition for recognizing lifetime ECLS is met when payments are more than 30 days past due.

b) Default of other credit assets for the same obligor. It is adjudged to have been a significant increase in credit risk if the other credit assets of the same obligor have experienced a significant increase in credit risk. This entails that the total exposure of that obligor is deemed to have experienced a significant.

c) Observation of other forward-looking information

Delinquency is a lagging indicator and a significant increase in credit risk typically occurs before an asset is past due. Therefore, when some qualitative information that is more forward looking than data about past-due payments is available without undue cost or effort, it is considered in determining whether there has been a significant increase in credit risk.

Staging process

On each reporting date the following procedures are conducted:

Analyse the arrears reports as at the reporting date to assign stages as follows:

a) Stage 1 - Arrears <=30 days. All assets not on the arrears report are current and are assigned to Stage 1.

b) Stage 2 - 30 days<Arrears<=60 days.

c) Stage 3 - Arrears>60 days.

Analyze the assigned stage for credit assets per each customer. Adjust the assigned stage for all assets to assume the worst stage for each customer.

Consider any other available information that may result in future default by the customer. If there is any such information for a customer adjust the ECL stage to stage 3.

Definition of default and credit-impaired assets

The Microfinance Bank defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 60 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty.

- The borrower is in long-term forbearance.

- The borrower is deceased, with exposure not insured.

- The borrower is insolvent.

- The borrower is in breach of financial covenant(s);

- An active market for that financial asset has disappeared because of financial difficulties.

- Concessions have been made by the lender relating to the borrower's financial difficulty.

- It is becoming probable that the borrower will enter bankruptcy and

- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

Definition of default and credit-impaired assets

The criteria above have been applied to all financial instruments held by the Microfinance Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Microfinance Bank's expected credit loss calculations.

Measuring ECL — Explanation of inputs, assumptions and estimation technique

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD).

The ECL is determined by projecting the PD, LGD and EAD on the reporting date for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month).

This effectively calculates ECLs, which are discounted to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the exposure. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Microfinance Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

GDP annual growth rates statistics — analyzing the relationship between observed defaults and the prevailing macroeconomic factors.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative, or political changes, have also been considered but are not deemed to have a material impact and therefore no adjustment has been made to the ECLs for such factors. This is reviewed for appropriateness on a quarterly basis.

Key assumptions

Key assumptions made on the formulation of the ECL models are outlined below:

a) Probability of Default

- Historical default levels for customers are representative of future default levels for customers with similar characteristics.

- Each credit facility's original PD is affected by the facility's performance from the facility's inception date to the observation date.

- The delinquency status for all facilities in the same credit grade is similar, hence application of the same transition matrix to estimate future PDs.

- Lifetime PDs for the same facility will differ in each yearly category due to changes in the macroeconomic variables factored into the PD models.

- Credit assets may improve or deteriorate, i.e., moving into and out of default during the tenure of the credit facilities.

- When a client has many credit assets and one asset exhibits a significant increase in credit risk, all assets for the client are assessed as having experienced a significant increase in credit risk.

- When a client has many credit assets and one asset is in default, all assets for the client are assessed to be in default.

-There are different PD models for the leasing book and the retail loan book.

b) Loss Given Default (LGD)

• The derived LGD model fairly represents the average portfolio level of recovery levels, hence use of one LGD model for the entire credit portfolio

- Workout LGD model is adopted. Historical loss rates, adjusted for macroeconomic factors, are a proxy of the current and future loss rates.

- Previous defaults that were not written off, are not in the legal reports and were not in NPL as at December, 31 2021 NPLS were recovered in full.

- LGD per portfolio level is equally applicable to the different credit grades.

c) Exposure at Default (EAD)

- Cash flows from the remaining contractual period and arrears as at a reporting date are a true measure of EAD.

- Late payment charges on arrears are negligible to affect the EAD levels.

Credit risk exposure

Maximum exposure to credit risk financial Instruments subject to impairment

Cash and cash equivalents, Treasury bills, Individual loans and corporate loans were all assessed separately. Corporate Loans composed of corporate clients, Associations and Group clients, and these were all assessed collectively under the Groups and Corporates portfolio. The Expected Credit Loss (ECL) Model was computed as at December 31, 2022 using ZWMB internal data sourced from the ZWMB banking system.

For both individuals and groups, the whole data set was used to develop the model while all features provided were assumed to be correct and free from error. Diagnostic checks, data exploration and model validation procedures were all carried out before and after model building.

The data for computing the Probability of Default models was split into two samples in a ratio of 70:30, with one being the development sample, and the other being the hold out sample. The Loss Given Default (LGD) model was computed using successful recoveries on defaulted accounts. Macro-economic forward-looking factors in the form of inflation and exchange rates were incorporated in forecasting PDs and LGDs. The Exposure at Default (EAD) was calculated as the present value of future contractual cash flows.

Days in arrears were used for assessing deterioration in credit quality and for staging purposes. The 30 day and 90 days back stop criteria for staging was applied as per IFRS 9 guidance. 12-month ECLs were calculated for all accounts in stage 1, and Lifetime ECLs were calculated for clients in stages 2 and 3 respectively. A probability weighted Expected Credit Loss was computed for all the portfolios under assessment.

The Microfinance Bank reviews its loan portfolio to assess impairment at least on a bi-annual basis. In determining whether an allowance for credit loss should be recorded in the income statement, the Microfinance Bank makes judgements as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Microfinance Bank, or national or local economic conditions that correlate with defaults on assets in the Microfinance Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2.4 New and amended standards and interpretations

New standards and amendments – applicable January 1, 2022

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after January 1, 2022:

Standard	**Effective Date**	**Executive Summary**
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	Annual periods beginning on or after January 1, 2022	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. **No significant impact has resulted from this amendment.**
Reference to the Conceptual Framework	Annual periods beginning on or after January 1, 2022	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting

– Amendments to IFRS 3		and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. **No significant impact has resulted from this amendment**.
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	Annual periods beginning on or after January 1, 2022	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any credit loss that has occurred on assets used in fulfilling the contract. **No significant impact has resulted from this amendment.**
Annual Improvements to IFRS Standards 2018–2020	Annual periods beginning on or after January 1, 2022	The following improvements were finalised in May 2020: - IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities - IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the “lessor relating to leasehold improvements, to remove any confusion about the treatment of lease” incentives. **No significant impact has resulted from these amendments.**

3 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those applied in the financial statements for the year ended December 31, 2021 unless otherwise stated.

3.1 Cash, cash equivalents and money market funds

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash, balances with central banks, treasury bills and other eligible bills, amounts due from banks, non-bank money market investments, fixed, notice deposits with original maturities less than three months and short-term government securities and any highly liquid financial asset used by the Microfinance Bank in the management of its short-term commitments. Cash and cash equivalents are stated at cost which approximates fair value due to the short-term nature of these instruments.

3.2 Financial instruments

The Microfinance Bank recognizes financial assets on the Statement of Financial Position once it becomes party to the contractual terms of the financial instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Microfinance Bank has transferred substantially all risks and rewards of ownership.

Management determines the categorization of its financial instruments at initial recognition.

3.2.1 The Microfinance Bank categorizes its financial assets in the following categories:

a) **Financial instruments designated at fair value through profit or loss**

This category has two subclasses: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is categorized as held for trading if acquired principally for the purpose of selling in the short term or if so, designated by management. Derivatives are categorized as held for trading unless they are designated as hedges.

Purchases and sales of financial assets at fair value through profit or loss are recognized on trade-date, being the date on which the Microfinance Bank commits to purchase or sell the asset.

Gains and losses on financial assets at fair value through profit or loss are measured as the difference between the fair values and the carrying amounts adjusted for dividend income and are included in the income statement.

b) **Fixed and term notice deposits**

Fixed and term notice deposits are non-derivative financial assets with fixed or determinable payments. They arise when the Microfinance Bank invests cash with other banks. These instruments comprise fixed deposits with original maturities longer than three months, deposit investments with the contractual option to call the funds after a period longer than three months and deposits that have effective contractual notice periods greater than three months. The investments are made with the intention to hold them to maturity and collect the contractual cash flows. The microfinance bank measures fixed and term notice deposits at amortized cost.

Financial assets, other than those held at fair value through profit or loss, are initially recognized at fair value plus transaction costs.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and advances and fixed and term notice deposits are carried at amortized cost using the effective interest rate method. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.

3.2.2 The Bank categorizes its financial liabilities in the following categories:

The Microfinance Bank recognizes a financial liability once it becomes a party to the contractual terms of the financial instrument. Financial liabilities, other than those held at fair value through profit or loss, are recognized initially at fair value, generally being their issue proceeds net of transaction costs incurred.

A financial liability, or part of a financial liability, is derecognized once the obligation specified in the contract relating to the financial liability is discharged, cancelled or has expired.

a) Deposits held at amortized cost

Deposits held at amortized cost are recognized initially at fair value and are subsequently stated at amortized cost using the effective interest rate method. Any differences (other than transaction charges) between net proceeds and the redemption value are recognized in the income statement over the period of the borrowing using the effective interest rate method.

b) Other financial liabilities

Included within this class of financial liabilities are trade and other payables, provisions and Microfinance Bank loans payable that will be settled in cash and cash equivalents. Trade and other payables and Microfinance Bank loans payable are recognized initially at fair value and are subsequently stated at amortized cost using the effective interest rate method.

3.2.3 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred loan income reduces the outstanding loans and advances balance on the basis that the revenue will be recognized over the terms of the loans.

3.2.4 Resale agreements

Financial instruments purchased under short-term agreements to resell, at either a fixed price or the purchase price plus a lender's rate of return, with an original maturity date of less than 3 months are included under cash and cash equivalents. The difference between the purchase and sales' price is treated as interest and amortized over the life of the resale agreement using the effective interest rate method.

3.2.5 Impairment of advances

The estimation of allowances for impairments is inherently uncertain and depends on many factors, including general economic conditions, structural changes within industries, changes in individual customer circumstances and other external factors such as legal requirements, regulatory specifications, and governmental policy changes. The Microfinance Bank uses the IFRS9 model of recognizing impairment charges as it has adopted the requirements of IFRS 9 on impairment.

Loans and advances are stated at amortized cost net of identified impairments and incurred but unidentified impairments. Loans and advances are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be measured reliably. Objective evidence that loans and advances may be impaired includes the following observable data:

a) A breach of contract, such as a default or delinquency in interest or principal payments. In this regard, installments past due date are considered in breach of contract.
b) Historical loss experience of the Microfinance Banks of financial assets with similar repayment terms.
c) Data indicating that there is a measurable decrease in the estimated future cash flows from a bank of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Microfinance Bank including:
    - Adverse changes in the payment status of borrowers in the Microfinance Bank; or
    - National or local economic conditions that correlate with defaults on the assets in the Microfinance Bank.

In determining whether a loss event has occurred, loans and advances are subjected to regular evaluations of the overall client risk profile and payments record. The historical loss experience is adjusted on the basis of observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

On a collective basis, the Microfinance Bank assesses whether objective evidence of impairment exists for banks of financial assets with similar repayment terms. If there is objective evidence that an impairment loss on loans and advances has been incurred, the amount of the loss is measured as the difference between the assets' carrying amounts and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the respective financial assets' original effective interest rates (the recoverable amount).

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce differences between loss estimates and actual loss experience. All impaired loans and advances are reviewed monthly and any changes to the amount and timing of the expected future cash flows compared to previous estimates will result in a change to the charges for impairment of loans and advances in the income statement.

3.3 Identified impairment

Loans and advances within the Microfinance Bank comprise many small, homogenous assets. Statistical techniques are used to calculate impairment allowances collectively, based on historical default and recovery rates. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical loss experience on the eventual losses encountered from similar delinquent portfolios.

These statistics feed discounted cash flow models, which have been developed for each of the loan products offered by the Microfinance Bank. The models are updated periodically to reflect appropriate changes in inputs.

Models contain both judgmental and non-judgmental inputs. The extent of judgment utilized in models developed for new loan products is greater than that for older products, given the limited historical experience available for the new products.

In outline, the statistical analyses are performed on a portfolio basis as follows:

- Loans and advances are monitored on a product basis, with each month's advances being treated as a discrete portfolio, on which an analysis of the run-off of recoveries, in period buckets and stratified between default statistics, is performed to develop a historical base for statistics on probability of default (PD).
- These derived statistics, based on actual experience, are used in plotting default values on a model curve that reflects the risk profile of the portfolio.
- Clients in arrears by more than 90 days are handed over for collection and written off. Recoveries from short-term loans are regarded as negligible as collateral is not required for the granting of advances in the current product range. The estimated recoveries on longer-term loans discounted at the contractual rates are recognized in gross loans and advances.
- Upon write-off, the accrual of interest income on the original term of the advance is discontinued.

- The expected amount outstanding when default occurs that is not subsequently recovered, or the loss given default (LGD), is considered in calculating the impairment allowance.

Loans and advances with outstanding balances that would otherwise have been reflected as past due are included in loans and advances not past due, due to renegotiated payment terms. The renegotiated loans are subject to continuous individual or collective impairment assessment. Loans that were past due and have been renegotiated within the past six months are separately disclosed and are subject to stricter impairment assessment than loans renegotiated more than six months ago. Past due renegotiated loans cease to be disclosed separately if they are up to date six months after being rescheduled. If a rescheduled loan goes into arrears, it forms part of the loans in arrears classification.

3.3.1 Incurred but unidentified impairment

In addition to the impairment estimated for assets with recognized objective evidence of impairment, an estimate is made for impairments associated with those assets in the balance sheet that are impaired, but for which objective evidence is not yet available.

- The impairment calculation utilizes the results of the statistical analyses referred to above to estimate the proportion of assets in each portfolio that are likely to display objective evidence of impairment over the emergence period. The emergence period is defined as the experience of the length of time that it takes for objective evidence to become apparent after the asset has become impaired.
- In considering the occurrence of a loss event over the life of a loan, it is assumed that there is a constant risk of the loss event occurring at any point in the life of the loan.
- For a portfolio of loans in a particular month most of the provision is recognized in the early stages of the contractual period, as the outstanding loan balances are larger.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce differences between loss estimates and actual loss experience.

All impaired loans and advances are reviewed on a monthly basis and any changes to the amount and timing of the expected future cash flows compared to previous estimates will result in a change to the charges for impairment of loans and advances in the income statement.

Loans and advances impaired on this basis are reflected as loans not past due.

3.3.2 Loan write-offs

Clients (and the related impairment allowance accounts) are written off at the earliest of when they are in arrears for 90 days or more, or legal hand-over occurs.

3.4 Income tax

The Microfinance Bank recognizes its tax obligations in terms of the provisions of the Income Tax Act [Chapter 23:06].

3.4.1 Current tax

Income tax payable on profits, based on the applicable tax law, is recognized as an expense in the period in which profits arise. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

3.4.2 Deferred tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax laws and rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property and equipment, provisions for doubtful debts, revaluation of certain financial assets and liabilities, prepaid expenses and tax losses carried forward. Deferred tax assets are raised only to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilized.

Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

3.5 Property, plant and equipment

Land and buildings comprise a sectional title development right. Office buildings owned by the Microfinance Bank are accounted for using the revaluation model whilst other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets’ carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Microfinance Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they were incurred.

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

• Computer equipment 3 years

• Office equipment 5 years

• Furniture and Fittings 5 years

• Motor vehicles 5 years

• Leasehold Improvement 5 years (or lease tenure if less than 5 years)

• Buildings 25 years

The assets' residual values and useful lives are annually reviewed and adjusted. If appropriate, gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

Revaluation of property is effected by eliminating accumulated depreciation and adjusting the gross book value of the asset to equal revalued amount (IAS 16.35). The balance on the revaluation reserve account is taken to the statement of other comprehensive income and distributed to equity holders as share capital.

3.6 Computer software

Computer software licenses are acquired and are capitalized based on the costs incurred to acquire and bring to use the specific software. Computer software is carried at cost less accumulated amortization and impairment losses.

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Microfinance Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Other development expenditures are recognized as an expense as incurred.

Amortization on computer software is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

• Banking application software 5 years

The assets' useful lives are annually reviewed and adjusted where appropriate.

The Microfinance Bank holds intangible assets in the form of a core banking system and software acquired for business purposes.

3.7 Impairment of non-financial assets

Equipment and other non-financial assets (for example property and computer software) are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are banked at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.8 Share capital

The Microfinance Bank's authorized share capital is determined by the board which can increase or decrease the number of shares authorized with the approval of the Minister of Women Affairs Community Small and Medium Enterprise.

3.8.1 Categories of authorized share capital consists of;

- Ordinary shares;

3.8.2 Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

3.8.3 Dividends declared

Dividends on ordinary shares and preference shares are recognized in equity in the period in which they have been approved by the Microfinance Bank's directors.

3.9 Employee benefits

3.9.1 Pension obligations

The Microfinance Bank contributes to a provident fund classified as a defined-contribution fund.

For defined-contribution plans, the Microfinance Bank pays fixed contributions to privately administered provident fund plans on a contractual basis. The Microfinance Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

3.9.2 Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Microfinance Bank has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

3.9.3 Termination benefits

Termination benefits are recognized as an expense when the Microfinance Bank is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits because of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized if the Microfinance Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

3.10 Foreign currency translation

3.10.1 Functional and presentation currency

Items included in the financial statements of each of the Microfinance Bank's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Zimbabwean Dollars (ZWL), which is the Microfinance Bank's functional and presentation currency.

3.10.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the USD: ZWL exchange rates prevailing on the date of the transaction. Foreign currency balances are translated into Zimbabwean dollars at the reporting period end exchange rates. Exchange gains and losses on such balances are taken to the statement of profit or loss.

3.11 Revenue recognition

3.11.1 Interest income and expense

Interest income and expense are recognized in the income statement for all instruments measured at amortized cost and at fair value through profit or loss using the effective interest rate method. Interest income and expense are recognized separately from other fair value movements.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Microfinance Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

Once a financial asset or a bank of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.11.2 Fee income

Transaction fees are recognized on an accrual basis in the period in which the services are rendered. The portion of loan origination fees that relate to the creation of a financial asset, together with the related incremental transaction costs are amortized over the term of the loan on an effective interest rate basis. Transaction and service-related loan fee income is recognized when the services are provided.

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

The Microfinance Bank earns fees and commission from services it provides to its customers. Fees earned for the provision of services over a period are accrued over that period of time.

3.11.3 Dividend income

Dividend income is recognized in the income statement when the entity's right to receive payment is established. Dividends on listed preference shares accrue on a day-to-day basis based on the terms of underlying instruments. Dividend income is recognized separately from other fair value movements.

3.12 Determination of fair values

Fair values are market- based, calculated first with reference to observable inputs available in the market, then less observable and finally unobservable inputs only where observable inputs or less observable inputs are unavailable.

Fair values are calculated consistent with the unit of account used for the measurement of the asset or liability in the balance sheet and income statement and assume an orderly market on a going concern basis.

3.13 Leases

For any contracts entered into, changed on or after January 01, 2019, the Microfinance Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if there is a right to control the use of an identified asset for a period in exchange for consideration. The Microfinance Bank assesses the following components to determine whether the right to control use of an identifiable assets exists;

- Identifiable asset - this can be specified explicitly or implicitly and should be physically distinct or represent a substantial capacity to be so.
- substantial substitution rights - if the supplier has substantive substitution rights the asset is not identifiable
- Economic benefits - there should be a right to obtain substantially all the economic benefit from the asset use throughout the lease period.
- Directing use of the asset - this right is conveyed when the Microfinance Bank has the decision-making rights which are relevant in the determination of how and for what purpose the asset is used for.

3.13.1 Measurement and recognition of leases as a lessee

At lease commencement date, the Microfinance Bank recognizes a right-use asset and a lease liability on the balance sheet. The right of use is measured at a cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Microfinance Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date. The Microfinance Bank depreciates the right-of-use-assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Microfinance Bank also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Microfinance Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Microfinance Bank’s incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

After initial measurement, the liability will be reduced for payments made and increased for interest. it is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss if the right-of-use asset is already reduced to zero.

In recognition and measurement of Leases, Management exercised significant judgement in the below circumstances.

3.13.2 Lease term

When the Microfinance Bank has the option to expand or terminate a lease, the Microfinance Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain not to be exercised. The Microfinance Bank’s lease contract with Knight Frank includes extension and termination options. The Microfinance Bank applies judgement in evaluating whether it is reasonably certain whether to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or the termination. After the commencement date, the Microfinance Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not the option to renew or to terminate.

3.13.3 Discount rate

IFRS 16 requires that a lessee discounts lease payment using the rate implicit in the lease if this can readily be determined or otherwise the incremental borrowing rate. The Microfinance Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Microfinance Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of -use asset in a similar economic environment.

The incremental borrowing rate therefore reflects what the Microfinance Bank ‘would have to pay’ which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Microfinance Bank estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the Microfinance Bank’s credit rating, or to reflect the terms and conditions of the lease.

3.13.4 Where a Microfinance Bank is the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any penalty payment to the lessor is recognized as an expense in the period in which termination takes place.

3.13.5 Where a Microfinance Bank is the lessor

Rental from the subletting of leased premises is recognized on a straight-line basis over the lease term. Subletting is incidental to the Microfinance Bank’s occupation of certain properties.

4. Cash and cash equivalents

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Balances with other banks	423 999 124	324 873 617	423 999 124	94 505 973
Cash on hand	1 254 217	7 504 893	1 254 217	2 183 179
Balances with the Central Bank	75 246 510	1 290 224	75 246 510	375 327
	500 499 851	**333 668 734**	**500 499 851**	**97 064 479**

5. Financial assets at amortized cost

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Loans and advances	404 539 967	461 805 786	404 539 967	134 339 641
Money market loans	392 692 916	100 973 571	392 692 916	29 373 286
Treasury bills	57 919 183	5 416 212	57 919 183	1 575 580
	855 152 066	**568 195 569**	**855 152 066**	**165 288 507**

5.1 Loans and advances at amortized cost

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Joint liability groups	80 555 109	143 178 693	80 555 109	41 650 787
Micro enterprise loans	76 902 518	108 951 278	76 902 518	31 694 007
Salary based loans	5 198 080	75 503 286	5 198 080	21 963 961
Small to medium enterprise loans	233 579 434	14 880 786	233 579 434	4 328 831
Consumer loans	1 137 853	5 172 893	1 137 853	1 504 798
Corporate loans	1 598 914	154 606 877	1 598 914	44 975 254
Agriculture value chain loans	1 215 258	26 688 586	1 215 258	7 763 729
Pension loans	1 170 574	13 673 398	1 170 574	3 977 602
Government pension Loans	4 045 101	19 875 931	4 045 101	5 781 923
Asset financing	1 832 161	22 002 331	1 832 161	6 400 494
Bakeries loans	1 559 227	3 500 390	1 559 227	1 018 266
Solar lights loans	2 217 761	1 156 815	2 217 761	336 518
Micro vendor loans	218 034	4 861 818	218 034	1 414 306
Detetergents	1 823 365	-	1 823 365	-
Fertiliser loans	3 211 022	-	3 211 022	-
Katsaona	12 832 224	728 473	12 832 224	211 913
Gross total	**429 096 635**	**594 781 555**	**429 096 635**	**173 022 389**
Expected credit losses	(24 556 668)	(132 975 769)	(24 556 668)	(38 682 748)
Net loans and advances	**404 539 967**	**461 805 786**	**404 539 967**	**134 339 641**

5.2 Allowance for credit losses

- Loans and advances

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Opening balance	132 975 768	22 935 742	38 682 748	6 672 024
Increase/(decrease) in allowance for credit losses	(108 419 100)	110 040 027	(14 126 080)	32 010 724
Closing balance	**24 556 668**	**132 975 769**	**24 556 668**	**38 682 748**
Specific provisions	3 101 836	103 236 690	3 101 836	30 031 629
General provisions	21 454 832	29 739 078	21 454 832	8 651 119

- Money market instruments

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Opening balance	-	-	-	-
Increase in allowance for credit losses	18 382 292	-	18 382 292	-
	18 382 292	**-**	**18 382 292**	**-**

5.3 Treasury bills

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Opening balance	5 288 071	5 800 948	1 575 580	1 687 500
Issued during the year	70 686 909	-	70 686 909	-
Disposed during the year	(21 270 713)	-	(16 990 846)	-
Accrued interest	3 404 258	214 850	2 836 882	62 500
Gross total	**58 108 525**	**6 015 798**	**58 108 525**	**1 750 000**
Loss on realization	(189 342)	(599 586)	(189 342)	(174 420)
Treasury bills at amortised cost	**57 919 183**	**5 416 212**	**57 919 183**	**1 575 580**

5.4 Maturity analysis

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
Loans and advances	ZWL	ZWL	ZWL	ZWL
Maturing within 3 months	380 479 395	237 912 621	355 922 726	69 208 956
Maturing after 3 months but within 1 year	48 617 241	356 868 931	48 617 241	103 813 433
Maturing after 1 year but within 5 years	-	-	-	-
Maturing after 5 years	-	-	-	-
	429 096 636	**594 781 552**	**404 539 967**	**173 022 389**
Money Market securities				
Maturing within 3 months	392 692 916	100 973 572	392 692 916	29 373 286
Maturing after 3 months but within 1 year	-	-	-	-
Maturing after 1 year but within 5 years	-	-	-	-
Maturing after 5 years	-	-	-	-
	392 692 916	**100 973 572**	**392 692 916**	**29 373 286**
Treasury bills				
Maturing within 1 year	15 837 121	214 850	15 837 121	62 500
Maturing after 1 year but within 5 years	42 082 062	5 201 362	42 082 062	1 513 080
Maturing after 5 years	-	-	-	-
	57 919 183	**5 416 212**	**57 919 183**	**1 575 580**

6. Bureau de change

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Opening capital	20 597 190	-	6 136 930	-
Capitalisation	-	21 096 303	-	6 136 930
Net income from trading	20 768 042	-	6 790 386	-
	41 365 232	**21 096 303**	**12 927 316**	**6 136 930**

7. Other Receivables

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Staff loans	73 911 994	66 860 842	73 911 994	19 449 868
Other receivables	111 812 439	23 262 420	70 116 385	6 767 055
Prepayments	166 368	86 875	158 365	25 272
	185 890 801	**90 210 137**	**144 186 744**	**26 242 195**

7.1. Maturity analysis

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Maturing within 1 year	185 890 801	17 981 673	144 186 744	5 230 882
Maturing after 1 year but within 5 years	-	72 228 464	-	21 011 313
Maturing after 5 years	-	-	-	-
	185 890 801	**90 210 137**	**144 186 744**	**26 242 195**

8. Asset finance inventory

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Opening Inventory	30 635 977	27 567 925	8 912 028	8 019 530
Inventory puchased	32 491 512	3 923 666	10 283 690	1 141 397
Inventory disbursed	(1 786 376)	-	(600 000)	-
Revaluation	6 862 549	-	6 862 549	-
Provision for obsolete inventory	-	(855 614)	-	(248 899)
Closing inventory	**68 203 662**	**30 635 977**	**25 458 267**	**8 912 028**

9. Right of use asset

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Carrying amount at beginning	17 370 001	17 676 336	5 175 390	5 142 059
Capitalised	-	-	-	-
Modifications*	-	20 945 756	-	6 093 136
Depreciation charge for the year	(17 370 001)	(20 831 178)	(5 175 390)	(6 059 805)
Carrying amount at end	**-**	**17 790 914**	**-**	**5 175 390**

*Modifications are a result of rental reviews on leased properties

10. Property, plant, and equipment

Inflation Adjusted

	Computer equipment	Furniture & fittings	Leasehold improvements	Office equipment	Motor vehicles	Land & buildings	31-Dec-22 Total ZWL	31-Dec-21 Total
Opening carrying amount	**45 202 183**	**16 938 122**	**5 513 439**	**3 885 643**	**19 953 511**	**269 507 747**	**361 000 644**	**107 267 087**
Cost	59 320 824	18 863 394	6 939 709	4 483 376	20 994 550	288 140 189	398 742 041	126 198 130
Accumulated depreciation	(14 118 641)	(1 925 272)	(1 426 270)	(597 733)	(1 041 039)	(18 632 442)	(37 741 397)	(18 931 043)
Additions at cost	57 987 604	27 521 244	27 498 919	8 719 671	98 769 958	16 435 987	236 933 384	116 313 141
Revaluation	11 822 295	14 971 626	-	15 609 564	206 717 261	102 219 748	351 340 494	156 230 772
Depreciation charge for the year	(78 619 349)	(29 707 089)	(1 446 711)	(9 062 880)	(67 572 731)	(203 163 480)	(389 572 239)	(18 810 353)
Closing carrying amount	**36 392 733**	**29 723 904**	**31 565 647**	**19 151 998**	**257 868 000**	**185 000 001**	**559 702 283**	**361 000 644**
Cost	129 130 723	61 356 264	34 438 628	28 812 611	326 481 770	406 795 923	987 015 919	398 742 043
Accumulated depreciation	(92 737 990)	(31 632 360)	(2 872 982)	(9 660 613)	(68 613 770)	(221 795 922)	(427 313 636)	(37 741 397)

Historical cost

	Computer equipment	Furniture & fittings	Leasehold improvements	Office equipment	Motor vehicles	Land & buildings	31-Dec-22 Total ZWL	31-Dec-21 Total ZWL
Opening carrying amount	**13 149 348**	**4 927 312**	**1 603 863**	**1 130 336**	**5 804 491**	**78 400 001**	**105 015 352**	**29 572 554**
Cost	17 256 471	5 487 375	2 018 766	1 304 217	6 107 330	83 820 192	115 994 352	31 148 747
Accumulated depreciation	(4 107 123)	(560 063)	(414 903)	(173 881)	(302 839)	(5 420 191)	(10 979 000)	(1 576 193)
Additions at cost	20 645 980	12 011 214	14 672 336	3 056 473	49 157 275	6 052 843	105 596 120	33 835 578
Revaluation	11 822 295	14 971 626	-	15 609 564	206 717 261	102 219 748	351 340 494	45 447 646
Depreciation charge for the year	(9 224 890)	(2 186 248)	(931 789)	(644 374)	(3 811 027)	(1 672 591)	(18 470 919)	(5 471 946)
Closing carrying amount	**36 392 733**	**29 723 904**	**15 344 411**	**19 151 999**	**257 868 000**	**185 000 001**	**543 481 048**	**105 015 352**
Cost	49 724 746	32 470 215	16 691 102	19 970 254	261 981 866	192 092 783	572 930 966	115 994 352
Accumulated depreciation	(13 332 013)	(2 746 311)	(1 346 692)	(818 255)	(4 113 866)	(7 092 782)	(29 449 919)	(10 979 000)

11. Intangible Assets

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Opening carrying amount	**121 500 743**	**1 847 307**	**35 344 655**	**537 383**
Cost	141 705 274	4 406 414	41 222 168	1 281 829
Accumulated amortisation	(20 204 531)	(2 559 107)	(5 877 513)	(744 446)
Additions at cost	-	137 298 859	-	39 940 339
Amortisation charge for the year	(15 396 187)	(17 645 425)	(8 813 650)	(5 133 067)
Closing carrying amount	**90 708 369**	**121 500 741**	**26 531 005**	**35 344 655**
Cost	126 309 087	141 705 273	41 222 168	41 222 168
Accumulated amortisation	(35 600 718)	(20 204 532)	(14 691 163)	(5 877 513)

12. Trade and other payables

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Accrued expenses	240 603 691	146 905 877	240 603 691	42 735 027
Interest payable	196 008	441 436	196 008	128 414
Unclaimed deposits	15 747 326	33 822 466	15 747 326	9 838 980
Leave pay provision	16 540 780	13 568 570	16 540 780	3 947 107
Other payables	15 439 652	13 352 046	15 439 652	3 884 120
	288 527 457	**208 090 395**	**288 527 457**	**60 533 648**

12.1 Maturity analysis

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Maturing within 3 months	288,527,457	208,090,395	288,527,457	60,533,648
Maturing after 3 months but within 1 year	-	-	-	-
Maturing after 1 year but within 5 years	-	-	-	-
Maturing after 5 years	-	-	-	-
	288,527,457	**208,090,395**	**288,527,457**	**60,533,648**

13. Customer deposits

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Individual accounts	40 894 802	38 033 940	40 894 802	11 064 101
Corporate accounts	7 052 149	4 902 356	7 052 149	1 426 099
Term deposits	146 501 371	-	146 501 371	-
	194 448 322	**42 936 296**	**194 448 322**	**12 490 200**

13.1 Maturity analysis

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Maturing within 3 months	194 448 322	42 936 296	194 448 322	12 490 200
Maturing after 3 months but within 1 year	-	-	-	-
Maturing after 1 year but within 5 years	-	-	-	-
Maturing after 5 years	-	-	-	-
	194 448 322	**42 936 296**	**194 448 322**	**12 490 200**

14. Income tax

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Major components of tax expense				
Current income tax charge	-	-	-	-
Deferred tax				
Movement in temporary differences	1 106 450 904	10 389 366	231 529 536	3 022 274
Unrecognised tax losses	(1 340 420 849)	-	(367 480 144)	-
Income tax expense	**233 969 945**	**10 389 366**	**135 950 608**	**3 022 274**
Tax Reconciliation				
Accounting loss before tax	(2 709 188 816)	(2 111 559 366)	(976 901 202)	(186 988 460)
Tax rate applicable at 24.72% (2021: 24.72%) .	(669 711 475)	(521 977 475)	(241 489 977)	(46 223 547)
Tax effect of adjustments on taxable income				
Allowance for credit losses	26 049 041	34 241 260	7 019 714	9 960 808
Depreciation on non qualifying assets	3 723 119	4 085 913	2 940 727	1 188 595
Monetary (gain)/loss	288 650 441	363 227 685	-	-
Unrecognised tax losses	585 258 819	130 811 983	367 480 144	38 096 418
	233 969 945	**10 389 366**	**135 950 608**	**3 022 274**

14.1 Deferred tax liability

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Deferred tax liability				
Accelerated Capital Allowances	1 106 450 904	17 810 636	193 433 118	5 181 127
Total deferred tax liability	**1 106 450 904**	**17 810 636**	**193 433 118**	**5 181 127**

14.2 Deferred tax asset

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Deferred tax asset	872 480 958	-	57 482 510	-
Total deferred tax asset	**872 480 958**	**-**	**57 482 510**	**-**

15. Lease Liability

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Carrying amount at beginning	17 987 530	17 893 811	5 359 382	5 205 323
Modifications	-	23 510 183	-	6 839 129
Payment of lease liability	(17 987 530)	(22 980 588)	(5 359 382)	(6 685 070)
Carrying amount at end	**-**	**18 423 406**	**-**	**5 359 382**

15.1 Maturity analysis

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Current Liability	-	18 423 406	-	5 359 382
Non-current Liabilty	-	-	-	-
	-	**18 423 406**	**-**	**5 359 382**

15.2 Lease expenses in Profit and Loss

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Total cash flow related to leases	**17 987 530**	**22 980 589**	**5 359 382**	**6 685 070**
Lease interest expense	1 682 402	2 149 411	501 271	625 265
Lease payments	16 305 128	20 831 178	4 858 111	6 059 805

16. Short term borrowings

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Opening balance	-	34 853 432	-	10 138 889
Capitalised	46 027 984	-	46 027 984	-
Interest accrued	18 782 408	-	18 782 408	-
Loan repayments	(3 000 000)	(34 853 432)	(3 000 000)	(10 138 889)
Closing balance	**61 810 392**	**-**	**61 810 392**	**-**

16.1 Maturity analysis

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Maturing within 1 year	32 876 712	-	32 876 712	-
Maturing after 1 year but within 5 years	28 933 680	-	28 933 680	-
Maturing after 5 years	-	-	-	-
	61 810 392	**-**	**61 810 392**	**-**

17. Issued capital and reserves

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Authorised shares				
Ordinary shares of ZWL1 each	30 063	30 063	200	200
Ordinary shares issued and fully paid up				
At January 1, 2022	15 031	15 031	100	100
Issued during the year	-	-	-	-
At December 31, 2022	**15 031**	**15 031**	**100**	**100**
Share premium				
At January 1, 2022	1 503 129 025	1 503 129 025	9 999 900	9 999 900
Issued during the year	-	-	-	-
At December 31, 2022	**1 503 129 025**	**1 503 129 025**	**9 999 900**	**9 999 900**
Other Equity				
At January 1, 2022	1 959 431 300	584 391 791	570 000 000	170 000 000
Additional capital received	2 837 314 878	1 375 039 509	1 800 000 000	400 000 000
At December 31, 2022	**4 796 746 178**	**1 959 431 300**	**2 370 000 000**	**570 000 000**

17.1 Revaluation reserve

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Opening balance	151 905 953	-	44 189 553	-
Surplus on revaluation of property	375 994 244	156 230 772	375 994 244	45 447 646
Deferred tax on revaluation surplus	(88 547 792)	(4 324 819)	(88 547 792)	(1 258 093)
Closing balance	**439 352 405**	**151 905 953**	**331 636 005**	**44 189 553**

18. Related party transactions

18.1 Board fees

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Board chairperson	1 234 782	1 457 962	996 840	424 122
Vice board chairperson	1 033 743	1 394 253	823 840	405 589
Board members	2 587 924	5 347 902	1 815 800	1 555 709
	4 856 449	**8 200 117**	**3 636 480**	**2 385 420**

18.2 Compensation to managers

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Executives	75 916 810	20 905 164	41 802 222	6 081 327
Management	212 997 629	55 849 199	117 283 303	16 246 573
	288 914 439	**76 754 363**	**159 085 525**	**22 327 900**

18.3 Loans to directors

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
	-	-	-	-
Executive directors	197 405	-	197 405	-
Non-executive directors	-	-	-	-
	197 405	**-**	**197 405**	**-**

19. Interest income

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Loans and advances	242 325 593	258 796 844	167 685 707	75 284 191
Money market	238 716 813	127 105 936	165 066 776	36 975 210
Treasury bills interest	4 102 651	214 850	2 836 882	62 500
	485 145 057	**386 117 630**	**335 589 365**	**112 321 901**

20. Interest expense

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Savings deposits	195 736	6 454 007	258 024	1 877 475
Demand deposits	20 107 621	-	26 506 371	-
Borrowing from other banks	11 950 516	-	15 753 470	-
	32 253 873	**6 454 007**	**42 517 865**	**1 877 475**

21. Other income

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Non interest `income	60 199 405	26 526 689	26 437 669	7 716 633
Loan administration fees	111 035 381	48 864 559	50 245 084	14 214 736
Income from staff loans	17 206 433	9 543 196	7 556 519	2 776 123
Foreign exchange gain/(loss)	82 165 694	(51 110 885)	82 853 828	(14 868 194)
	270 606 913	**33 823 559**	**167 093 100**	**9 839 298**

22. Staff costs

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Basic salaries	325 843 255	207 490 282	244 772 384	60 359 075
Bonus salaries	41 214 412	18 781 947	30 960 131	5 463 682
Allowances	134 268 097	55 355 946	100 861 754	16 103 085
Leave pay encashment	6 892 303	4 727 133	5 177 476	1 375 126
Employer contributions to statutory payments	215 352 309	128 074 227	161 771 948	37 256 886
	723 570 376	**414 429 535**	**543 543 693**	**120 557 854**

23. Operating expenses

	Inflation adjusted		Historical cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Advertising	87 885	946 488	62 354	275 334
Armortisation of intangible assets	15 396 187	17 645 425	8 813 650	5 133 067
Armortisation of right of use	17 370 001	20 831 178	5 175 390	6 059 805
Bank and MNO charges	38 987 017	18 189 322	27 661 075	5 291 287
Board Adninistration expenses	4 392 375	1 317 597	3 116 366	383 290
Cleaning expenses	18 635 507	4 984 285	13 221 790	1 449 932
Computer consumables	4 495 444	916 199	3 189 493	266 523
Core Banking system cost	36 388 329	37 159 620	25 817 320	10 809 761
Covid 19 expenses	1 450 330	8 795 380	1 029 001	2 558 582
Depreciation of property plant and equipment	389 572 239	18 810 353	18 470 919	5 471 946
EFT hosting fees	34 592 935	-	24 543 498	-
Groceries and equipment	8 039 556	-	5 704 021	-
Information and comunications costs	177 546 722	106 454 582	125 968 428	30 967 716
Loans written off	144 858 205	2 001 043	102 776 104	582 105
Interest expense on lease payments	1 682 402	2 149 411	501 271	625 265
Marketing expenses	42 072 753	16 540 112	29 850 388	4 811 531
Mobile banking platform fees	13 065 920	4 218 169	9 270 198	1 227 069
Motor vehicle expenses	33 821 483	12 413 030	23 996 157	3 610 960
Other costs	30 440 989	8 043 004	21 597 715	2 339 716
Postage and Telephone	89 300 950	54 436 082	63 358 535	15 835 496
Professional fees	53 454 514	43 144 779	37 925 685	12 550 848
Rentals	160 158 545	77 695 857	113 631 535	22 601 782
Repairs and maintanace	19 309 651	5 515 353	13 700 092	1 604 420
Retail costs	68 924 703	13 724 727	48 901 700	3 992 533
Security	22 846 811	9 858 012	14 951 594	2 867 703
Staff costs	31 291 307	8 280 107	22 201 011	2 408 689
Stationery	8 936 342	5 764 108	6 340 286	1 676 783
Subsciptions	2 366 342	4 500 724	1 678 907	1 309 264
Training expenses	68 258 319	13 163 534	48 428 904	3 829 282
Travel & subsistence	69 180 904	12 662 312	49 083 473	3 683 476
Treasury operational expenses	16 035 162	-	11 376 860	-
Water and electricity	4 214 206	1 048 536	2 989 956	305 020
Zimswitch fees	5 275 416	-	3 742 879	-
	1 632 449 451	**531 209 329**	**889 076 555**	**154 529 185**

24. Risk management

The Microfinance Bank methodically analyses and addresses all risks perceived to have a significant bearing on its operations with the goal of achieving sustained benefits. To this end, the Microfinance Bank has embraced the Enterprise-Wide Risk Management approach to ensure risks are holistically managed. Continued compliance with Basel requirements promotes stronger risk management and governance practices. In addition, periodic stress tests are conducted to assess the Microfinance Bank’s vulnerability to severe market conditions with the view of coming up with proactive measures. In this regard, the Microfinance Bank has a Quantitative Analysis Section to facilitate in-depth modelling and analysis.

In line with the anti-money laundering and counter financing of terrorism (AML/CFT) standards, the Microfinance Bank is mandated to carry out periodic risk assessments. In this regard, the Microfinance Bank carried out AML/ CFT risk assessment to identify and assess the risks it is exposed to with the view of determining the appropriate risk-based control measures. The

Microfinance Bank also conducts periodic risk management campaigns to continuously remind and equip staff on money laundering and other risk issues.

To assure continuation of the Microfinance Bank's core activities before, during, and most importantly after a major crisis event, the Microfinance Bank has a comprehensive business continuity and disaster recovery plan that is periodically tested and enhanced.

The Microfinance Bank has independent audit function that assists in ensuring compliance with regulatory and statutory requirements. Through relevant Committees, the Board plays an important oversight role in ensuring a robust risk management philosophy.

24.1 Risk measurement and reporting systems

Risk assessment is based on probability of occurrence and severity of impact with the view of coming up with appropriate remedial actions.

The Microfinance Bank's risk management process encompasses the following dimensions:

- Identification.
- Measurement.
- Controlling and
- Monitoring.

Below is the summary risk matrix assigned by the RBZ as per the onsite examination report issued on 12 December 2022.

Type of risk	Level of Aggregate Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit	High	Weak	High	Increasing
Liquidity	High	Weak	High	Increasing
Interest Rate	High	Weak	High	Increasing
Foreign Exchange	High	Weak	High	Increasing
Operational	High	Weak	High	Increasing
Legal and Compliance	High	Weak	High	Increasing
Reputation	High	Weak	High	Increasing
Strategic	High	Weak	High	Increasing
Cyber Security Risk	High	Weak	High	Increasing
Overall	High	Weak	High	Increasing

24.2 Compliance

The Microfinance Bank did not have a separate compliance function as per the provisions of section 20© of the Microfinance Act [Chapter 24:30]. Management however ensure that all compliance issues are closely monitored and enforced. Through periodic risk management campaigns, the Microfinance Bank continuously reminds and equips staff on anti-money laundering and other risky issues. The Microfinance bank was not in compliance with the minimum capital regulatory requirement as the institution's core capital of ZWL 1,5 billion as at December 31, 2022, was equivalent to US2,1 million which was below the minimum regulatory requirement of ZWL equivalent to US$5 million.

The Microfinance Bank was in breach of the regulatory requirement to submit to the Registrar and publish its 2022 audited financials within the stipulated timeframe of 90 days from year end. This is due to the extensive work necessary to conform to the requirement that Financial Statements are adjusted for hyper-inflation so as to comply with International Accounting Standard 29 – Financial Reporting in Hyperinflationary Economies.

In addition, the institution was issued with a Corrective Order by the Reserve Bank of Zimbabwe following an onsite examination conducted in 2022 and the institution is working on regularizing the deficiencies noted in the Corrective Order.

24.3 Excessive risk concentration

Concentration arises when several counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic, political, or other conditions. Concentrations indicate the relative sensitivity of the Microfinance Bank's performance to developments affecting a particular industry or geographical location. To avoid excessive concentration risk, the Microfinance Bank has set limits for its lending to ensure that an acceptable ratio is maintained between customer deposits and lending. These lending limits are also broken down into business sector limits to ensure the Microfinance Bank is not over-exposed in any single business sector. Exposures are monitored daily and monthly using monthly management reports. Prudent sanctioning of any new lending is a key mitigating factor.

24.4 Credit risk

Credit risk is principally controlled by establishing and enforcing authorization limits and by defining exposure levels to counterparties. Periodic monitoring of positions ensures that both prudential and internal thresholds are not exceeded thereby managing concentration risk. The Microfinance Bank also remains cautious in its lending business to minimize exposure.

24.5 Exposure to credit risk

The Microfinance bank's total exposure to credit risk as of December 31, 2022, was ZWL903.3 million.

The following table shows the total exposure to credit risk for money market investments as well as loans and advances to customers by industry sector before the effect of mitigation through collateral agreements. Amounts shown are gross of impairment allowances.

Sectoral analysis by industry	Dec-22 ZWL	%	Dec-21 ZWL	%
Loans to advances to customers				
Trade & Services	281,607,824	30%	112,077,836	34%
Energy And Minerals	2,413,343	0%	6,792,051	2%
Agriculture	118,838,215	13%	51,356,406	16%
Construction And Property	513,953	0%	2,368,265	1%
Manufacturing	8,843,487	1%	18,385,113	6%
Individuals	15,548,595	2%	62,082,395	19%
Transport & Distribution	1,331,218	0.14%	1,885,380	0.57%
Financial	489,959,776	0.00%	71,254,351	22%
State And State Enterprises	8,860,525	0.00%	1,750,000	1%
	927,916,937	**100%**	**327,951,797**	**100%**

24.6 Liquidity risk

This is the risk of the Microfinance Bank being unable to meet its current and future financial obligations timely. Liquidity risk is inherent in the mismatch caused by borrowing short and lending long. In acute situations, it is evidenced by failure to repay depositors on demand or inability to fund proceeds of credit that has been extended.

In the management of this risk, the Microfinance Bank endeavors to preserve reliable, stable and cost-effective sources of funds in order to timely meet all financial obligations as they fall due. The Microfinance Bank considers high quality assets, strong earnings and solid capital adequacy ratios as key for its success. The Microfinance Bank also maintains a portfolio of liquid assets comprising inter-Bank placements and marketable securities that are easily convertible into cash, in its readiness for unforeseen and short term demands on liquidity.

The Microfinance Bank's management of liquid assets is designed to ensure adequate liquidity even in very highly stressed scenarios. The Microfinance Bank also manages this risk through adherence to assets and liability management processes and requirements, which are driven by the relevant management and Board committees.

24.7 Liquid asset ratio

The Microfinance Bank is required to keep a minimum regulatory liquidity ratio of 30%, according to Reserve Bank of Zimbabwe guidelines. The liquid asset ratio was 2.65 as at December 31, 2022 (64%: 2021). Capitalization treasury bills are excluded from liquid assets.

22.8 Liquidity gap analysis

The following liquidity gap analysis shows the extent to which the Microfinance Bank was exposed to liquidity risk as at December 31, 2022.

Inflation adjusted

31-Dec-22

ASSETS	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Total ZWL
Cash and cash equivalents	500 499 851	-	-	-	-	**500 499 851**
Financial assets at amortised cost	767 561 909	153 917 278	-	6 437 749,00	-	**927 916 937**
Other assets	204 170	90 396 597	95 290 034	-	-	**185 890 801**
	1 268 265 930	**244 313 875**	**95 290 034**	**6 437 749**	**-**	**1 614 307 589**
LIABILITIES						
Other liabilities	28 852 746	259 674 711	-	-	-	**288 527 457**
Deposits	77 779 329	116 668 993	-	-	-	**194 448 322**
Short term borrowing	-	-	32 876 712,33	28 933 680,13	-	**61 810 392**
	106 632 075	**376 343 705**	**32 876 712,33**	**28 933 680,13**	**-**	**544 786 171**
Liquidity gap	1 161 633 856	(132 029 829)	62 413 322	(22 495 931)	-	1 069 521 417
Cumulative gap	**1 161 633 856**	**1 029 604 027**	**1 092 017 348**	**1 069 521 417**	**1 069 521 417**	-

Historical Cost

31-Dec-22

ASSETS	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Total ZWL
Cash and cash equivalents	500 499 851	-	-	-	-	**500 499 851**
Financial assets at amortised cost	767 561 909	153 917 278	-	6 437 749,00	-	**927 916 937**
Other assets	158 365	70 116 385	73 911 994	-	-	**144 186 744**
	1 268 220 125	**224 033 663**	**73 911 994**	**6 437 749**	**-**	**1 572 603 532**
LIABILITIES						
Other liabilities	28 852 746	259 674 711,30	-	-	-	**288 527 457**
Deposits	77 779 329	116 668 993,20	-	-	-	**194 448 322**
Short term borrowing		-	32 876 712	28 933 680	-	**61 810 392**
	106 632 075	**376 343 705**	**32 876 712**	**28 933 680**	**-**	**544 786 171**
Liquidity gap	1 161 588 051	(152 310 041)	41 035 282	(22 495 931)	-	1 027 817 360
Cumulative gap	**1 161 588 051**	**1 009 278 010**	**1 050 313 291**	**1 027 817 360**	**1 027 817 360**	-

Inflation adjusted

31-Dec-21

ASSETS	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Total ZWL
Cash and cash equivalents	333 668 734	-	-	-	-	**333 668 734**
Financial assets at amortised cost	274 556 418	293 639 151	-	-	-	**568 195 569**
Other assets	90 210 137	-	-	-	-	**90 210 137**
	698 435 289	**293 639 151**	**-**	**-**	**-**	**992 074 440**
LIABILITIES						
Other liabilities	226 513 801	-	-	-	-	**226 513 801**
Deposits	42 936 296	-	-	-	-	**42 936 296**
	269 450 097	**-**	**-**	**-**	**-**	**269 450 097**
Liquidity gap	428 985 192	293 639 151	-	-	-	722 624 343
Cumulative gap	**428 985 192**	**722 624 343**	**722 624 343**	**722 624 343**	**722 624 343**	-

Historical cost

31-Dec-21

ASSETS	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Total ZWL
Cash and cash equivalents	97 064 479	-	-	-	-	**97 064 479**
Financial assets at amortised cost	98 644 742	105 500 933	-	-	-	**204 145 675**
Other assets	26 242 195	-	-	-	-	**26 242 195**
	221 951 416	**105 500 933**	**-**	**-**	**-**	**327 452 349**
LIABILITIES						
Other liabilities	60 533 648	-	-	-	-	**60 533 648**
Deposits	12 490 200	-	-	-	-	**12 490 200**
	73 023 848	**-**	**-**	**-**	**-**	**73 023 848**
Liquidity gap	148 927 568	105 500 933	-	-	-	254 428 501
Cumulative gap	**148 927 568**	**254 428 501**	**254 428 501**	**254 428 501**	**254 428 501**	-

24.9 Interest rate risk

This mostly emanates from re-pricing risk. This risk relates to the timing differences between the ability to adjust rates earned on assets or those paid on liabilities to changes in market interest rates, which would result in a negative impact on interest income.

While there are no absolute measures to control the effects of interest rate movements, protection is offered by managing the maturity profile of customer balances and investment holdings and maintaining margins, wherever possible, as changes occur. The Microfinance Bank manages interest rate exposures through limits, policy guidelines and control mechanisms as well as tools and techniques formulated by the Assets and Liability Committee. Amongst the tools used to measure and manage interest rate risk exposures are the gap analysis, duration matching and use of the rate sensitive assets to rate sensitive liabilities (RSA/RSL) ratio.

Inflation adjusted

Dec-22	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Non Interest Bearing ZWL	Total ZWL
ASSETS							
Cash and cash equivalents	500 499 851	-	-	-	-	-	**500 499 851**
Financial assets at amortised cost	767 561 909	153 917 278	-	6 437 749	-	-	**927 916 937**
Other assets	-	-	-	-	-	144 186 744	**144 186 744**
Property, Plant & Equipment	-	-	-	-	-	559 702 283	**559 702 283**
Intangibles	-	-	-	-	-	90 708 369	**90 708 369**
	1 268 061 760	**153 917 278**	**-**	**6 437 749**	**-**	**794 597 396**	**2 223 014 184**
LIABILITIES							
Other liabilities	28 852 746	259 674 711	-	-	-	-	**288 527 457**
Deposits	77 779 329	116 668 993	-	-	-	-	**194 448 322**
Short term borrowing	-	-	32 876 712	28 933 680	-	-	**61 810 392**
	106 632 075	**376 343 705**	**32 876 712**	**-**	**-**	**-**	**544 786 171**
Liquidity gap	1 161 429 686	(222 426 426)	(32 876 712)	6 437 749	-	794 597 396	**1 678 228 012**
Cumulative gap	**1 161 429 686**	**939 003 260**	**906 126 547**	**912 564 296**	**912 564 296**	**1 707 161 692**	**-**

Historical Cost

Dec-22	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Non Interest Bearing ZWL	Total ZWL
ASSETS							
Cash and cash equivalents	500 499 851	-	-	-	-	-	**500 499 851**
Financial assets at amortised cost	767 561 909	153 917 278	-	6 437 749	-	-	**927 916 937**
Other assets	-	-	-	-	-	144 186 744	**144 186 744**
Property, Plant & Equipment	-	-	-	-	-	543 481 048	**543 481 048**
Intangibles	-	-	-	-	-	26 531 005	**26 531 005**
	1 268 061 760	**153 917 278**	**-**	**6 437 749**	**-**	**714 198 797**	**2 142 615 585**
LIABILITIES							
Other liabilities	28 852 746	259 674 711	-	-	-	-	**288 527 457**
Deposits	77 779 329	116 668 993	-	-	-	-	**194 448 322**
Short term borrowing	-	-	32 876 712	28 933 680	-	-	**61 810 392**
	106 632 075	**376 343 705**	**32 876 712**	**-**	**-**	**-**	**544 786 171**
Liquidity gap	1 161 429 686	(222 426 426)	(32 876 712)	6 437 749	-	714 198 797	**1 597 829 413**
Cumulative gap	**1 161 429 686**	**939 003 260**	**906 126 547**	**912 564 296**	**912 564 296**	**1 626 763 093**	**-**

Inflation adjusted

Dec-21	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Non Interest Bearing ZWL	Total ZWL
ASSETS							
Cash and cash equivalents	333 668 734	-	-	-	-	-	**333 668 734**
Financial assets at amortised cost	274 556 418	293 639 151	-	-	-	-	**568 195 569**
Other assets	-	-	597 788	-	-	185 890 801	**186 488 589**
Property, Plant & Equipment	-	-	-	-	-	361 000 644	**361 000 644**
Intangibles	-	-	-	-	-	90 708 369	**90 708 369**
	608 225 152	**293 639 151**	**597 788**	**-**	**-**	**637 599 814**	**1 540 061 905**
LIABILITIES							
Other liabilities	226 513 801	-	-	-	-	-	**226 513 801**
Deposits	42 936 296	-	-	-	-	-	**42 936 296**
Short term borrowing	-	-	-	-	-	-	**-**
	269 450 097	**-**	**-**	**-**	**-**	**-**	**269 450 097**
Liquidity gap	338 775 055	293 639 151	597 788	-	-	637 599 814	**1 270 611 808**
Cumulative gap	**338 775 055**	**632 414 206**	**633 011 994**	**633 011 994**	**633 011 994**	**1 270 611 808**	**-**

Historical cost

Dec-21 ASSETS	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Non Interest Bearing ZWL	Total ZWL
Cash and cash equivalents	97 064 479	-	-	-	-	-	**97 064 479**
Financial assets at amortised cost	98 644 742	105 500 933	-	-	-	-	**165 288 507**
Other assets	-	-	-	-	-	26 242 195	**26 242 195**
Property, Plant & Equipment	-	-	-	-	-	105 015 352	**105 015 352**
Intangibles	-	-	-	-	-	35 344 655	**35 344 655**
	195 709 221	**105 500 933**	**-**	**-**	**-**	**166 602 202**	**428 955 188**
LIABILITIES							
Other liabilities	65 893 030	-	-	-	-	-	**65 893 030**
Deposits	12 490 200	-	-	-	-	-	**12 490 200**
Short term borrowing	-	-	-	-	-	-	**-**
	78 383 230	**-**	**-**	**-**	**-**	**-**	**78 383 230**
Liquidity gap	117 325 991	105 500 933	-	-	-	166 602 202	**350 571 958**
Cumulative gap	**117 325 991**	**222 826 924**	**222 826 924**	**222 826 924**	**222 826 924**	**389 429 126**	**-**

24.10 Operational risk

Operational risk is inherent to the Microfinance Bank, and is over and above, credit, interest rate exposure and capital risks. Operational risk relates specifically to fraud, unauthorized transactions by employees, by persons outside the Microfinance Bank, errors, omissions and commissions in transaction processing, system and process failure and breaches on the Microfinance Bank's system of internal controls.

The operational control environment of the Microfinance Bank is extremely important, especially given high volumes of transactions that pass through the system each day. This gives rise to the need for substantial and effective controls to be always complied with.

The Microfinance Bank manages operational risk through risk transfer (insurance cover), procedural guidelines, policies, staff training, segregation of duties, internal audits and business continuity management that includes business continuity and disaster recovery plans.

24.11 Reputational risk

Reputational risk is the risk of loss arising from the adverse perception of the image of the Microfinance Bank by customers, counterparties, investors, or regulators. This is particularly relevant on two fronts; Firstly, with the ethical stance that the Microfinance Bank takes and, secondly, the fact that competition entails that the Microfinance Bank must convince customers that it is credible and can offer at least the basic, secure services expected of high-quality banks. The Microfinance Bank is also susceptible to the reputation of its wider structural organization, and its mandate of ensuring financial inclusion.

The Microfinance Bank sees this risk as a knock-on of other risks materializing. Reputational risk is seen as compounding the effect of other risks, such as strategy, fraud, and regulatory risk. Reputational risk has not been modelled in isolation but is considered throughout the Microfinance Bank's ongoing risk review process and is built into the assessment of other risks.

The operational systems and controls in place help to mitigate this risk. The loyal customer base also provides some immunity although this could be challenged in the event of the Microfinance Bank's reputation suffering.

24.12 Capital risk

This refers to the risk that the Microfinance Bank's capital may not be adequate to absorb all the losses that it may incur. In this regard, the Microfinance Bank embarks on risk-based capital planning through the internal capital adequacy assessment process (ICAAP) to come up with a capital level that is commensurate with the nature and extent of risk it faces. The Microfinance Bank's capital has invariably been above the ICAAP determined capital level over the years, an indication that the Microfinance Bank maintains a healthy capital base.

For assessing capital risk, the loss is assessed in terms of the impact on anticipated earnings (profit) and capital (reserves). The knock-on effects of all other risks that impact on the Microfinance Bank are also considered.

24.13 Compliance and legal risk

This refers to the risk on earnings and capital arising from violations of or non-compliance with laws, rules, regulations, internal policies and authority levels, prescribed practices, and ethical standards.

The Microfinance Bank manages this risk by having a compliance policy framework, aligned to the Microfinance Bank's business model. The Microfinance Bank also `maintains permanent relationships with firms of legal practitioners and access to legal advice is readily available to all departments.

24.14 Strategic risk

Strategic risk arises from business decisions made in conditions of uncertainty over actions of competitors and service providers and more importantly through exogenous variables to the Microfinance Bank.

The Microfinance Bank recognizes that the rapidly changing nature of financial markets and the economic environment is such that long term planning is often disturbed by fundamental changes which the Microfinance Bank should rapidly respond to for sustainable growth and operational and strategic competitiveness. The change over to the multicurrency economic dispensation and upward economic growth, albeit slowly, have brought about some semblance of stability that allows proper business planning.

The Microfinance Bank's Board of directors provides oversight for strategic risk through an approved strategic plan and operational strategy framework including scheduled periodic board and executive management meetings.

24.15 Market Risk

This is the exposure of the Microfinance Bank's on and off-balance sheet positions to adverse movement in market prices resulting in a loss in earnings and capital. The market prices will range from money market (interest rate risk), foreign exchange and equity markets in which the bank operates.

The Microfinance Bank has in place a Management Asset and Liability Committee (ALCO) which monitors market risk and recommends the appropriate levels to which the Microfinance Bank should be exposed at any time. Management ALCO meets on a monthly basis and operates within the prudential guidelines and policies established by the Board ALCO. The Board ALCO is responsible for setting exposure thresholds and limits, and meets on a quarterly basis.

25. Capital management

Capital management is considered key for the Microfinance Bank as a going concern. To this end, the Microfinance Bank's capital management framework serves to ensure that the Microfinance Bank is capitalized in line with the requirements of its business lines and also in compliance with the recommendations of the Reserve Bank of Zimbabwe and International standards. The Microfinance Bank's capital management objectives are to:

- Maintain sufficient capital resources to meet set standards in accordance with the Board and regulatory requirements.
- Maintain sufficient capital resources to support the Microfinance Bank's risk profile.
- Allocate capital to business lines to support the Microfinance Bank's strategic objectives including optimizing return on investment.
- Ensure the Microfinance Bank holds adequate capital to achieve the target capital to withstand the impact of potential stress events.

The Microfinance Bank manages its capital base to achieve a prudent balance between maintaining ideal capital ratios to support business growth and depositors' confidence as well as providing competitive returns.

In 2022 budget, the Microfinance Bank received additional capital from the shareholder worth ZWL1 billion.

25.1 Capital adequacy ratio

The capital adequacy ratio of the Microfinance Bank as at December 31, 2022 was as follows:

	Inflation adjusted		Historical Cost	
	Dec-22	Dec-21	Dec-22	Dec-21
	ZWL	ZWL	ZWL	ZWL
Share capital	15,031	15,031	100	100
Share premium	1,503,129,025	1,503,129,025	9,999,900	9,999,900
Other equity	4,796,746,178	1,959,431,300	2,370,000,000	570,000,000
Retained loss	(5,216,476,492)	(2,357,643,024)	(1,284,136,487)	(258,574,376)
Tier 1 Capital	**1,083,413,742**	**1,104,932,332**	**1,095,863,513**	**336,293,816**
1.25% of credit risk weighted assets	14,123,335	3,312,658	14,123,335	5,902,238
Revaluation reserve	439,352,405	151,905,953	331,636,005	44,189,553
Tier 2 Capital	**453,475,740**	**155,218,611**	**345,759,340**	**50,091,791**
Total Capital	**1,536,889,482**	**1,260,150,943**	**1,441,622,853**	**342,196,054**
Risk weighted assets	1,129,866,817	472,179,026	1,129,866,817	472,179,026
Tier 1	96%	234%	97%	71%
Tier 2	40%	33%	31%	11%
Capital adequacy ratio	**136%**	**267%**	**128%**	**82%**
RBZ Minimum CAR	12%	12%	12%	12%

26. Subsequent events

The Board and Management assessed and concluded the following significant events after the reporting period which require separate disclosure for the Microfinance Bank:

26.1 RBZ Press Statement

During the year under review, the Reserve Bank OF Zimbabwe conducted an onsite examination of the Microfinance Bank. The examination determined corporate governance and risk management weaknesses at the institution. As part of its supervisory processes, the Reserve Bank has engaged the institution's board and shareholders who have since initiated processes and measures to address the deficiencies.

26.2 Onboarding of a separate Compliance Department

The Microfinance Bank managed to set up a Compliance department as a measure to address the deficiencies noted above and also meet regulatory requirements.

26.3 Interest Rates

Consistent with the current and expected inflation outturn, the Reserve Bank, with effect from 1 February 2023, reviewed the policy rates as follows:

i. Reducing the Bank policy rate from 200% per annum to 150% per annum.
ii. Reducing the lending rate on the Medium-term Bank Accommodation Facility for the productive sectors of the economy (including individuals and MSMEs) from 100% per annum to 75% per annum.
iii. Maintaining the prevailing Bank policy rates as the minimum lending rates for all banks; 75%
iv. Adjusting the minimum deposit interest rates on savings and time deposits to 30% and 50% per annum, respectively; and
v. Maintaining the minimum deposit interest rate on savings and time FCA deposits at 1% and 2.5% per annum, respectively.

27. Covid 19 impact on business operations

The Board and Management fully acknowledge the unprecedented challenges and uncertainties posed by the COVID-19 pandemic. In that regard, significant judgments have generally been applied in light of the likely impacts of COVID-19 on the Group's activities.

There is a growing sense of cautious optimism that finally the worst of the COVID-19 pandemic is behind us. The Government of Zimbabwe still has limited restrictions to curb the spread of the pandemic especially given the various variants observed in the recent past. The global and local economy is emerging out of the negative effects of the pandemic. The Microfinance Bank's digital transformation and innovation is accelerating from forces in dynamic customer behavior and Covid-19 disruptions. Innovation and digitalization therefore remain the Microfinance Bank's strategic imperative to broaden and deepen organizational capabilities and unlock stakeholder potential. Credit risk management processes have been aligned to include considerations around effects of possible escalation of the pandemic on customers' resilience.

28. Going concern

The Board and Management have reviewed the current financial position and performance of the Microfinance Bank and are confident that it will continue in operational existence for the foreseeable future. The shareholder has committed to support the financial institution in the short term to medium term. For the year 2023, the shareholder has committed to inject ZWL 3 billion additional capital.

The financial statements have therefore been prepared on a going concern basis.

29. Segment reporting

An operating segment is a component of the Microfinance Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Microfinance Bank's other components, whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and for which discrete financial information is available. The chief operating decision maker is identified as the executive committee of the Microfinance Bank, (Exco).

29.1 Segment information

The Microfinance Bank operates in Zimbabwe only and thus no geographical information is required to be disclosed. For management purposes, the Microfinance Bank is organized into four operating segments based on products and services as follows:

a) Credit and Retail Banking: Individual customers' deposits, loans to customers and other customer services.
b) Treasury: Treasury Banking services including money market and other treasury investments. Products include certificates of deposits and call accounts for individuals and corporate clients.
c) Bureau De change: This unit is primarily involved in foreign currency trading as well as Money Transfer Agency Business.
d) Head office function: This is predominantly a central service function to the entire Microfinance Bank and has departments such as finance and administration, risk and compliance, procurement, legal and secretariat, internal audit, human resources, information technology and marketing.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.