RESERVE BANK OF ZIMBABWE

2021 Annual Report

Vision

To be a credible, transformative and responsive central bank that contributes to the economic development of Zimbabwe.

Mission

To achieve and maintain price and financial system stability to foster sustainable and inclusive economic development.

Values

Accountability
Transparency
Integrity
Efficiency
Teamwork

TABLE OF CONTENTS

TABLE OF FIGURES

LIST OF TABLES

Governor's Overview

J.P.Mangudya – *Governor*

This Annual Report presents an outline of the milestones the Reserve Bank of Zimbabwe (the Bank or RBZ) achieved in pursuit of its legal mandate of ensuring price and financial system stability, during the year 2021. The Bank's audited financial statements for the year ended 31st December 2021 are also presented in this Report.

The country began the year 2021 under the grip of a deadly variant of Covid-19 that resulted in significant fatalities in Zimbabwe, the Southern African region, and the world over. I am glad to highlight that despite the negative impact of the Covid-19 pandemic on our economy, the Bank made significant strides in stabilising inflation and engendering macrostability in 2021. As a result, the economy registered strong performances across all the sectors, as reflected by a strong balance of payment position, fiscal and financial stability, increase in locally produced goods, robust growth in real gross domestic product and a significant number of capital development projects undertaken by Government.

On the real sector front, the economy is estimated to have registered a significant growth of 7.8% in 2021, mainly driven by the agriculture, electricity, construction, and manufacturing sectors. The agriculture sector grew by 36.2%, reflecting a good rainy season and increased productivity due to improved availability of inputs. Manufacturing activity also grew by 66% in 2021, from 47% in 2020, following improved throughput from agriculture and the availability of foreign currency from the foreign exchange auction system. Mining output also increased driven by higher mineral prices.

The tight monetary policy stance pursued by the Bank in 2021 resulted in sustained deceleration in annual inflation from 362.63% in January 2021 to 50.25% by the end of August 2021. However headline inflation, gradually rose in the last quarter of 2021 to end the year at 60.73%, driven by the sustained increase inforeign exchange parallel market premiums and thegeneral increase in global food and oil prices as a result of Covid-19 induced supply chain challenges.

The disinflationary trend was anchored on a tight monetary targeting framework through the curtailment of reserve money growth. In this regard, the Bank managed to contain the reserve money growth within target, throughout the year. As such, quarterly reserve money growth targets were progressively reduced, from 22.5% during the first two quarters of the financial year to 20% in the third quarter, and further down to 10% in the fourth quarter of the year. This conservative monetary policy stance helped to ease inflationary pressures, while supporting economic recovery during the year.

The improved availability of foreign currency through the foreign exchange auction system also went a long way in stabilising the exchange rate during the third quarter of 2021 and ensuring efficient allocation of foreign currency to productive and social sectors of the economy. A cumulative US$1.97 billion was disbursed to productive sectors of the economy, mainly towards raw materials, machinery and equipment and other consumables. The exchange rate was also supported by a strong balance of payment position. The current account is estimated to have registered a moderate surplus in 2021, driven by the improved electronic activity, the resilient secondary income flows and strong merchandise export growth, despite the increase in imports due to in creased raw material and energy absorption.

The general improvement in economic activity, which was buttressed by fiscal consolidation, also fostered stability of the country's financial services sector, with the banking sector continuing to show resilience, notwithstanding constraints emanating from the negative impact of the Covid-19 pandemic. Banking sector resilience was reflected by positive performance of the sector for the year ended 31st December 2021, on the back of adequate capitalisation, satisfactory earnings, asset quality and liquidity.

In the short to medium term, the Bank will continue to maintain a tight monetary policy stance through the monetary targeting framework. This will be anchored on ensuring price and exchange rate stability, critical for the attainment of sustained economic growth and development.

Finally, despite the negative impact of Covid-19 and other challenges confronting the country, I am happy with the strides made by the Bank in 2021 towards discharging its mandate of ensuring price and financial system stability. In this regard, on behalf of Management and Staff of the Bank, I wish to thank the Board and the Monetary Policy Committee (MPC) for the guidance and support in implementing the 2021 work programme.

The audited financial statements of the Bank indicate an inflation adjusted surplus of ZW$12.3 billion.

Thank you

Dr. John Panonetsa Mangudya

Governor

2021 Board of the Reserve Bank of Zimbabwe

The Bank's Board of Directors is appointed in terms of the Reserve Bank of Zimbabwe Act [Chapter 22:15]. The current Board members were appointed with effect from the 10th of September 2019. The Board comprised of the following members in 2021:

Dr. J. P. Mangudya	Governor & Chairman
Mrs. M. Dzumbunu	Interim Deputy Chairperson
Dr. J. T. Chipika	Deputy Governor
Dr. K. Mlambo	Deputy Governor
Mr. C. Mphambela	Ministry of Finance & Economic Development Representative
Mr. E. I. Manikai	Non-Executive Director
Mrs. E. Fundira	Non-Executive Director
Dr. C. M. Fundanga	Non-Executive Director
Prof. J. Parwada	Non-Executive Director
Prof. L. M. Sibanda	Non-Executive Director
Ms. B. Muswaka	Non-Executive Director

Vacancies that arose on the Board of Directors, following the resignation of Mr. Busisa Moyo in 2020 and Mr. Kumbirai Katsande in 2021, after their appointment to other Boards, remained vacant during the course of the year.

In compliance with its enabling legislation, the Bank continued to have the following mandatory Board Committees in place during the course of 2021: -

a) The Audit & Oversight Committee,

b) The Banking Sector Stability Committee, and

c) The Human Resources & Governance Committee.

The Board and its Committees managed to convene for their scheduled meetings through virtual platforms as stated below: -

a) The Board met quarterly on 31 March 2021, 30 June 2021, 29 September 2021 and 8 December 2021.

b) Board Committees met as follows: -

i. **Audit & Oversight Committee** met on 24 March 2021, 25 June 2021, 22 September 2021 and 1 December 2021.

ii. **Banking Sector Stability Committee** met on 17 March 2021, 16 Jun 2021, 15 September 2021 and 24 November 2021.

iii. **Human Resources & Governance Committee** met on 17 March 2021, 16 Jun 2021, 15 September 2021 and 24 November 2021.

Reserve Bank of Zimbabwe Board

Dr. J. P. Mangudya
Governor & Chairman

Mrs. M. Dzumbunu
Interim Deputy Chairperson

Dr. J. T. Chipika
Deputy Governor

Dr. K. Mlambo
Deputy Governor

Mr. C. Mphambela
Ministry of Finance & Economic Development Representative

Mr. E. I. Manikai
Non-Executive Director

Mrs. E. Fundira
Non-Executive Director

Dr. C. M. Fundanga
Non-Executive Director

Prof. J. Parwada
Non-Executive Director

Prof. L. M. Sibanda
Non-Executive Director

Ms. B. Muswaka
Non-Executive Director

Monetary Policy Committee

The Monetary Policy Committee (MPC) members were appointed in September 2019. Due to a significant number of members having been appointed to other Boards and some having resigned to pursue potentially conflicting roles in other institutions, additional members were appointed to the MPC in February 2021. The MPC comprised of the following members:

Dr. J. P. Mangudya	Governor & Chairman
Dr. J. T. Chipika	Deputy Governor
Dr. K. Mlambo	Deputy Governor
Prof. A. Chakravarti	Member
Mrs. M. Dzumbunu	Member
Dr. C. C. Jinya	Member
Dr. D. Makina	Member
Prof. A. Makochekanwa	Member
Mr. P. E. Gwanyanya	Member

The MPC held meetings on 26 March 2021, 25 June 2021, 24 September 2021 and 3 December 2021, during which it made resolutions which resulted in positive economic and financial developments during the course of the year.

Monetary Policy Committee

Dr. J. P. Mangudya
Governor and Chairman

Dr. J. T. Chipika
Deputy Governor

Dr. K. Mlambo
Deputy Governor

Prof. A. Chakravarti
Member

Mrs. M. Dzumbunu
Member

Dr.C.C.Jinya
Member

Dr. D. Makina
Member

Prof. A. Makochekanwa
Member

Mr. P. E. Gwanyanya
Member

Senior Management

The Bank's Senior Management team was made up of the following members in 2021:

Dr. J. P. Mangudya	Governor
Dr. J. T. Chipika	Deputy Governor
Dr. K. Mlambo	Deputy Governor
Mr. A. Saburi	Director, Financial Markets
Mr. J. Mafararikwa	Director, Economic Research & Policy
Mr. E. S. Rwatirera	Director, Human Resources & Support Services
Ms. T. Hungwe	Director, Finance
Mr. F. Masendu	Director, Exchange Control
Mr. P. T. Madamombe	Director, Bank Supervision
Mrs. V. Sithole	Bank Secretary & Director, Legal Services & Corporate Affairs

Executive Committee

Dr. J. P. Mangudya
Governor and Chairman

Dr. J. T. Chipika
Deputy Governor

Dr. K.Mlambo
Deputy Governor

Mr. A. Saburi
Director, Financial Markets

Mr. J. Mafararikwa
Director, Economic Research & Policy

Mr. E. Rwatirera,
Director, Human Resources & Support Services

Ms T. Hungwe
Director, Finance

Mr. P. T. Madamombe
Director, Bank Supervision

Mr. F. Masendu
Director, Exchange Control

Mrs. V. Sithole
Bank Secretary & Director Legal &Corporate Affairs

Statement on Corporate Governance

The Bank has in place a set of systems, principles and processes that govern its operations in a manner that enables it to fulfill its goals and objectives, meet its stakeholders' expectations as well as strengthening the domestic economy. To this end, good corporate governance plays a critical role in the Bank's day to day activities.

The Reserve Bank of Zimbabwe Act [Chapter 22:15] (the Act) spells out the Bank's objectives, functions, governance structures as well as the transparency and auditing requirements. The Act also stipulates the roles and responsibilities of the Board of Directors, the mandatory Committees of the Board, Monetary Policy Committee and Executive Management structures.

During 2021, the Bank continued executing its mandate under a restrictive operating environment due to the Covid-19 pandemic. The Bank ensured total compliance with Covid- 19 control measures and protocols throughout the year.

In addition, the Bank ensured that it diligently observed all laws governing and impacting on its operations and kept its stakeholders and the general public well informed on developments in the economy by promptly publicising pertinent information, notices, advice and updates. The Bank also continued to enhance its internal corporate governance practices and processes in a manner that enabled it to operate efficiently, credibly and transparently.

As the regulatory authority for the banking and the financial services sectors, the Bank tirelessly worked towards building effective corporate governance structures and systems at all commercial banks and other financial institutions under its purview.

LEGISLATION

The following laws relevant to the Bank's operations were promulgated and implemented by the Bank during 2021.

> *Public Health (Covid-19 Prevention, Containment and Treatment) Regulations and the various amendments thereto.*

The Bank continued to strictly observe and adhere to the provisions of these regulations to ensure the prevention and containment of Covid-19.

Amendments to the Banking Regulations, S.I.205 of 2000.

The Banking (Amendment) Regulations, Statutory Instrument 35 and 63 of 2021 were promulgated to re-denominate the minimum holding of specified liquid assets by certain banking institutions in United States dollars but payable in the local currency equivalent at the prevailing foreign exchange rate.

Issuance of the ZW$50 banknotes.

The Reserve Bank of Zimbabwe (Issue of Fifty Dollar Bank notes) Notice, Statutory Instrument 196 of 2021, which provided for the issuance, design, form, colour, size and material of the ZW$50 banknote, was enacted.

Finance Act (Amendment) No. 7 of 2021.

The Finance Act (Amendment) No. 7 of 2021 was published in the Government Gazette of 31 December 2021. Inter alia, it amended the Exchange Control Act [Chapter22:05] and the Bank Use Promotion Act [Chapter24:24] to provide for the imposition of civil penalties by the Bank. The legal instrument subsumed the provisions of S.I.127 of 2021 which had been issued under the Presidential Powers (Temporary Measures) (Financial Laws Amendment) Regulations into substantive law.

COVID-19 CONTAINMENT

The Bank continued to contain the spread of the virus through: -

a) Employing well-coordinated flexi-work arrangements which reduced staff exposure to the virus;

b) Regular Covid-19 screening tests on staff operating onsite;

c) Providing staff with personal protective equipment, hand sanitizers, supplements to boost immune systems, regular temperature checks, installation of sanitization booths at all points of entry and exit and continuous education on Covid-19 symptoms and preventive measures, and

d) disinfecting offices and workstations every weekend.

The efforts paid off as the Bank managed to contain the spread of the virus within its premises. Although a number of members of staff tested positive to the Omicron variant, the infections were mild.

STAFF RECREATION

Due to the on-going Covid-19 pandemic and the attendant containment measures, the Bank was unable to authorize recreational activities for staff during the course of the year.

LABOUR RELATIONS

Labour relations within the Bank continued on a cordial note throughout the year with the Works' Council meeting on five (5) occasions on 20 January 2021, 4 March 2021,17 May 2021, 19 May 2021 and 30 September 2021.

1. DEVELOPMENTS IN THE GLOBAL ECONOMY

1. The global economy remained on a recovery path in 2021, although the momentum was continuously slowed down by the emergence of new Covid-19 variants and attendant disruptions to global supply chains, consumer confidence, and supply and demand patterns. In particular, the spread of the highly transmissible Delta and Omicron Covid-19 variants in 2021 significantly disrupted global economic activities, as countries responded with lockdowns and other restrictions of varying proportions. This,notwithstanding,the IMF estimated global economic grow that 5.9% in 2021. The upturn in economic activity, following the relaxation of the pandemic-related lockdowns in many economies, bolstered the demand for goods and services.

2. The improved uptake of Covid-19 vaccines across the world also supported the economic recovery during 2021, compared to 2020. The strength of the recovery in 2021, however, significantly varied across countries, depending on access to medical interventions and the effectiveness of policy support.

3. The global economy is projected to grow by 3.5% in 2022, significantly weaker than in 2021, owing to anticipated adverse impacts from the emergence of the Covid-19 Omicron variant, diminished fiscal support, and lingering supply-side bottlenecks. The global economic growth developments for 2021 and the outlook for selected regions and countries are as shown in Table 1.

Table 1: Global Economic Growth Rates & Outlook

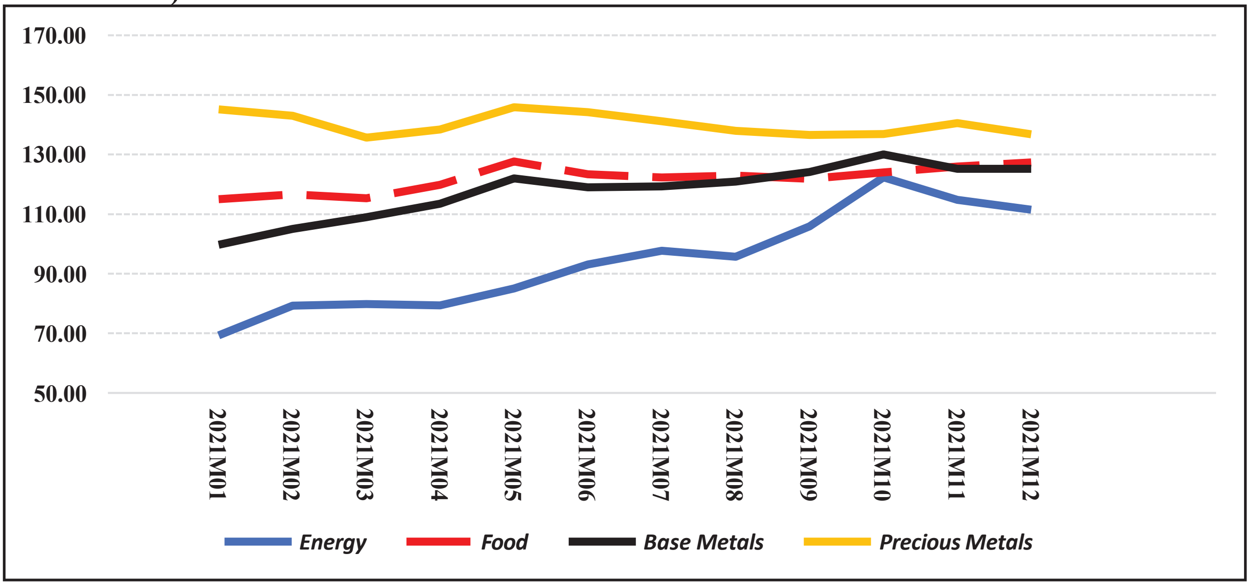
Country/Group Name	2021	2022	2023
	Estimates (%)	*Projections (%)*	
World Output	**6.1**	**3.6**	**3.6**
Advanced Economies	**5.2**	**3.3**	**2.4**
o/w: United States	*5.7*	*3.7*	*2.3*
Euro-Area	*5.3*	*2.8*	*2.3*
Emerging Market & Developing Economies	**6.8**	**3.8**	**4.4**
o/w: China	*8.1*	*4.4*	*5.1*
India	*8.0*	*8.2*	*6.9*
Sub Saharan Africa	**4.5**	**3.8**	**4.0**
o/w: Nigeria	*3.6*	*3.4*	*3.1*
South Africa	*4.9*	*1.9*	*1.4*

Source: IMF World Economic Outlook Update (April 2022)

International Commodity Price Developments

4. In line with global economic developments, commodity prices generally soared, reaching record highs in 2021, following the broad-based decline in early 2020. This largely reflected the strong rebound in demand from the 2020 global recession, since most commodities generally move in line with global economic activity. The trends of international commodity price indices are as depicted in Figure 1.

Figure 1: International Commodity Price Indices (Based on nominal US dollars, 2010=100)



Source: World Bank 2022

5. Precious metal prices were generally firm in 2021, largely due to strong investment demand, on the back of a relatively weaker US dollar. Concerns over rising US inflation and the decision by the U.S Federal Reserve to keep interest rates unchanged in 2021 also supported precious metal prices.

6. Energy prices surged in the second half of 2021 in response to recovering demand and constrained supply. The energy prices are projected to be much higher in 2022 than previously expected, due to the unfolding armed conflict in Ukraine. According to the World Bank, oil prices rose to an average of US$69.00 per barrel in 2021, an increase of 67% over 2020 prices, and higher natural gas prices, driven by the use of oil as a substitute. Despite a planned increase in production by OPEC member countries, global oil output rebounded more slowly than expected, owing to supply outages and production constraints.

7. Metal prices stabilized during the second half of 2021 following sharp increases earlier in the year caused by supply disruptions and continued strong demand, particularly in China.

8. The World Bank's broader food price index reached an eight-year high in the first half of 2021 as production shortfalls fuelled a rally earlier in the year pushing some food commodity prices to record highs.

9. International Financial Markets The evolving coronavirus pandemic remained a key theme in international financial markets, in addition to monetary policy normalisation by most central banks. Surging inflation driven by Covid-19 stimulus initiatives in both developed and developing markets pushed central banks to start monetary policy normalisation processes in 2021.

10. To curb inflationary pressures, developing and emerging market central banks started increasing interest rates in 2021. Expectations are that there will be more interest rate increases in 2022, as the world steps up efforts to stem rising global inflation.

11. The interest rate benchmark, LIBOR, was being phased out and some of its settings will continue to be calculated using panel bank submissions until mid-2023 and its use for new business was restricted from end-2021.

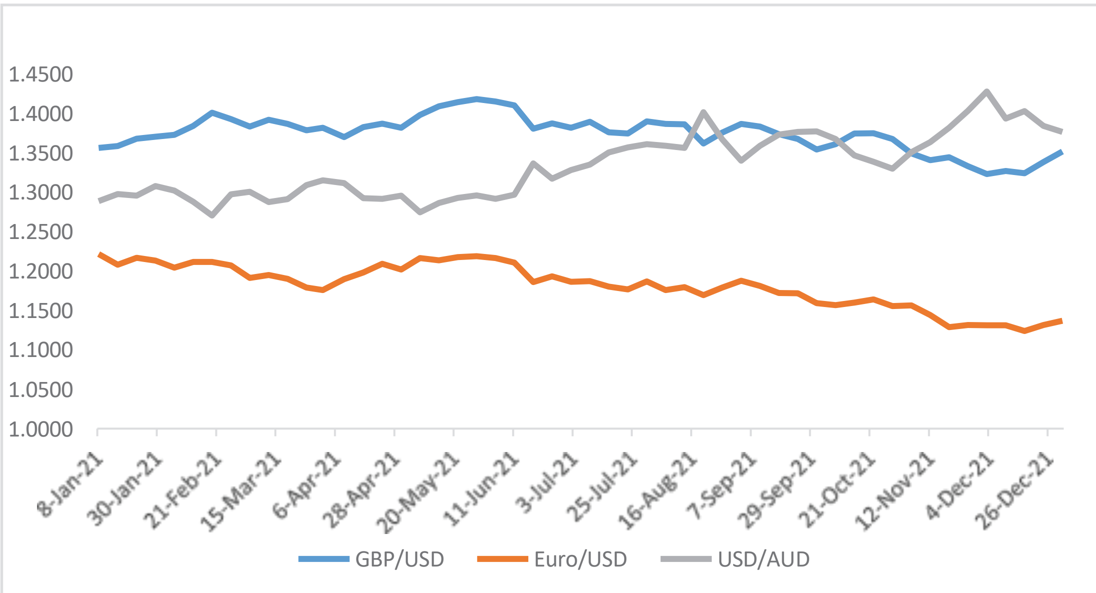
12. Access to fresh offshore lines of credit to support the local economy, remained constrained due to the perceived country risk. Most correspondent banks and other international partners adopted a risk-averse attitude amidst the Covid-19 pandemic.

International Exchange Rate Developments

13. On the international market, the US Dollar (USD) was stronger against its major peer trading currencies in 2021, owing to high expectations that the United States of America's Federal Reserve Bank would tighten monetary policy.

14. The developments on the US Dollar against the British Pound (GBP), Australian Dollar (AUD) in 2021, are as shown in Figure 2. Euro and

Figure 2: Exchange Rate Trends – USD vs GBP, Euro & AUD (2021)

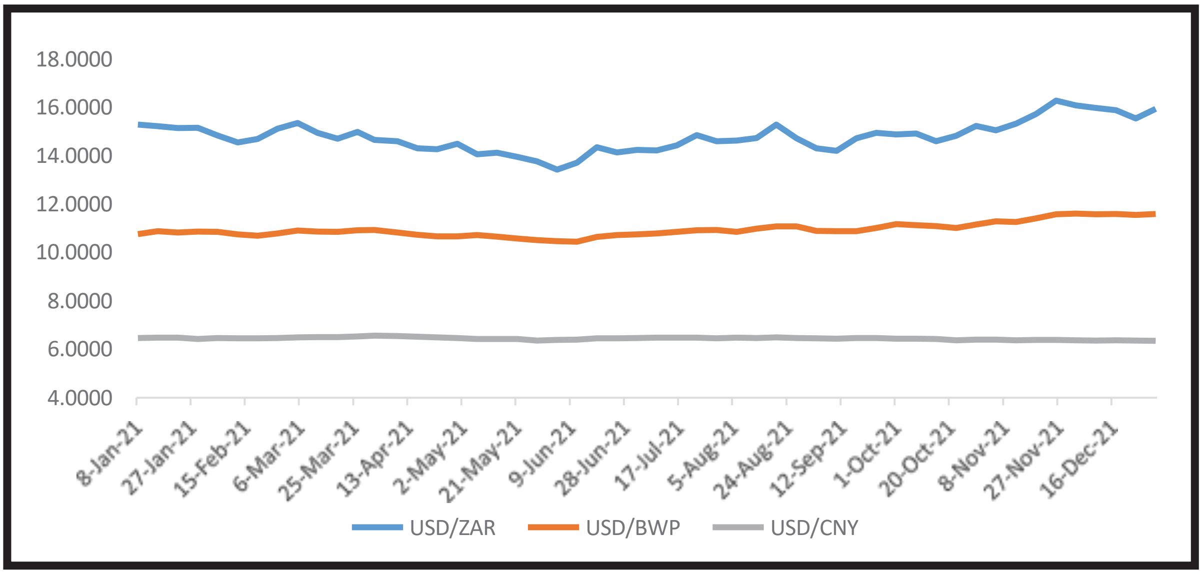


Source: Reuters, 2021

15. The performance of emerging market currencies was mixed against the US Dollar in 2021, as expectations of monetary policy normalisation and the Covid-19 pandemic weighed on markets. The search for higher yields was also a key driver of demand for emerging market assets/currencies in 2021.

16. The South African Rand (ZAR) and Botswana Pula (BWP) depreciated by about 7.0% against the US Dollar, while the Chinese Yuan was stronger as it rose by about 2.0% in 2021, as shown in Figure 3.

Figure 3: Emerging Markets Rates – One unit of ZAR, BWP & CNY per USD



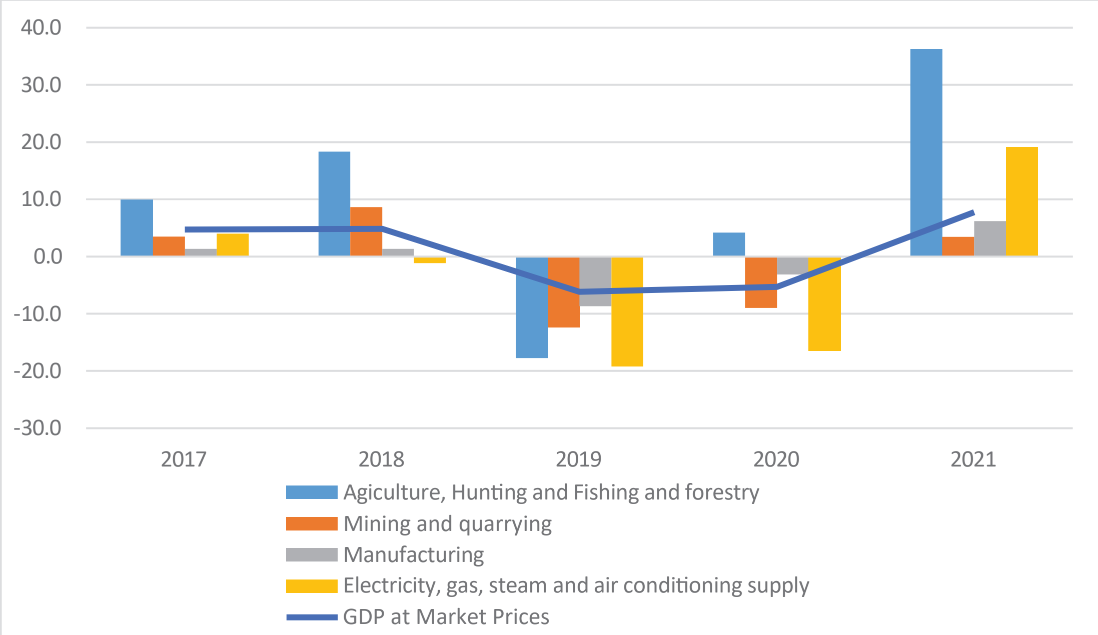
Source: Reuters, 2021

2. DOMESTIC MACRO-ECONOMIC DEVELOPMENTS

Real Sector Developments

17. The economy is estimated to have grown by 7.8% in 2021, largely driven by the agriculture and power sectors which benefited from the good rains received during the year. Recovery in manufacturing and mining activities also contributed significantly to economic growth in 2021. In addition, the relatively relaxed Covid-19 containment measures during the second half of the year enabled higher levels of economic activity across all sectors resulting in the country meeting its growth target for 2021. Figure 4 shows trends in the real GDP growth rate and selected sectoral growth rates for the period 2017 to 2021.

Figure 4: Trend in Real GDP and Selected Sectoral Growth Rates (%): 2017-2021



Source: ZIMSTAT, MOF, RBZ, 2021

Agriculture

18. Output in the agriculture sector is estimated to have grown by 41.1% in 2021, from 4.2% in 2020. The surge in agricultural performance was attributed to a combination of good rains and adequate financing for the summer and winter crops as well as livestock production. The 2020/2021 season started on time, with well distributed normal to above normal rains particularly in the first half of the season. Although the season terminated prematurely in February 2021, the accumulated rains were sufficient to carry the crops to maturity, guaranteeing a record harvest.

19. The performance of cereal crops such as maize and sorghum was boosted by Government input support programmes such as the conservation centric Pfumvudza/Intwasa and the Presidential Input Support programme. The cereals were also supported through the Government guaranteed National Enhanced Agriculture Productivity Scheme (NEAPS) administered by local banks. Consequently, maize output surged by 193% to 2.72 million tonnes, up from 0.93 million tonnes in the previous season.

20. Winter wheat production was also boosted by adequate water supply, stable power supply and support from government, which accounted for 66.9% of area under production. Resultantly, wheat output increased by 59% to 337 000 tonnes in 2021. Table 2 shows agriculture production trends for the period from 2019 to 2021.

Table 2: Agriculture Production Trends (‘000 tonnes)

Agriculture Growth (%)		-17.8	4.2	41.1
	Weight	**2019**	**2020**	**2021**
Tobacco (flue cured)	25.5	260	184	210
Maize	14	777	927	2 717
Beef	10.2	62.6	62	67.8
Cotton	12.5	76.8	101	133
Sugar cane	6.8	4000	4272	4350
Horticulture	6.5	77.4	97	98.0
Poultry	4.8	151.7	149	163.5
Groundnuts	3.2	70.9	87	208.9
Wheat	3.6	94.7	212	337.0
Dairy (m lt)	2.9	96	92	92
Coffee	2.1	0.5	1	0.6
Soybeans	1.9	60	47	71
Tea	1.9	19	40	38.1
Paprika	1.1	0.8	0.1	0.1
Pork	0.8	12.4	12	12.0
Wildlife	0.6	33	26	27
Sorghum	0.6	41.4	103	244
Barley	0.4	29	25	25
Sheep & goats	0.3	7.4	8	8.5
Sunflower seeds	0.2	6.4	9	14.20

Source: Ministry of Agriculture, Ministry of Finance and Economic Development and RBZ, 2022

21. Tobacco output increased by 14.6% to 211 million kilograms in 2021, from 184.04 million kilograms in 2020. The performance by the crop was boosted by the increase in area under production and the number of farmers during the season, as well as a good quality season.

Mining

22. The mining sector is estimated to have grown by about 18.2% in 2021, from a negative growth of 9.0% in 2020. As shown in Table 3, mining out put was largelydriven by gold and diamonds.

Table 3: Mineral Production Statistics: 2020-21

	2020	2021	(%) Change
Gold (kg)	20,873.3	31,477.2	50.8
Diamonds	2,670.5	4,224.3	58.2
Platinum (kg)	15,003.9	14,732.0	-1.8
Rhodium (kg)	1,367.5	1,333.5	-2.5
Ruthenium (kg)	1,026.3	1,249.2	21.7
Chrome (tonne)	1,272.1	1,432.0	12.6
Coal (tonne)	2,750.9	3,246.0	18.0
Copper (tonne)	7,932.8	8,650.0	9.0
Nickel (tonne)	16,479.9	16,213.0	-1.6
Palladium (kg)	12,889.9	12,619.2	-2.1
Phosphate (tonne)	45,083.5	39,819.0	-11.7
Overall Mining Growth (%)	**-9.0**	**18.2**	

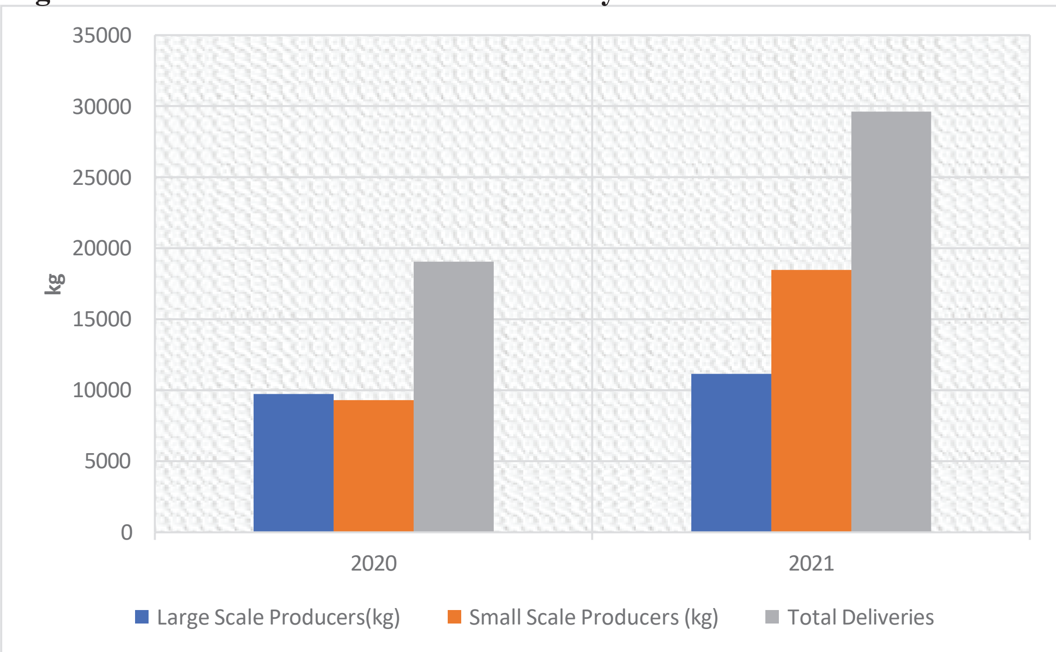
Source: Ministry of Mines and Mining Development, FGR, MMCZ, 2022

23. The underperformance of PGMs, on account of disruptions at one of the key mines, following an accident during the first half of the year, weighed down the mining sector in 2021.

24. Gold largely benefitted from the incentive system, introduced during the first half of 2021, which spurred deliveries to Fidelity Gold Refinery (FGR). These included the 2.5-5% incentive for small scale miners who deliver at least 20 kg per month and an additional 2 percentage points on each tonne of gold delivered. In addition, the timeous payment for deliveries greatly reduced smuggling.

25. Gold deliveries to FGR rose to 29.6 tonnes in 2021, up from 19.05 tonnes in 2020. The increase in gold deliveries by 55.5% in 2021 was largely driven by increases in production by both large scale and artisanal and small-scale producers. Artisanal and small-scale gold output rose by 98.3% from 11.1 tonnes in 2020 to 18.5 tonnes in 2021 whilst large scale output rose from 9.3 tonnes to 9.7 tonnes during the same period, as shown in Figure 5.

Figure 5: Gold deliveries in 2021 and 2020 by sector



Source: Ministry of Mines, FGR, 2022

26. Diamond output was boosted by increased investments in efficient plant and machinery and mine development undertaken by one of the key players during the first half of the year.

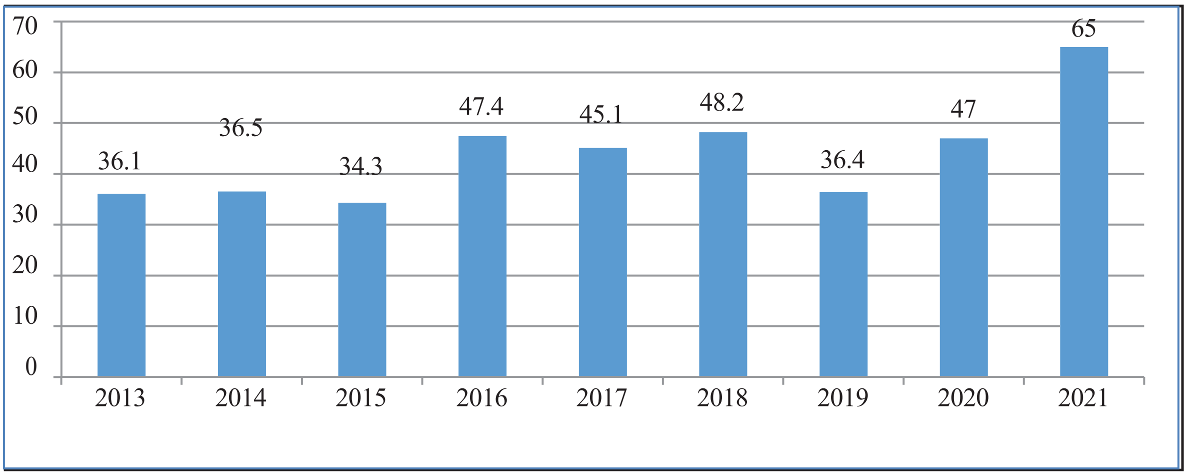
Manufacturing

27. The manufacturing sector continued to benefit from the sustained macroeconomic stability, especially following the introduction of the Foreign Exchange Auction System in June 2020.

28. The localisation of value chains, following closure of international borders as a result of Covid -19, resulted in volume increases in sub-sectors that included food stuffs, drink and tobacco, as well as chemical and petroleum products, among others.

29. According to the Confederation of Zimbabwe Industries (CZI), capacity utilization in the manufacturing sector was estimated to have increased from 47% in 2020 to 65% in 2021, as shown in Figure 6. The foreign exchange auction system provided essential liquidity to key productive sectors of the economy, leading to enhanced capacity utilisation.

Figure 6: Manufacturing sector capacity utilization



Source: CZI, 2022

Tourism

30. The tourism sector continued to face challenges related to the Covid-19 pandemic induced restrictions on travel, leading to a 32% fall in international tourist arrivals in 2021. However, the national average hotel room occupancy increased to 27% in 2021, from 19% in 2020, largely due to domestic tourism, following a successful national vaccination drive. In line with the rise in hotel occupancy rates, tourism receipts rose by 10%, from US$360 million in 2020 to US$397 million in 2021. Table 4 shows selected tourism statistics in 2020 and 2021.

Table 4: Tourism Industry performance: 2020 - 2021

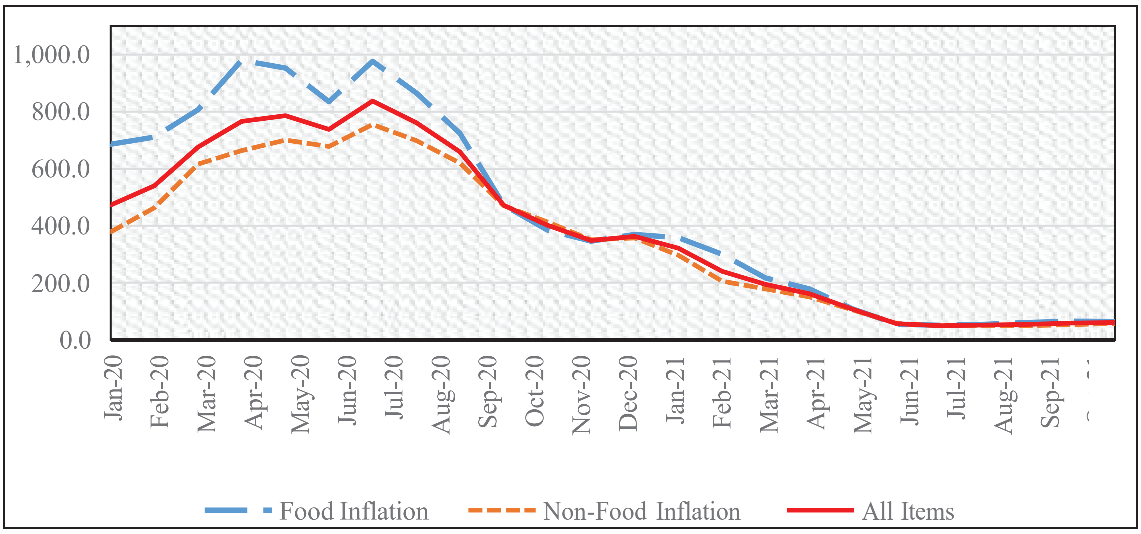
	2020	2021	% Change
Tourist Arrivals	561,085	379,081	-32
Average Hotel occupancy	19	27	8
Average Bed occupancy	14	18	4
Tourism Receipts US$m	360	397	10

Source: Zimbabwe Tourism Authority, 2022

Inflation Developments

31. Annual headline inflation continued on the deceleration trend, from 362.63% in January 2021 to 50.25% by August 2021, in line with the tight monetary policy stance adopted by the Bank in 2020. Inflation, however, gradually accelerated in the last quarter of 2021 to end the year at 60.73%, driven by the increase in foreign exchange parallel market premiums. Figure 7 shows the trend of headline inflation from January 2020 to December 2021.

Figure 7: Annual Inflation Profile 2020-2021



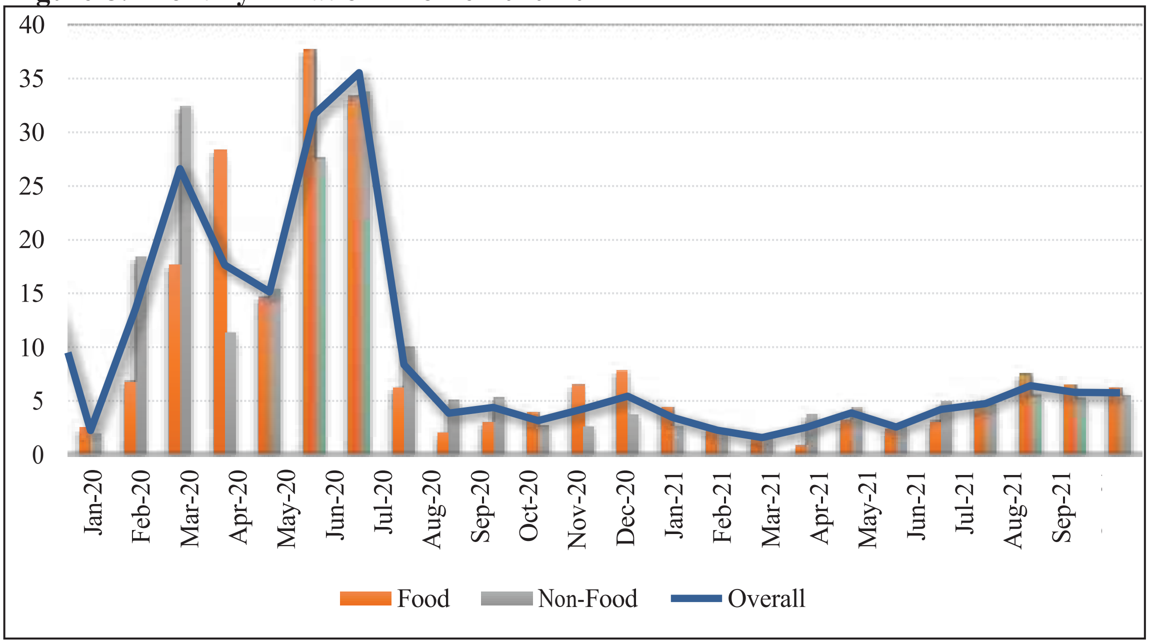
Source: ZIMSTAT, 2021

32. Annual food inflation fell from 369.43% in 2020 to 50.47% in August 2021, before risng to 64.91 by December 2021. Food categories such as bread and cereals, vegetables and meat had the largest contribution to food inflation in 2021.

33. Year-on-year non-food inflation also decelerated from 357.69% in January 2021 to end the year at 57.74%. Miscellaneous goods and services, transport, housing, water, electricity, gas and other fuels, and alcoholic beverages and tobacco had the largest impact on annual non-food inflation in 2021.

34. Month-on-month inflation, which began the year at 5.43% fell to 1.58% by April 2021, before gradually rising to around 5.76% by December 2021. This signified the resurgence of inflationary pressures towards the end of the year. Monthly inflation was largely driven by the food inflation component. Figure 8 shows the monthly inflation developments in 2020 and 2021.

Figure 8: Monthly Inflation Profile 2020-2021



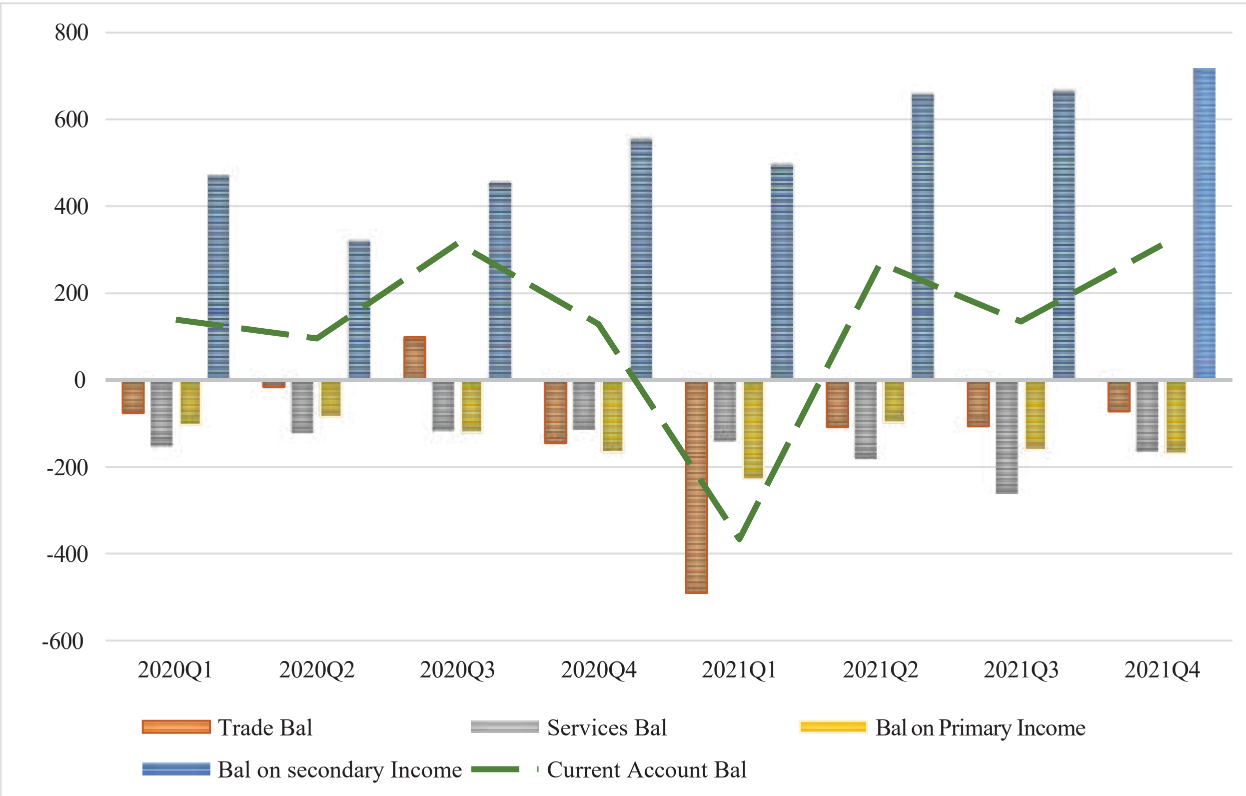
Source: Zimstat, 2021

Balance of Payments

35. The country's external sector remained largely resilient during 2021 due to strong export performance, significant growth in secondary income inflows and a stable financial account. This notwithstanding, the current account balance moderated to a surplus position of US$348.2 million, narrowing from US$678.4 million recorded in 2020.

36. The economy's firm macroeconomic recovery impetus translated into strong import growth during 2021, as raw material and energy absorption increased with more economic activity. The quarterly current account developments for 2020 and 2021 are as shown in Figure 9.

Figure 9: Current Account Developments (US$ millions)



Source: RBZ Estimates, 2022

Merchandise Exports

37. Merchandise exports increased by 28.9% to US$6 359.1million in 2021, from US$4 931.9 million in 2020. Mineral exports, which increased from US$3 654.1 million in 2020 to US$5 085.4 million in 2021, underpinned export growth in 2021. The growth was on the back of higher production and a boom in prices of key export commodities as the global economy recovered from the Covid-19 pandemic-induced recession.

38. Agriculture exports also spurred export growth in 2021, increasing from US$871.7 million in 2020 to US$966.0 million in 2021, following a good agricultural season. Manufactured exports, however, remained somewhat subdued, weighed down by lower jewellery and sugar exports, amid low competitiveness and consequently loss of key markets.

Merchandise Imports

39. Merchandise imports increased by 40.8% to US$7 138.4 million in 2021, from US$5 070.9 million in 2020, driven by increases in fuel, machinery and raw material imports. The increase in imports was reflective of the growing economy, whose import absorptive capacity increased as the demand for raw materials and intermediate goods went up.

40. Foreign currency availability on the auction also enabled the country to import more inputs for the productive sectors of the economy. In addition, high global prices for crude oil, edible oils and fertilizers also drove non-food imports higher. Food imports, however, decreased due to reduced maize imports, following a good agricultural season.

Remittances

41. Remittances, being usually an important purpose-driven flow, remained largely resilient irrespective of the Covid-19 induced external shock. They increased by 35.8%, from US$1 209.7 million in 2020 to US$1 643.1 million in 2021.

Capital and Financial Accounts Developments

42. The capital account balance was in positive territory in 2021, on the back of the continued inflow of official capital transfers from the country's external development partners, in support of on-going and new Government projects. Capital transfers stood at US$301.4 million in 2021, representing a 0.6% increase from US$299.7 million recorded in 2020.

43. The capital account continued to benefit from the support rendered by Zimbabwe's Development Partners, with a cumulative amount of US$1 096.1 million in development assistance, from both bilateral and multilateral partners, received by the country in 2021.

44. Gross offshore loan receipts peaked at just above US$1 billion for both the public and private sectors in 2021. Public enterprises received US$36 million, while the private sector accessed about US$970.3 million in foreign loans. The disbursements to the public sector were solely from active loan portfolios with the Export-Import Banks of India and China, respectively.

45. Direct investment was subdued, falling by 14.6% relative to the 2020 level to US$166 million. Portfolio investment also suffered a huge blow from the deleterious effects of the coronavirus pandemic, registering inflows of US$30.2 million against outflows of US$137.9 million.

Supply and Demand for Foreign Currency

46. Total foreign currency receipts for 2021 amounted to US$9,686.1 million, up from US$6,310.8 million received in 2020. This represented a 53.5% increase.

47. Total declared cumulative export shipments, including tourism and cross border road freight amounted to US$6,234.3 million in 2021, compared to US$4,693.9 million declared in 2020. This represents an increase of 32.8% in 2021.

48. Total foreign payments reported by Authorised Dealers increased by 45.2% to US$6,989.6 million, from US$4,815.2 million reported in 2020.

Foreign Investment Facilitation

48. The total value of external loans approved in 2021 was US$1,298.0 million compared to US$1,338.6 million in 2020, as shown in Table 5. This represented a 3% decrease, compared to the previous year. The number of approved offshore facilities increased from 96 in 2020 to 108 in 2021.

49. The sectoral concentration of external borrowings maintained a similar trend for both 2020 and 2021, with the agriculture sector dominating at above 50% of the total value of credit facilities contracted in both years.

Table 5: External Loan Approvals by Sector

	2020		2021	
Sector	**Approved Amount 2020 (US$ m)**	**Percentage Sectoral Contribution**	**Approved Amount 2021 (US$ m)**	**Percentage Sectoral Contribution**
Agriculture	737.6	55.1	783.2	60.3
Mining and Quarrying	38.7	2.9	39.9	26.2
Financial	220.1	16.4	9.7	6.9
Manufacturing	11.1	0.8	41.3	3.2
Services	0.8	0.1	30.1	2.3
Transport	13.7	1.0	4.5	0.4
Retail and Distribution	2.1	0.2	3.2	0.3
Construction	293.8	22.0	2.9	0.2
Energy	0	0	2.1	0.2
Tourism	20.9	1.6	1.1	0.1
TOTAL	**1,338.6**	**100**	**1,298.0**	**100**

Source: Reserve Bank of Zimbabwe, 2021

3. BANKING SECTOR REGULATIONS AND SUPERVISION

3.1 Banking Sector Performance

50. The banking sector continued to show resilience notwithstanding constraints from the negative impact of the Covid-19. Economic recovery continued during the year ended 2021, thus bolstering the positive performance of the banking sector. The banking sector resilience was reflected by satisfactory performance for the year ended 31 December 2021 on the back of adequate capitalisation, satisfactory earnings, asset quality and liquidity.

Capitalisation

51. The banking sector remained adequately capitalised, with banking sector average capital adequacy and tier one ratios of 32.86% and 26.54% respectively, which were above the regulatory minima of 12% and 8%, respectively.

52. Aggregate core capital increased by 147.94%, from ZW$40.75 billion to ZW$101.04 billion during the year ended 31 December 2021. Growth in core capital was mainly a result of revaluation gains on investment properties as well as capital injections by shareholders.

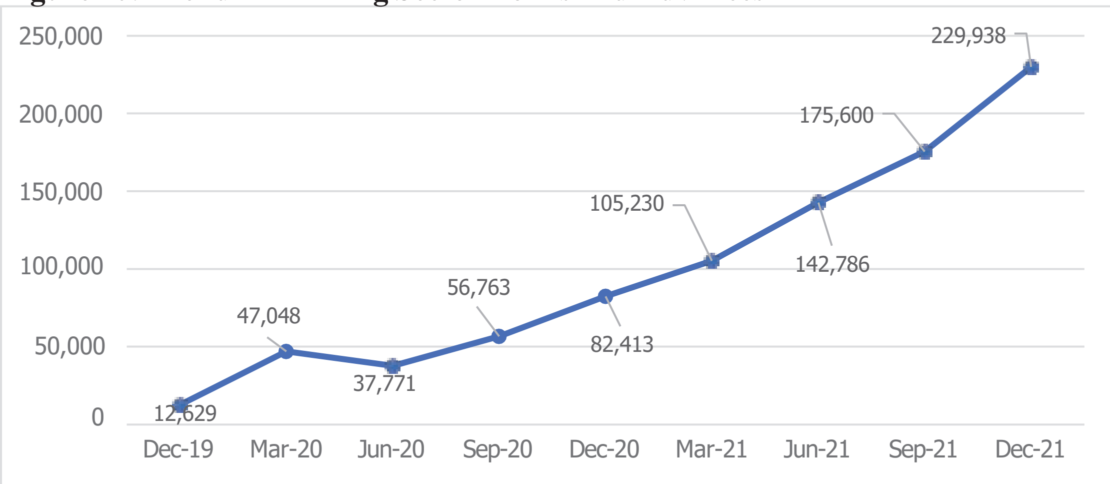
53. During the year, banking institutions embarked on a number capital raising initiatives to comply with the new minimum capital requirements effective 31 December 2021, for their respective capital tier segment. As at 31 December 2021, 13 out of the 18 operating banking institutions were in compliance with the minimum core capital requirement. Non-compliant institutions were granted various extensions, on a case-to-case basis, to regularise their capital positions by 31 December 2022.

54. Meanwhile, non-compliant institutions were required tocapitalize their earnings and not declare dividends until such a time that the institutions had met the new minimum capital requirement. In addition, the institutions were required tosubmittothe Bank revised board approved capital plans and quarterly updates on capital raising initiatives.

Asset Quality

55. Total banking sector loans and advances increased from ZW$82.41 billion to ZW$229.94 billion, during the year ended 31 December 2021. Figure 10 shows the trend in banking sector loans and advances from 31 December 2019 to 31 December 2021.

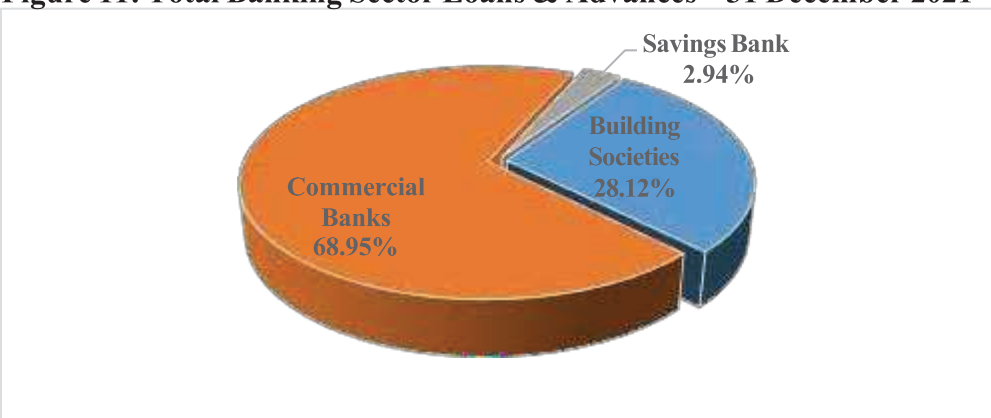
Figure 10: Trend in Banking Sector Loans and Advances



Source: Reserve Bank of Zimbabwe, 2021

56. As at 31 December 2021, the commercial banking sub-sector accounted for 68.95% of the total banking sector loans and advances as shown in Figure 11.

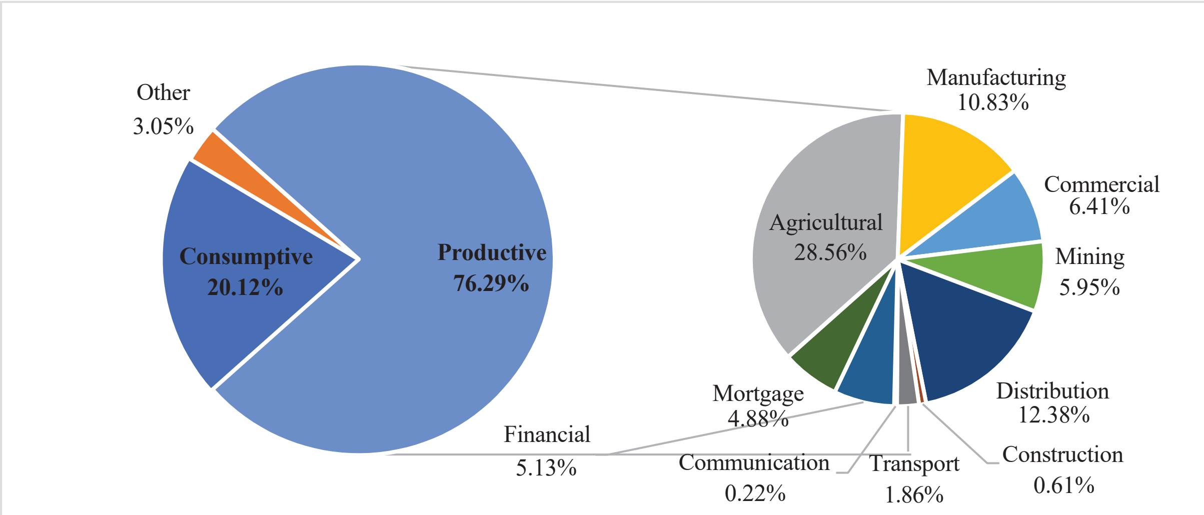
Figure 11: Total Banking Sector Loans & Advances – 31 December 2021



Source: Reserve Bank of Zimbabwe, 2021

57. Lending to the productive sectors of the economy decreased from 82.50% as at 31 December 2020, to 76.29% as at 31 December 2021. The sectoral distribution for loans and advances was as shown in Figure 12.

Figure 12: Sectoral Distribution – 31 December 2021

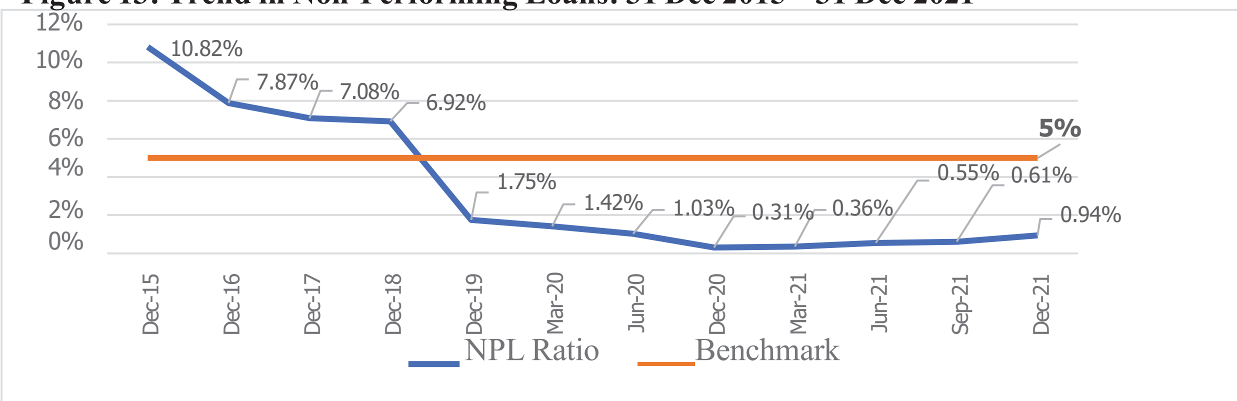


Source: Reserve Bank of Zimbabwe, 2021

Non-Performing Loans (NPLs)

58. As at 31 December 2021, banking sector portfolio quality remained satisfactory with the average non-performing loans (NPLs) to total loans ratio of 0.94% against the generally acceptable international threshold of 5%. The trend in the level of non-performing loans from 31 December 2015 to 31 December 2021 is indicated in the Figure 13.

Figure 13: Trend in Non-Performing Loans: 31 Dec 2015 – 31 Dec 2021

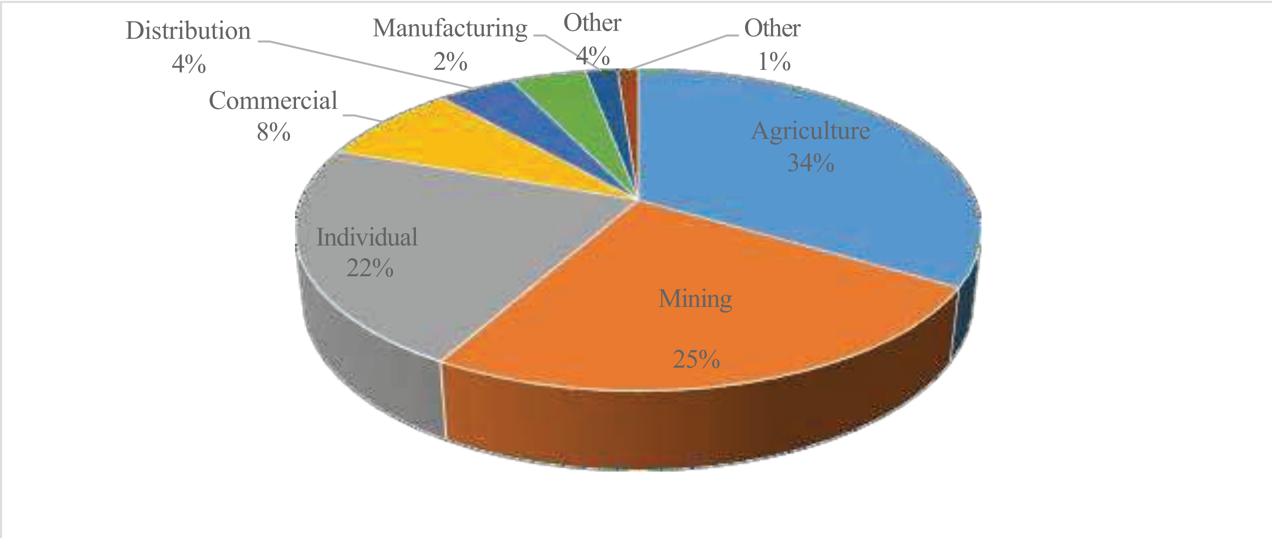


Source: Reserve Bank of Zimbabwe, 2021

Sectoral Distribution of NPLs

59. In terms of distribution, sectors with the highest NPLs during the period under review were agriculture, mining and households constituting 34%, 25% and 22%, respectively as shown in Figure 14.

Figure 14: Sectoral Distribution of NPLs as at 31 December 2021



Source: Reserve Bank of Zimbabwe, 2021

Earnings Performance

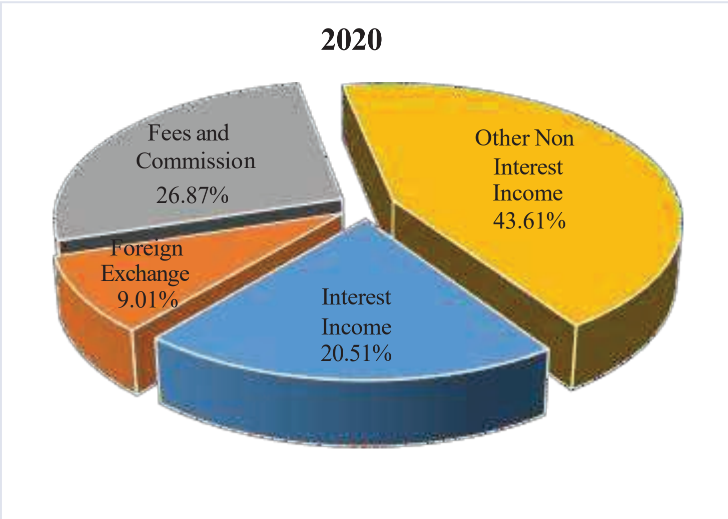
60. The banking sector remained profitable during the year ended 31 December 2021 thus providing a source of capital growth. Eighteen (18) operating banking institutions reported aggregate profits of ZW$59.59 billion, an increase from ZW$34.24 billion reported in the corresponding period in 2020.

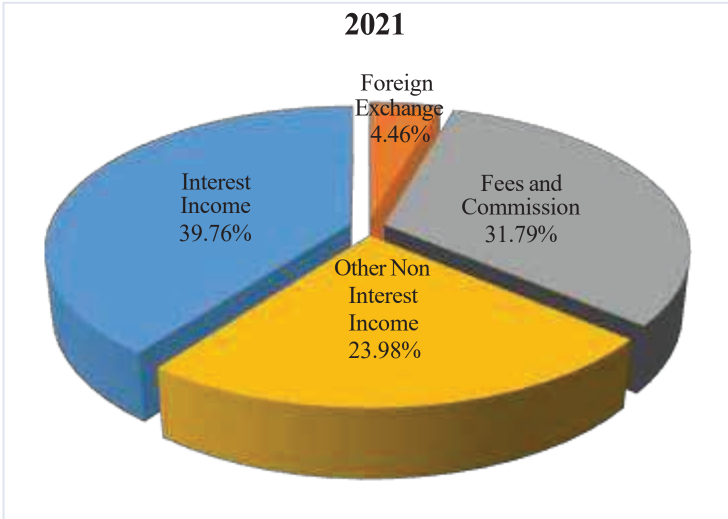
61. Total income was dominated by non-interest income (60.23%) which was skewed towards fees and commission and other non-interest income which contributed 31.79% and 23.98% of the total non-interest income, respectively. Other non-interest income mainly comprised revaluation gains from investment properties and translation gains on foreign currency.

62. Interest income (ZW$56.81 billion) was largely dominated by interest from loans and advances which constituted 87.98% of total interest income during the period under review.

63. Interest income accounted for 39.76% of total banking sector income in 2021 compared to 20.51% in 2020.

Figure 15: Comparison of Income Mix – 2020 and 2021

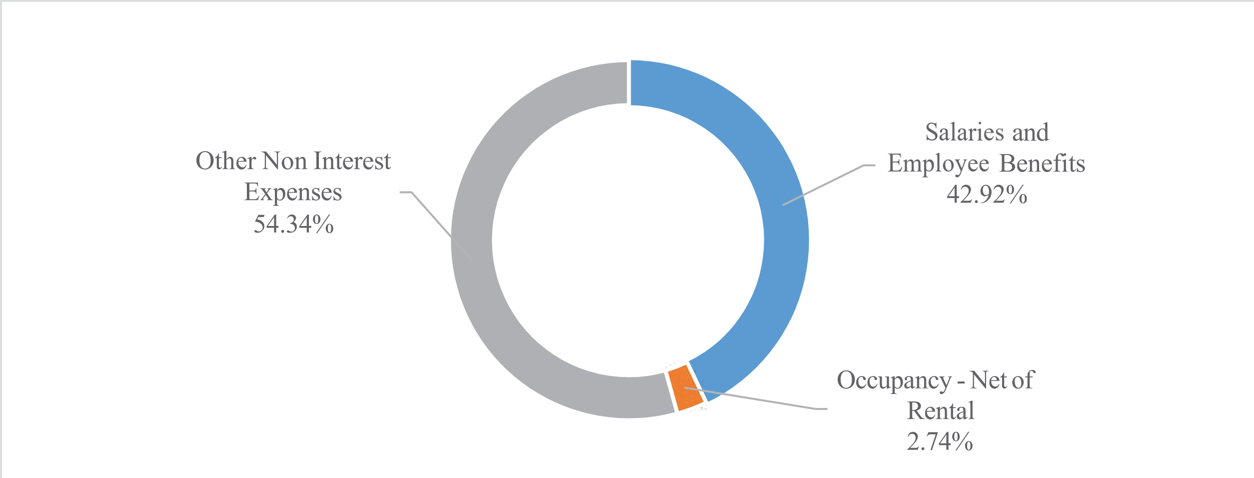




Source: Reserve Bank of Zimbabwe, 2021

64. The cost to income ratio for the banking sector slightly improved to 71.61% as at 31 December 2021, from 71.97% as at 31 December 2020. The breakdown of non-interest expenses for the period under review is indicated in Figure 16.

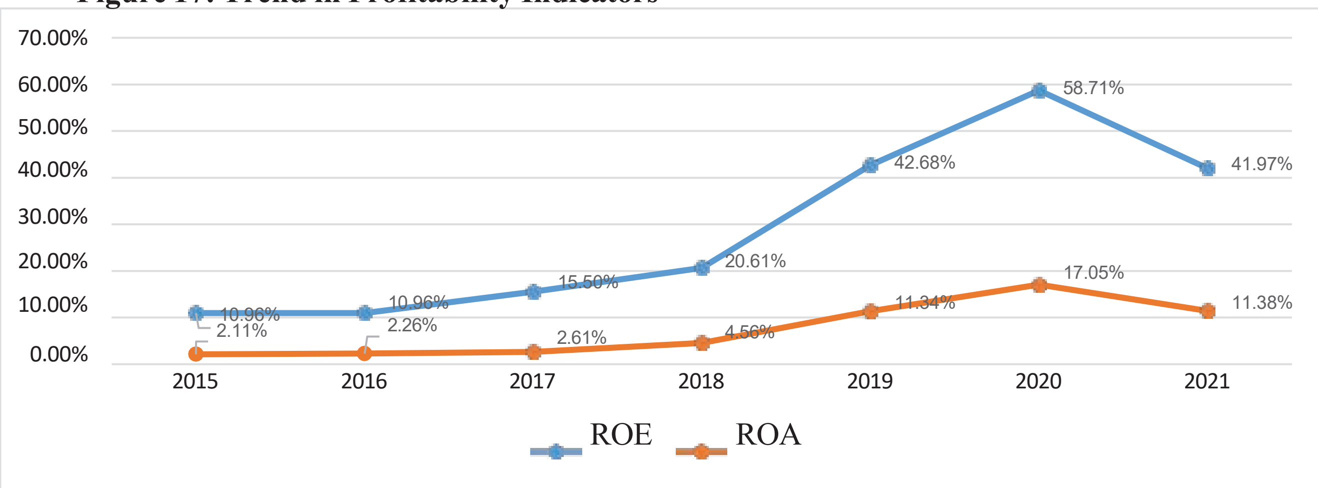
Figure 16: Banking Sector Non-Interest Expenses – 31 December 2021



Source: Reserve Bank of Zimbabwe, 2021

65. Banking sector profitability as measured by the return on assets and return on equity ratios deteriorated from 17.05% and 58.71% as at 31 December 2020 to 11.38% and 41.97% as at 31 December 2021, respectively. This was due to more than proportionate growth in assets, mainly loans and advances, compared to after tax profits. The value of loans and advances has been increasing largely due to revaluations against the backdrop of depreciation of local currency against the United States Dollar.

Figure 17: Trend in Profitability Indicators



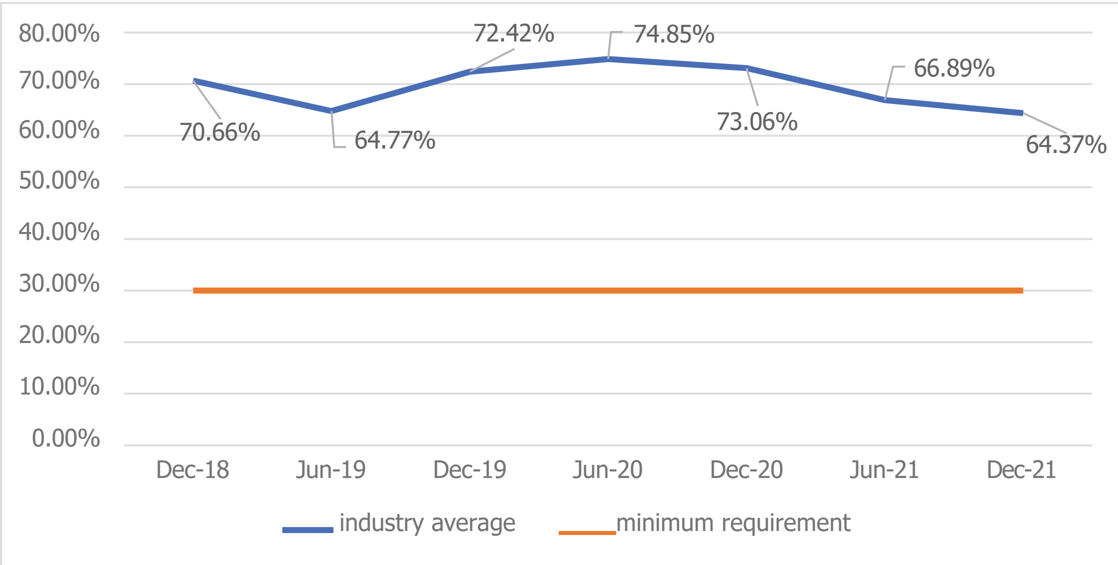
Source: Reserve Bank of Zimbabwe, 2021

Liquidity and Funds Management

66. Total deposits for the commercial banking sub-sector increased by 127.25%, from ZW$189.81 billion as at 31 December 2020 to ZW$431.35 billion as at 31 December 2021.

67. The average prudential liquidity ratio for the sector was 64.37% as at 31 December 2021, against the minimum regulatory requirement of 30%, largely reflecting high stock of liquid assets in the sector. The trend in the liquidity ratio is shown in Figure 18.

Figure 18: Prudential Liquidity Ratio Trend (%)



68. The high liquidity ratio in the sector partly reflected the cautious lending approach adopted by banking institutions.

69. As part of measures to promote savings, the guiding interest rates for ZW$ savings and time deposits were increased from 5% and 10% per annum to 7.5% and 20% per annum, respectively in October 2021.

3.2 Money and Capital Markets Developments

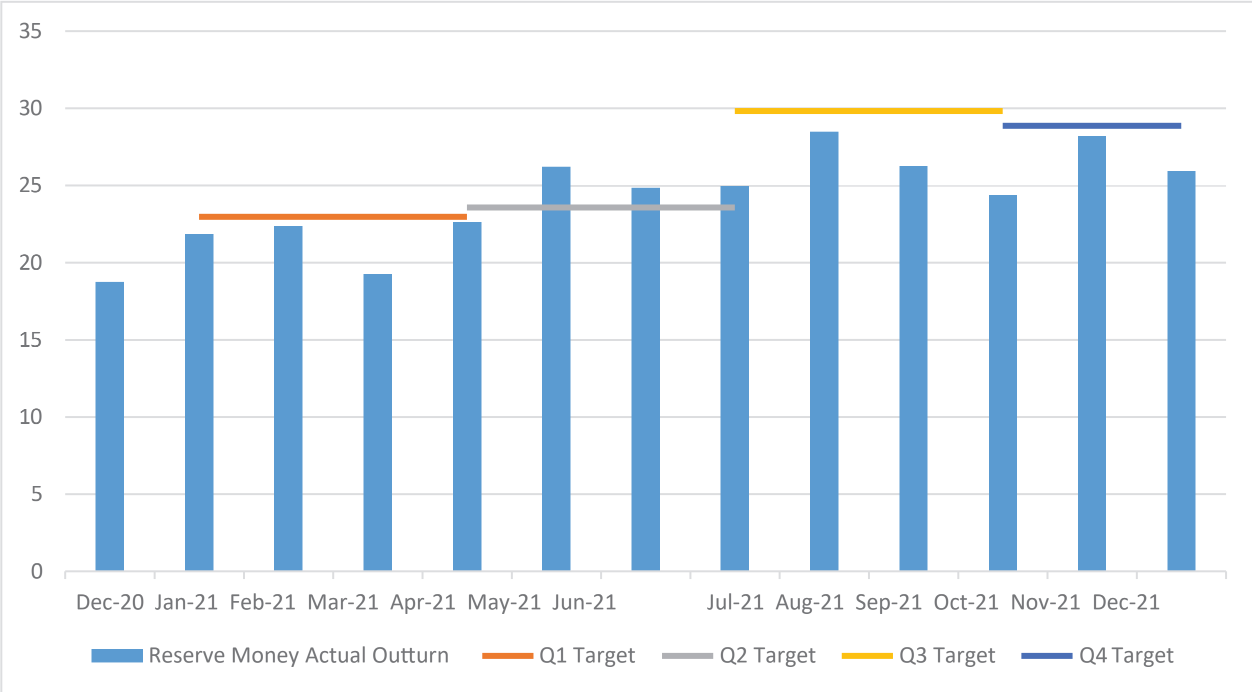
Reserve Money Developments

49. The Reserve Bank of Zimbabwe continued to implement a conservative monetary targeting framework throughout 2021. The framework was designed to contain money supply growth and avert attendant pressures on the exchange rate and inflation. Quarter-on-quarter reserve money growth target for 2021 was progressively reduced, from 22.5% during the first two quarters of 2021, to 20% in the third quarter, and further down to 10% in the fourth quarter of the year.

50. The downward revision in reserve money targets followed the need to tighten monetary policy in response to resurgence of inflationary and exchange rate pressures in the economy, emanating predominantly from parallel market activities. As a result of the exchange rate pass through effect to prices, month-on-month inflation rose from 1.6% in April 2021 to 6.4% in October 2021, before closing the year at 5.8% in December 2021. The exchange rate also depreciated significantly on the parallel market during the same period. Increase in administered prices, notably electricity and fuel, coupled with communication (voice and data) charges, contributed to price escalations.

51. The successive downward revisions in quarter-on-quarter growth targets saw reserve money closing the year 2021 at ZW$25.94 billion, well below the fourth quarter target of ZW$28.9 billion. Quarter-on-quarter reserve money growth fell by 1.14%, against a target of not more than 10%. This was in spite of the once-off increase in statutory reserves, following the upward revision of the statutory reserve requirement ratio for demand/call deposits from 5% to 10%. Figure 19 shows reserve money developments in 2021.

Figure 19: Reserve Money Developments (ZW$ Billions)



Source: Reserve Bank of Zimbabwe, 2021

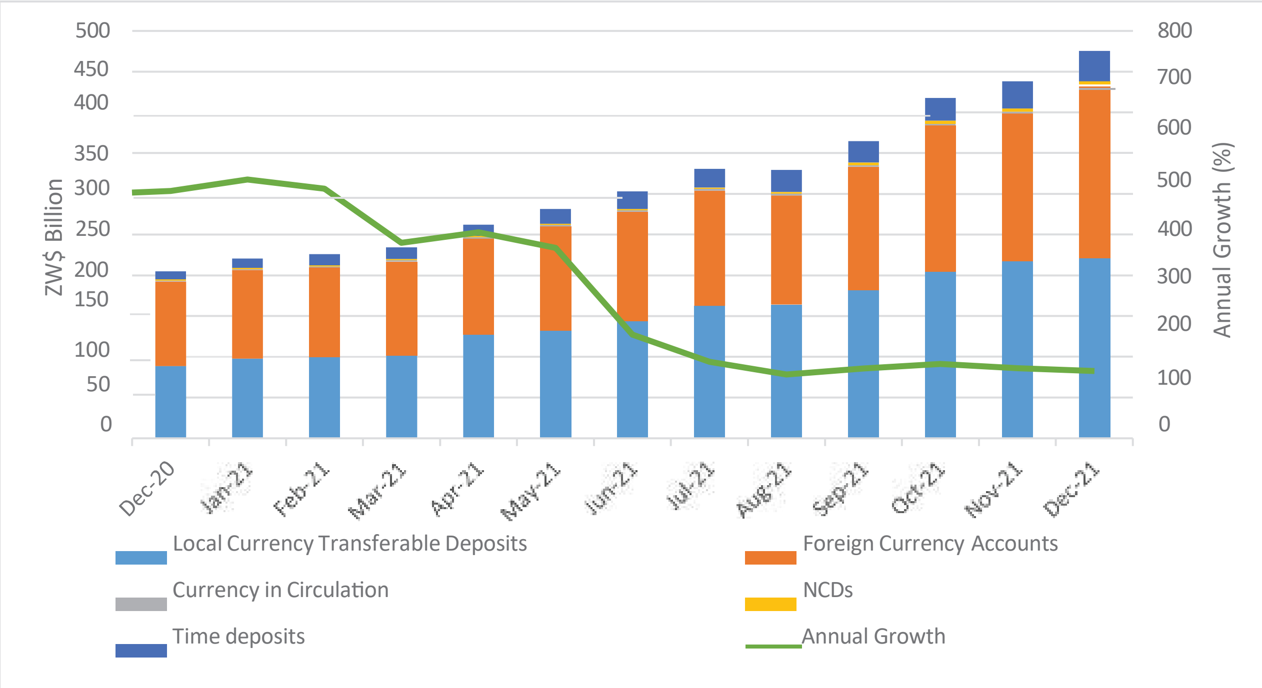
52. The year-end reserve money stock of ZW$25.94 billion translated to a year-on-year growth of 38.26%, which was a decline of 43.44 percentage points from 81.70% recorded in 2020. Despite the relatively high and unstable money multiplier of around 10, the decline in the rate of annual growth in reserve money saw broad money (M3) annual growth rate also falling from 508% in January 2021 to 132% by December 2021.

Broad Money Developments

53. Broad money (M3) rose from ZW$204.9 billion in December 2020, to ZW$475.36 billion by end-December 2021. Year on year growth in M3, however, fell from 485.2% in December 2020 to 132% by December 2021. This year-on-year growth in M3 largely reflected increases of 277.55% in time deposit, 157.37% in certificates of deposits and 149.20% in local currency transferable deposits.

54. Local currency transferable deposits accounted for the largest share of broad money, at 46.54%, followed by foreign currency deposits, 44.33%; time deposits, 7.87%; negotiable certificates of deposits, 0.78%; and currency in circulation, 0.49%. Figure 20 shows monetary developments for the period January 2020 to December 2021.

Figure 20: Monetary Developments



Source: Reserve Bank of Zimbabwe, 2021

Domestic credit

55. Domestic credit registered a year-on-year growth of 218.18%, from ZW$106.95 billion in December 2020 to ZW$340.29 billion in December 2021. The growth largely reflected annual increases of 270.05% and 198.58% in net claims on Government and credit to the private sector, respectively. The increase in claims on Government, however, largely reflected the accounting treatment of the drawdowns by Government of the IMF's Special Drawing Rights (SDRs), allocated to the country in the aftermath of the Covid-19 pandemic.

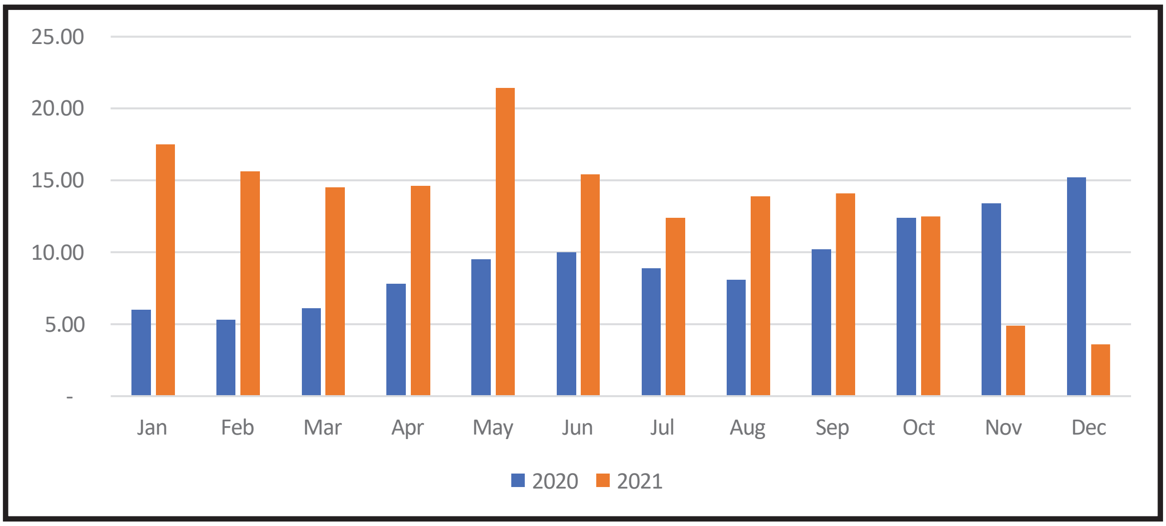
Money Market Liquidity

56. Money market liquidity as measured by banks' excess account balances at the central bank remained concentrated in ten banks, which accounted for around 65% as at 31 December 2021.

57. Average monthly excess account balances declined from ZW$15.2 billion as at 31 December 2020 to ZW$3.6 billion as at 31 December 2021, on the back of the tight monetary policy stance adopted by the Bank.

58. The Bank tightened monetary policy by targeting a quarterly reserve money growth of 10% during the last quarter of 2021. To achieve this target, the Bank started the issuance of zero percent non-negotiable certificates of deposit (NNCDs) to mop-up excess liquidity from the market. The trends in monthly average balances between 2020 and 2021 are depicted in Figure 21.

Figure 21: Monthly RTGS Average Balances (ZW$ bn)



Source: Reserve Bank of Zimbabwe

Open Market Operations

59. Following the introduction of NNCDs in June 2021 to mop-up excess liquidity, the Bank discontinued the issuance of the 7% Savings Bonds. The outstanding stock of NNCDs as at 31 December 2021 was ZW$47.7 billion.

Statutory Reserves

60. The statutory reserve requirement ratios of banks were increased in February 2021, from 2.5% to 5% for demand and call deposits and further to 10% in October 2021. The ratio for time deposits was, however, maintained at 2.5%.

61. As a result, statutory reserve balances rose from ZW$2.4 billion on 4 January 2021 to ZW$20 billion as at 31 December 2021.

Bank Rate

62. There was little activity on the overnight facility as most banks had excess liquidity on their positions. The Bank Rate (Overnight Accommodation Rate) was increased from 35% to 40% in February 2021 and subsequently to 60% in October 2021, as the Bank further tightened monetary policy.

Central Bank Facilities

Medium Term Bank Accommodation Facility

63. The Medium-Term Bank Accommodation Facility which was introduced in 2019 to promote production and increase productivity remained in place in 2021. The lending rate for the facility was increased from 30% to 40% in October 2021 to curb speculative borrowing. Cumulatively, ZW$7.5 billion had been disbursed as at 31 December 2021.

Micro, Small and Medium Enterprises (MSMEs) Facility

64. To support the Micro, Small and Medium Enterprises, which were not spared by the Covid-19 pandemic, a ZW$500 million facility was set-up in June 2021. The facility is being disbursed to banks at a rate 40% for tenors of between 12 and 36 months and banks were allowed to add a maximum margin of 10 percentage points. The full amount had been disbursed by 31 December 2021.

Government Securities

Treasury Bill Auctions

65. Government continued with the issuance of Treasury Bills through the auction and private placements. Treasury bills amounting to ZW$46.2 billion were issued in 2021, with the majority being issued through private placements.

Outstanding Domestic Debt Instruments

66. As at 31 December 2021, total outstanding local currency denominated Government domestic debt instruments amounted to ZW$48.84 billion, whilst US$ denominated Government debt instruments amounted to US$132.25 million, as highlighted in Table 6.

Table 6: Treasury Bills Composition

Institution	Cost (ZW$m)	Maturity Value (ZW$m)
RBZ Debt takeover Domestic	7.98	8.18
Government Financing	28,592.69	33,194.29
Government Debt	4,580.69	5,480.89
RBZ Government restructured debt	3,995.20	6,323.81
RBZ Converted Bills	1,334.04	1,788.47
ZAMCO	1,084.63	1,543.97
GMB	42.02	51.23
Capitalization	379.83	446.61
Total Domestic (ZW$)	**39,975.06**	**48,837.45**
	Cost (US$m)	**Maturity Value (US$m)**
RBZ Debt takeover Foreign (US$)	123.57	132.25
Total Foreign (US$)	**123.57**	**132.25**

Source: Reserve Bank of Zimbabwe

Annual Maturity Profile

67. Table 7 shows the annual maturity profile for all ZW$ denominated Treasury bills up to year 2034.

Table 7: Outstanding Government Securities as at 31 December 2021

Period	Principal Amount (ZW$ m)	Interest Amount (ZW$ m)	Total Amount (ZW$ m)
2022	**32,698.09**	**5,388.13**	**38,086.21**
2023	926.54	344.55	1,271.10
2024	845.41	295.97	1,141.38
2025	905.91	358.83	1,264.73
2026	460.89	205.53	666.42
2027	519.39	217.64	737.03
2028	517.40	253.31	770.71
2029	452.33	257.86	710.18
2030	554.40	277.15	831.55
2031	574.56	292.46	867.02
2032	595.61	308.96	904.56
2033	561.34	323.00	884.33
2034	363.20	338.830	702.03
Grand Total	**39,975.06**	**8,862.21**	**48,837.26**

Source: Reserve Bank of Zimbabwe

68. Table 8 shows the annual maturity profile for US$ denominated Treasury bills up to year 2023, with 2022 having the largest maturity value of US$75.41 million.

Table 8: Outstanding Government Securities in US$

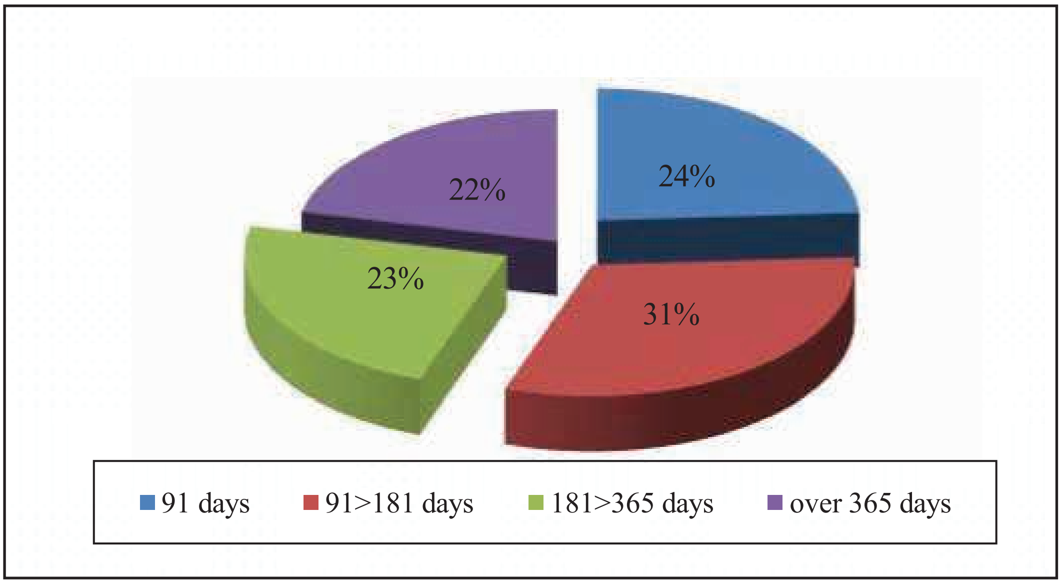
Period	Principal Amount US$m	Interest Amount US$m	Total US$m
2022	**68.10**	**7.31**	**75.41**
2023	55.46	1.38	56.84
Grand Total	**123.57**	**8.68**	**132.25**

Source: Reserve Bank of Zimbabwe

69. **Government Debt Securities by Tenor**

There was a general preference for short-term instruments in the market, with 78% of outstanding Government domestic debt instruments maturing within 365 days, as depicted in Figure 22.

Figure 22: Government Debt Securities by Tenor



Source: Reserve Bank of Zimbabwe

Domestic Bond Market Development

70. The Bank introduced Exchange Rate Linked Savings Bonds during the year. This was an attractive instrument among mining houses and as at 31 December 2021, the outstanding balance was ZW$3.3 billion.

71. The first Government bond issue of 2021, a 2-year instrument with a coupon rate of 18%, was floated in August. Support for the bond was very low partly due to the unattractive coupon rate and market preference, which was inclined towards short-term investments due to developments on the inflation front.

72. While the demand for long-term financing in the economy remained huge, the corporate bond market remained inactive due to short-termism which dominated the market.

3.3 Lending and Portfolio Quality

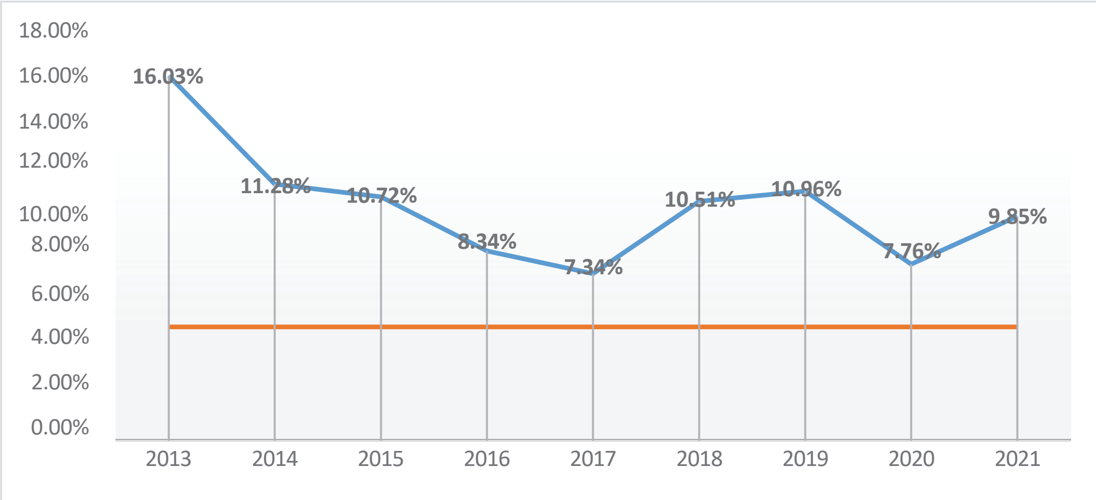
Portfolio Size

73. Loans issued by the microfinance sector increased by 252.15%, from ZW$2.09 billion as at 31 December 2020 to ZW$7.36 billion as at 31 December 2021. This increase was mainly on account of the relaxation of Covid-19 restrictions by Government which increased credit demand by households and SMEs.

Portfolio Quality

74. Loan quality by the microfinance sector, however, deteriorated as reflected by increased portfolio at risk (>30 days) ratio, which moved from 7.76% to 9.85% as at 31 December 2021. The Covid-19 pandemic negatively impacted on business operations for both corporates and individuals. Figure 23 shows the portfolio risk trend from 2013 to 2021.

Figure 23: Portfolio at Risk (percentage)



Source: Reserve Bank of Zimbabwe, 2020

Profitability

75. Cumulative retained earnings for the year ended 31 December 2021 increased to ZW$1.72 billion, from ZW$439.39 million recorded for the corresponding period in 2020. The adoption of digital financial services by the majority of microfinance institutions positively impacted on cost containment and facilitated increased access and usage of microfinance services and products by the micro, small and medium enterprises. This in turn contributed to the sector's profitability.

76. The sector registered an operational self-sufficiency (OSS) ratio of 210.09% for the period under review, up from 111.86% as at 31 December 2020, against the international benchmark of 100%.

Deposit Mobilisation by Deposit taking Microfinance Institutions (DTMFIs)

77. The sub-sector's aggregate deposits increased by 279.95%, from ZW$239.11 million in 2020 to ZW$908.50 million, during the year under review. One DTMFI accounted for 82.41% of the sector's total deposits.

3.4 Legal and Regulatory Developments

Amendments to the Banking Regulations

78. As part of efforts to align the Zimbabwean regulatory framework with best practice, strengthen the financial sector and maintain financial stability, amendments were made to the legal framework.

Lending to Related Parties

79. The Zimbabwean legal framework provides for specific conditions for lending to related parties as a measure to control potential abuse of insider loans. To balance the measure of control and allow for efficient conduct of banking business, a maximum amount that may be lent to related parties without conditions specified under section 35 of the Banking Act was gazetted.

80. The Banking (Amendment) Regulations No. 7 of 2021 were gazetted on 5 March 2021, to provide the maximum amount which can be lent to related parties by banking institutions from ZW$50,000.00 to an amount, in local currency, equivalent to US$15,000.00 beyond which insider loans must meet the following conditions:
    a) the transaction should be approved by the board of the banking institution;
    b) the credit should not exceed ten per centum of the paid-up equity capital of the banking institution;
    c) the credit should be covered by one hundred per centum collateral; and
    d) the credit should be deducted from the paid-up equity capital of the banking institution.

Registration of Institutions to Operate within International Financial Services Centres

81. Through Finance Act Number 7 of 2021, the Banking Act was amended to provide supplementary provisions on the establishment and registration of institutions to operate from the international financial services centres (IFSCs), as may be set up in Zimbabwe from time to time.

82. A qualifying foreign or locally-based banking institution, may apply to the Registrar of Banking Institutions or the relevant regulatory authority under the relevant Act, for an international financial services centre operating licence, specifying in which Special Economic Zone it wishes to establish itself.

83. All the investor guarantees provided for under the Zimbabwe Investment and Development Agency Act [Chapter 14:38] shall apply to an IFSC licensee, provided that the prudential and market conduct terms and conditions of an IFSC licence governing its operation as a banking institution or financial institution shall prevail.

Services that may be offered within International Financial Services Centre

84. In terms of the Banking Amendment, international financial service licensees may carry on banking and financial businesses and other activities as permitted under their operating licenses, having regard to whether they are registered as a banking institution or other financial institutions. The services that may be authorised include the following—

a. financial and banking services including the business of investment and commercial banking institutions, financing companies, wholesale trading and electronic banking;
b. insurance, re-insurance and insurance brokerage services including property and casualty insurance and other kinds of insurance and any other related services;
c. the trading of, and advising on, securities, commodities and derivatives, and other related financial services;
d. money management services, investment services and investment fund services for the purpose of financing projects and providing capital for companies and establishments in all fields of investment;
e. pension funds, investment funds and trust services; and
f. brokerage, clearing, settlement and custody services.

International Financial Services Council

85. The International Financial Services Council was also established in terms of the same Banking Act amendment. The council will be made up of members to be drawn from the Ministry of Finance & Economic Development, Reserve Bank of Zimbabwe, Securities & Exchange Commission, Insurance & Pensions Commission and one industry expert to be appointed by the Minister of Finance & Economic Development.

86. The Council is tasked with providing direction and addressing any challenges in the development of the International Financial Services Centre and advising the Minister on the setting up and establishment of an International Financial Services Authority. The mandate of the International Financial Services Authority shall be development and regulation of financial products and services and financial institutions operating within the centre.

Proposed Changes to the National Payment System Act [Chapter: 24:23]

87. The Bank continued reviewing the National Payment System Act [Chapter: 24:23] in a holistic manner to enhance the safety and security of digital financial transactional activities on various platforms.

Deferment of Payment of Dividends

88. Banks were, in terms of Circular No. 03-2020/BSD: Relief Measures in the Wake of Covid-19 Pandemic, directed to defer payment of dividends in line with section 33 of the Banking Act [Chapter 24:20], which restricts payment of dividends by banking institutions unless institutions have complied with capital requirements and adequate provisions against losses on loans have been made. During the year ended 31 December 2020 and during 2021, banks focused on bolstering their capital positions through retention of profits thus postponing payment of dividends. Going forward, banking institutions whose core capital position is non-compliant with the regulatory minimum core capital requirements effective 31 December 2021 will not be allowed to pay dividends without prior approval of the Bank until such a time that they become compliant.

Financial Education, Consumer Protection and Market Conduct Supervision

89. During the year ended 31 December 2021, the Bank remained focused on ensuring that financial inclusion continues to play a central role in promoting inclusive growth and shared prosperity. Resultantly, a number of financial inclusion activities were undertaken during the year.

90. Drafting of the National Financial Inclusion Strategy II 2021-202 (NFIS II) is underway. The results from the two FinScope Surveys, the MSME, and the Consumer FinScope Surveys that will be undertaken during the first half of 2022 will be incorporated in the final NFIS II.

91. The NFIS II will increase focus on usage of quality financial services and products, and sustainability of financial services and products.

92. There were notable improvements in financial inclusion as depicted by indicators such as the number of loans and value of loans to MSME women, and the youth. Notwithstanding the progress made in improving access to finance by the target groups, usage of financial products remained low.

93. Digitalisation of financial services played a key role in driving access and usage of financial services during the Covid-19 induced lockdowns experienced in 2021.

Financial stability initiatives

94. Fostering the soundness and stability of the financial system remained a key policy and regulatory strategic priority for the Bank. The Bank continued implementation of various financial stability enhancement measures during 2021.

Business Continuity Plans

95. The requirement for banking institutions to submit updated Business Continuity Plans and Cyber Risk Management Policies was maintained in 2021 on the back of heightened operational risk occasioned by the new era of remote working arrangements. The requirement will remain in place going forward as increased adoption of new

technologies such as Digital payments and E-money, Big Data Analytics, Artificial Intelligence and Cloud Computing continue to heighten new risks to the banking sector.

Cyber Risk Management Policies

96. The Bank continued to implore all payment system providers to implement effective risk management systems in line with the Risk-Based Cyber Security Framework of 2021.

Supervisory Colleges

97. As part of on-going supervision of cross border banking groups and international best practice, the Bank participated in supervisory colleges for Ecobank Transnational Incorporated (Ecobank Zimbabwe Limited) and Standard Bank Group (Stanbic Zimbabwe Limited), in October 2021.

98. The supervisory colleges recommended strengthening of banking groups' risk management systems to ensure adequate management of all risks faced by the banking groups' subsidiaries in view of the impact of Covid-19 pandemic on subsidiary operations.

99. The colleges further recommended harmonisation of banking laws to facilitate adoption of seamless banking platforms by subsidiaries across jurisdictions.

100. As part of efforts to harmonise regulatory and supervisory standards among member countries, the SADC Committee of Central Bank Governors (CCBG) Subcommittee on Banking Supervision developed a Framework for Cross Border Supervision of Banking Groups, taking into account the Basel Core Principles and other international standards. The Framework provides for legislative requirements for effective cross-border banking supervision; minimum standards for consolidated supervision and cross-border banking supervision; and minimum standards for home-host arrangements.

Basel III Implementation

101. The Bank is in the process of implementing Basel III Liquidity Standards which aim to promote the short-term and long-term resilience of the liquidity risk profile of banks.

Resilience is achieved by ensuring that banks maintain adequate stock of unencumbered high-quality liquid assets to survive significant stress scenarios, backed by requisite adequate long-term funding.

102. The Bank has since developed a Liquidity Coverage Ratio Standard which sets out minimum expectations for short term resilience of the liquidity profile of banks. The Standard will be issued once requisite consultative processes have been concluded.

Domestic Systemically Important Banking Institutions

103. Following the issuance of the D-SIBs Framework in April 2020, five (5) banking institutions were designated as domestic systemically important banking institutions for the review period, based on four (4) factors in line with Basel Committee on Banking Supervision guidance. The factors are size, complexity, substitutability and interconnectedness. The banks designated D-SIBs are CBZ Bank, Stanbic, FBC Bank, Ecobank and CABS. Factors considered in the assessment are connectedness, substitutability and complexity.

104. In line with the provisions of the Prudential Standard, all five D-SIBs were required to maintain a minimum surcharge of one percentage point for Higher Loss Absorbance (HLA), above the stipulated minimum Tier 1 ratio of 8%.

Credit Infrastructure

105. As part of the financial inclusion agenda, as well as addressing challenges to access and usage of financial services, the Bank continues to forge the development of a robust credit infrastructure.

Collateral Registry

106. The online Credit Registry system continues to complement and facilitate provision of digital financial services, such as automated lending, and effective management of credit risks by the banking sector.

107. The Credit Registry system received a total of 980,187 enquiries in 2021, up from 275,829 in 2020 reflecting increased usage as the credit registry system matures over time.

108. All banking institutions and microfinance institutions are required to consult the Credit Registry before granting a loan or a facility to their clients.

109. Use of data from the Credit Registry is critical in building "reputational collateral" through accumulation of repayment data and making the data available to lenders thereby facilitating access to formal financial services and products by the previously underserved and marginalised. The Credit Registry system is also key in preventing over-indebtedness on the part of the borrower.

Collateral Registry

110. Significant progress has been made towards the operationalization of the collateral registry. Following some delays occasioned by the Covid-19 pandemic, the Bank successfully conducted the first User Acceptance Testing of the Collateral Registry system in December 2021. The second and final testing session is now scheduled for May and June 2022 and shall involve banking institutions and microfinance institutions.

111. The Bank is targeting to go live soon after the second User Acceptance Testing when the vendor has considered stakeholder input on system functionalities during the second quarter of 2022.

Sustainability and Green Financing

112. Globally, sustainable banking practices are becoming the future in banking and the Bank is cognisant of the critical role that financial institutions play in supporting sustainable and resilient growth by integrating environmentally and socially responsible business decisions into their corporate strategies.

113. As part of measures to build an inclusive, resilient, socially responsible and environmentally friendly financial sector, the Bank continues to work closely with

financial institutions in the implementation of the Sustainability Standards & Certification Initiative (SSCI) being driven by the European Organization for Sustainable Development (EOSD).

114. As at 31 December 2021, nine (9) banking institutions were participating under the central bank led Sustainability Standards and Certification Initiative, while three (3) microfinance institutions had submitted applications for participation. . The participating institutions have made commendable progress in implementing the key pillars of SSCI.

115. Going forward, the Bank will be reviewing measures taken by banking institutions' boards and management in integrating sustainability principles into their corporate governance framework and risk management systems and practices as well as adoption of the minimum disclosure requirements on sustainability.

4. BANKING, CURRENCY AND PAYMENTS

116. During the year under review, the Bank continued to perform its functions of providing banking services to the Government and commercial banks, overseeing the national payment systems and supplying notes and coins to the market.

Payment Systems

117. National payment systems remained safe, sound and stable, during 2021, notwithstanding the effects of the COVID-19 pandemic. The Bank put in place measures to ensure that the banking community and financial market infrastructure remained resilient.

Access Points and Devices

118. In line with the need to ensure that the public had full access to banking services remotely, due to Covid-19 lockdowns, the number of access points and devices rose during 2021. Point of Sale (POS) points increased by 12.75% to 138,210, while credit, debit and prepaid cards went up by 13%, as shown in Table 10.

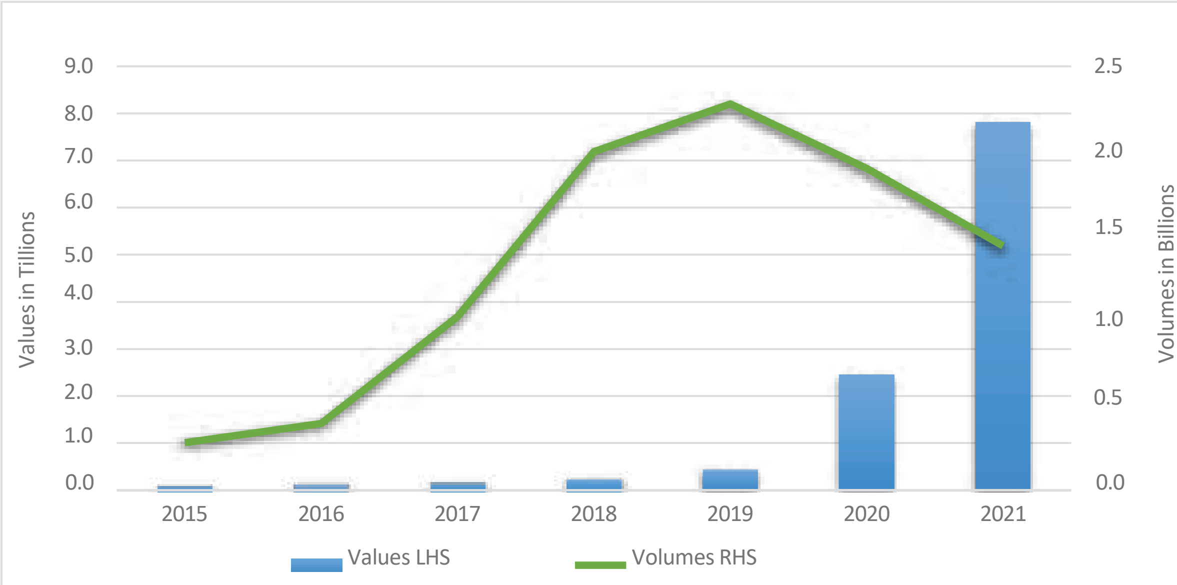
Table 9: Payment Access Points and Devices 2015- 2021

ACCESS CHANNELS/POINTS							
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
ATMS	556	569	561	551	542	532	410
POS	16,363	32,629	59,939	99,935	121,413	125,277	138,210
SUBSCRIBERS IN MILLIONS							
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Total Cards (Debit, Credit, Prepaid)	***2.41***	***3.19***	***4.36***	***4.84***	***5.74***	***5.82***	***6.51***
Total Registered Mobile Subscribers	***8.43***	***8.93***	***10.80***	***13.72***	***15.57***	***13.82***	***12.93***
Active Internet Subscribers	0.11	0.17	0.28	0.35	0.42	0.45	0.61
Active Mobile Subscribers	4.68	3.28	4.61	6.14	6.54	5.20	4.13

Source: Reserve Bank of Zimbabwe

119. Digital payment systems transaction values remained on an upward trajectory increasing by 218% in 2021. The volume of transactions, however, declined by 24%, during the same period, as shown in Figure 24.

Figure 24: Digital Payment Systems Annual Values and Volumes 2015 to 2021



Source: Reserve Bank of Zimbabwe

Euro Mastercard and Visa (EMV)Technology

120. Following calls by the Bank for financial service providers to phase out non-EMV compliant cards (magnetic strip), ATMs and POS infrastructure, a marked improvement was recorded in 2021. In this regard, the number of compliant POS machines rose by 27% to 82,612, while the number of compliant cards rose by 151% to just over 1.9 million.

Society for Worldwide Interbank Financial Telecommunications (SWIFT)

121. During the year, the Bank continued to monitor the SWIFT Customer Security Controls Framework (CSCF) for cybersecurity management, with emphasis on mandatory and advisory security controls for all SWIFT participants. In this regard, it was noted that there was an increase on compliance with controls for all banks.

122. The Zimbabwean market is working on compliance with SWIFT ISO 20022 which is due to commence globally on 30 November 2022, with a parallel run up to November 2025, after which the current MT messages will be phased out.

Anti-money Laundering and Counter Financing of Terrorism

123. The Bank continued to enforce the anti-money laundering and counter financing of terrorism (AML-CFT) measures through the implementation of risk-based supervision. There were, however, heightened risks arising from the rapid growth in the use of new technology occasioned by the advent of the Covid-19 pandemic.

124. In 2021, the Bank continued to provide guidance through virtual training workshops to ensure that financial institutions continuously implemented the minimum requirements provided in the AML-CFT Risk Based Guideline of 2021.

Interoperability

125. The Bank remained committed to promoting the usage of the interoperability facility, through educational and awareness campaigns.

126. The interoperability volume and value of transactions were on an upward trend, rising by 21% and 16%, respectively in 2021. This steady growth was largely spurred by mobile money transactions.

Principles of Financia lMarket Infrastructures (PFMIs)

127. The Bank continued to provide guidance on self-assessments on the 24 principles of PFMIs, which were adopted by the local market. To this end, seven payment system providers finalised their self-assessments during the year, and it was noted that they were largely compliant with the requirements under the PFMIs.

SADC Payment Systems

128. Zimbabwe was involved in the testing of the Mobile Initiated Low Value Credit Transactions Cleared on an Immediate Basis (TCIB), which will settle in the SADC-RTGS.

129. The TCIB retail payments initiative aims to create an efficient, safe, harmonised and integrated payment system in the region, which reduces cross-border remittance costs across the SADC region, as well as enhancing financial inclusion.

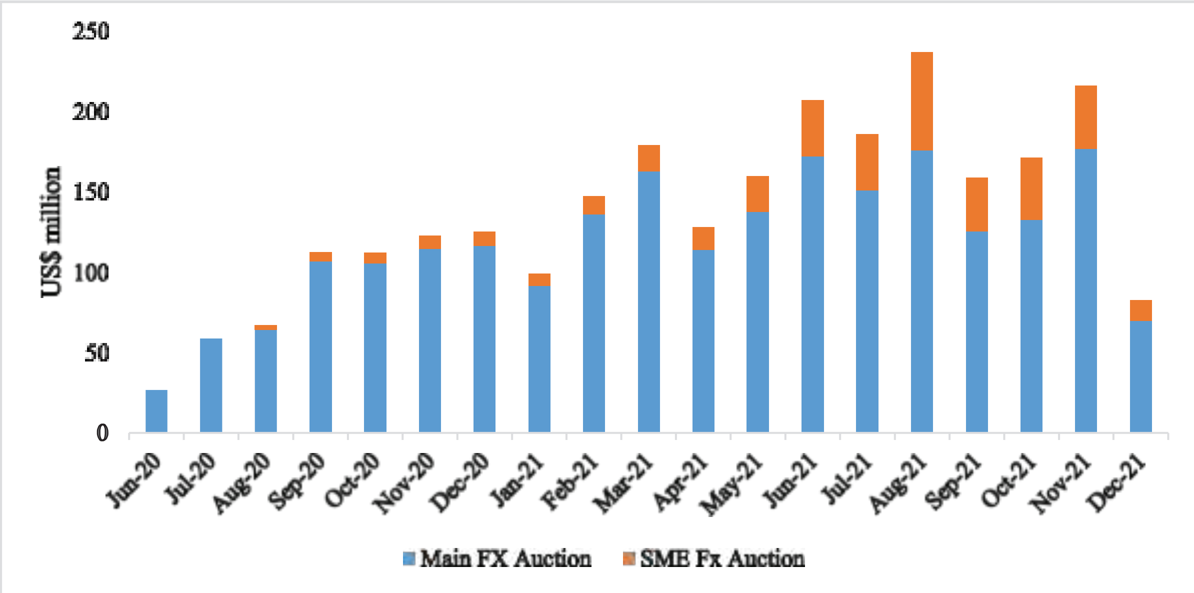
130. **Interbank Foreign Exchange Market**

The Dutch Foreign Exchange Auction System celebrated its first anniversary in June 2021, as efforts to bring transparency and efficiency in the trading of foreign currency as well as price stability continued. The main emphasis was on ensuring broader participation and market compliance, even as the auction continued its price discovery path.

131. The Bank successfully carried out 49 concurrent main auctions and the Small and Medium Scale (SMEs) foreign currency auctions in 2021, which availed US$1.97 billion to various sectors of the economy. The allotted amount in 2021, represented 97% of total bids submitted through the auction system. Cumulative auction allotments, from inception, stood at US$2.6 billion by 31 December 2021.

132. The distribution of foreign currency allotments between the main auction and the SME auction since the beginning of the auction system is shown in Figure 25.

Figure 25: Foreign Exchange Auctions Allotments in 2020-2021 (US$m)



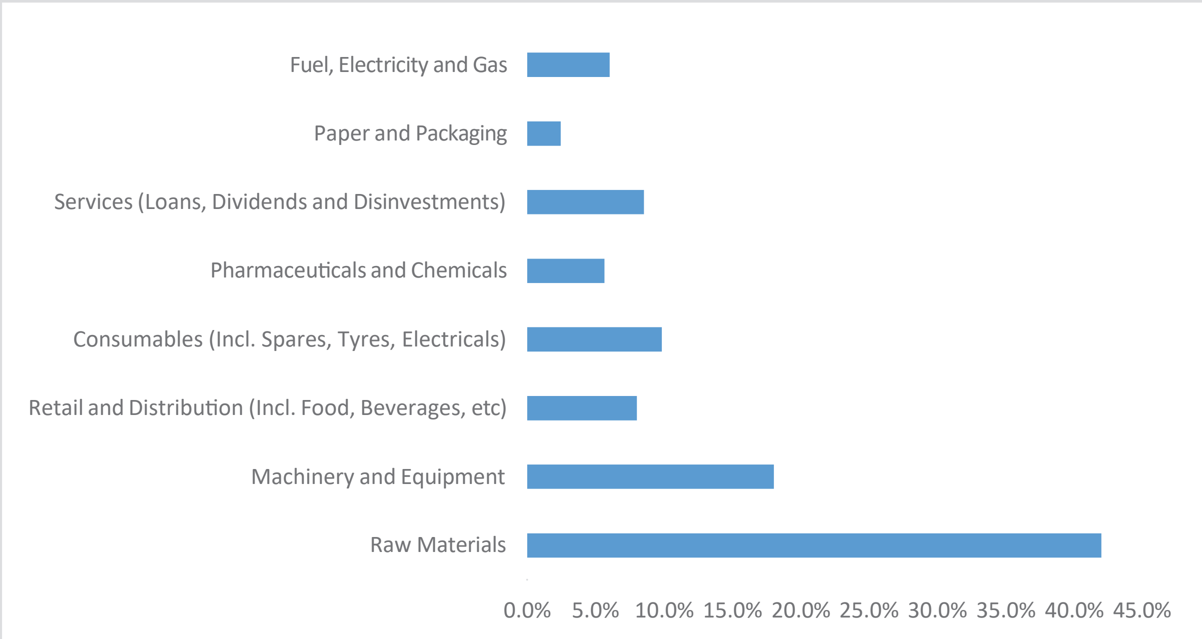
Source: Reserve Bank of Zimbabwe

133. A total of US$326 million or 16.5% went towards the SME Auction while the balance went towards the main auction during the year under analysis. The share of allotments of the SME auction to total allotments grew from about 8.0% in the first quarter of 2021 to 19%, during the last quarter of 2021.

134. The number of applicants on the auction increased significantly, from 500 at the beginning of 2021 to a peak of just over 2,000 applicants by year-end.

135. Allotments during the year went towards imports of raw materials (42%), machinery and equipment (18%), consumables for industry (18%), among other critical sectors, as shown in Figure 26.

Figure 26: Auctions Allotments by Purpose in 2021



Source: Reserve Bank of Zimbabwe

136. Foreign exchange availed by banks outside the auction system amounted to US$1.86 billion in 2021, as shown in Table 12.

Table 10: Foreign Exchange Traded Outside Auction System (US$)

Transaction	Period ending 31-Dec-20	Period ending 31-Dec 21
Initial Injection	**10,154,764.66**	**31,677,498.65**
Subsequent Cumulative Injections[1]	598,914,946.12	1,437,889,865.74
Cumulative Purchases by Banks	505,158,652.71	396,139,564.45
Cumulative Inflows	**1,114,228,363.49**	**1,865,706,928.84**
Less Cumulative Market Outflows	**1,082,550,864.83**	**1,860,723,370.18**
Closing Balance	**31,677,498.66**	**4,996,507.84**

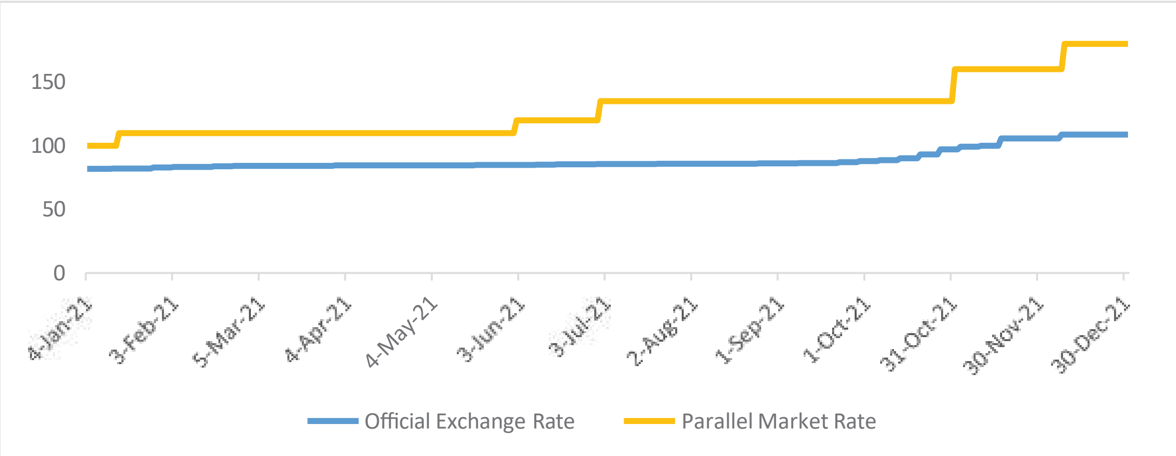
Source: Reserve Bank of Zimbabwe

[1] Includes sales to banks, direct payments and payments for maturing and issued letters of credit by banks.

Exchange Rate Developments

137. The exchange rate of the ZW$ to the US$ was generally stable during the first half of 2021, before depreciating at a faster rate in the last quarter of 2021, due, in part, to high foreign exchange demand. The local currency, which opened 2021 trading at US$1:ZW$81.79 depreciated by 25% to end the year at US$1:ZW$108.67, as shown in Figure 27.

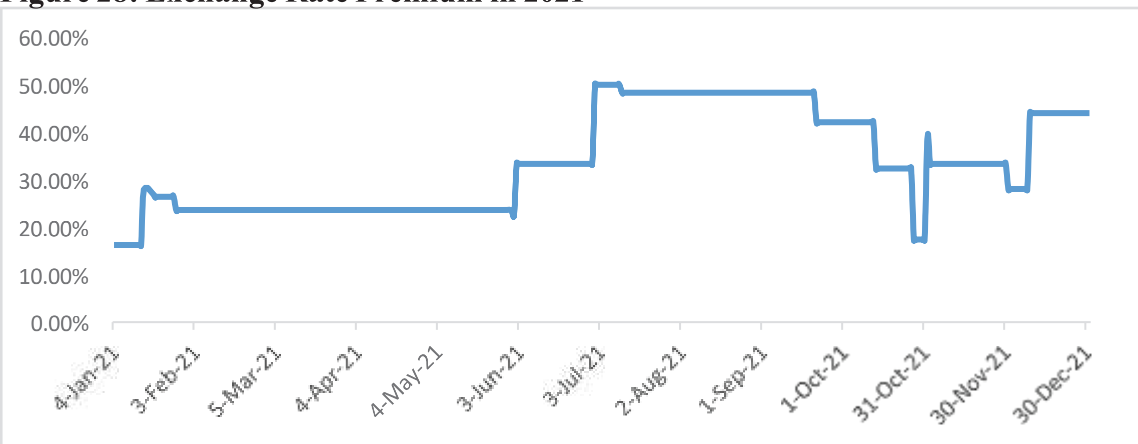
Figure 27: Exchange Rate Developments in 2021



Source: Reserve Bank of Zimbabwe

138. The premium between the parallel market rate and the official exchange rate (represented by highest bid rate), was more stable at below 30% in the first half of 2021, before rising sharply to around 50% in the last quarter, as shown in Figure 28.

Figure 28: Exchange Rate Premium in 2021



Source: Reserve Bank of Zimbabwe; Market Intelligence

139. The instability in the parallel foreign exchange market was largely attributable to indiscipline by economic agents, speculative tendencies and preference or substitution effects on the part of economic agents.

Foreign Exchange Stabilisation Facilities

140. The Bank negotiated and accessed offshore lines of credit to support the foreign exchange auction system, refinance existing obligations as well as meet the country's balance of payments requirements in 2021.

141. Despite the challenges linked to the Covid-19 pandemic, the Bank accessed more than US$1.8 billion from new and existing revolving external facilities, including letters of credit.

5 STRATEGY AND RISK MANAGEMENT

5.1 2020 -2025 Strategic Plan

142. To ensure that the Bank's corporate governance structures and processes remained efficient and effective, the Bank managed to craft its Strategic Plan for the five (5) years running from 2021-2025. The Plan, which was endorsed by the Minister of Finance and Economic Development, awaits ratification by the Board of Directors.

143. The 2021-2025 Strategic Plan builds on the progress made in implementing the 2015-2019 Back to Basics Strategy, and is aligned to the first five-year National Development Strategy (2021-2025). The Bank has adopted a three-pronged monetary policy strategy that focusses on exchange rate stability, financial stability, sound money supply management framework. These three key focus areas are underpinned by cross-cutting issues related to internal reforms.

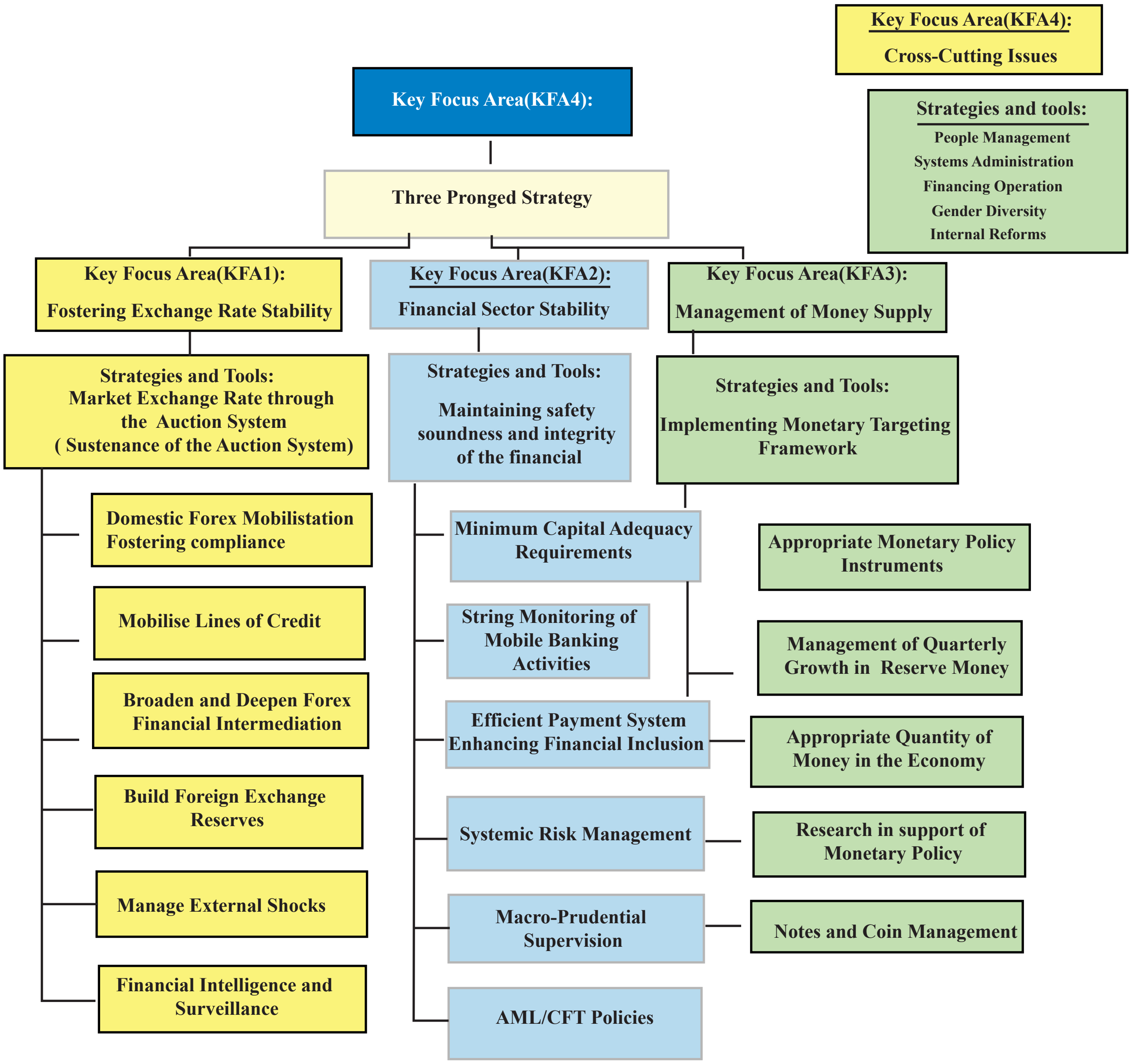
144. **Focus Area 1, Fostering Exchange Rate Stability.** The focus under this pillar will be on sustenance of the foreign exchange Auction system that has brought the much-needed stability and predictability in the foreign exchange market. The Bank will strive to

sustain the current market-based exchange rate under the auction system. Stability in the exchange rate will be key in containing it's pass-through on prices thus, aiding in achieving price stability.

145. **Focus Area 2**, **Financial Stability, Integrity, Inclusion and Sustainability**. The focus under this pillar will be to enhance and protect the stability, integrity, inclusivity and sustainability of the financial system. The Bank will continue to strengthen its regulatory and supervisory role through a combination of micro and macro-prudential tools and interventions to promote financial stability, taking into account technological innovations and global financial trends. In addition, the Bank will also ensure adequately capitalized banking institutions that are able to withstand shocks and to underwrite significant business for supporting economic growth and development.

146. **Focus Area 3, Management of Money Supply**. The focus under this pillar will be on managing growth of money supply, that is consistent with the desired inflation path and the projected economic growth rate. This will be accomplished through an appropriate monetary policy stance, under a conservative monetary targeting framework. In this regard, the levels of reserve money will be managed within the desired quarterly growth path, consistent with inflation targets.

Figure 29: Three Pronged Approach to Fostering Price Stability



5.2 Risk Management

147. Risk management has continued to be an integral element of the Bank in achieving its strategic objectives and meeting its policy responsibilities. Accordingly, effective risk management and robust internal control framework underpins decision-making in the Bank.

148. The Bank is exposed to various financial and non-financial risks arising from its activities and operations that are undertaken in delivering its key mandate of promoting monetary and financial stability. The Bank manages these risks in an integrated manner through the Enterprise Risk Management (ERM) framework to ensure that critical risks are systematically identified, assessed, monitored, and managed within board approved risk tolerance thresholds.

149. To manage financial risk, the Bank monitors market, liquidity, and credit risk exposures, and has risk limits and controls in place. To manage non-financial risks, the Bank identifies and proactively monitors risks through leading and lagging key risk indicators. These risks include, but are not limited to, information technology, cybersecurity, people, legal, business disruption, and physical security risk which are transversal in nature.

Risk Governance

150. Management of these risks is the responsibility of all staff. In particular, the Bank has employed the 'three lines model'. Departments, the 'first line' are responsible for evaluating their risk environment, putting in place appropriate controls and ensuring that these controls are implemented effectively. This is supported by a 'second line', Risk Management which provides additional expertise, monitoring and challenge (particularly in areas where the inherent risks are more severe). Audit Department provides a 'third line' of independent assurance and advice. Board and senior management risk management oversight is facilitated by the main board, Audit & Oversight Committee and Executive Committee. During the year under review, the risk governance structures continued to foster a strong risk culture for the Bank.

Managing Risks During the Pandemic

151. Across the globe, there were notable shifts in the risk landscape for central banks emanating from the disruptive effects of covid-19. During the year, the Bank continued

to implement measures aimed at minimising disruption to critical functions, ensuring staff safety and wellbeing, and managing vulnerabilities posed by hybrid working arrangements. The Bank also drew on valuable experience from the past and other jurisdictions to further strengthen its capacity and flexibility to respond to crisis.

152. In line with the Bank's priority to keep staff safe, stringent standard operating procedures (SOPs) were maintained during the year 2021 to prevent infection at the workplace, including reduced staff, provision of masks and sanitisers and regular testing of staff coming to the office, among others.

153. As the country began to ease movement restrictions following increase in the number of the vaccinated population, the Bank gradually increased the number of staff working in the office, with stringent SOPs enforced to prevent workplace infection. Throughout the year under review, the Bank operated on the Virtual Operating Model where physical visits to banking institutions and vice versa was restricted. The Virtual Operating Model was underpinned by remote examinations, prudential meetings and tailor-made reporting templates.

Operational Risk Management and Business Continuity Management

154. During the year, the Bank remained resolutely focussed on ensuring continuity of business operations and meeting stakeholders' expectations under the environment constrained by Covid-19.

155. Business continuity and crisis management is a critical aspect in building the Bank's organisational resilience. Staff from Critical Business Functions (CBFs) and Critical Support Functions (CSFs) continued to work in the office on a split-team basis throughout the year under review. In addition, business continuity infrastructure continued to be enhanced and tested regularly, in line with international trends and developments.

156. The Bank maintained vigilance against possible disruptions arising from cyber-related incidents. In assessing the Bank's resilience against cyber-attacks, the Bank takes an "assumed breach" position, wherein it is assumed that a breach is inevitable or is likely to occur. In light of this approach, the Bank has continuously enhanced its response and recovery capabilities. Controls were also put in place to mitigate risks related to remote working, as well as emerging threats such as ransomware and third-party security risks.

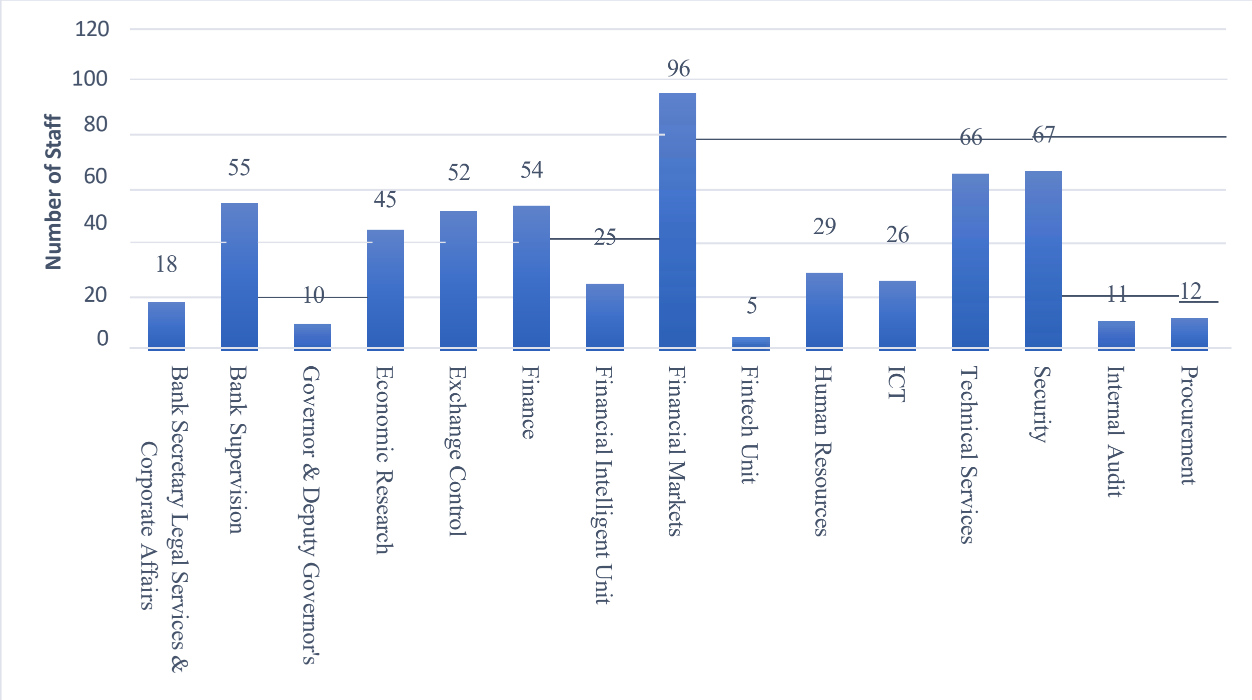
157. Cognisant of the fact that traditional security measures are no longer enough to ensure adequate information security, data security, and network security, the Bank issued a Cyber Risk Management Framework in April 2021. The framework provides minimum requirements to banking institutions for effective cyber risk management. The Bank also initiated the process of to conduct a cyber-security maturity analysis, as part of ongoing cyber resilience assessment.

6. HUMAN RESOURCES MANAGEMENT

158. The Bank prioritised health in the midst of COVID 19 pandemic and the focus on staff continued to take top priority in driving the exchange rate stability, monetary stability and financial sector stability, as espoused in the strategy. The Human Resources strategy was focused on building a strong employee value proposition that was anchored on leadership development, reward and recognition and performance culture entrenchment. Remote working was intensified during the year to ensure mitigation against COVID 19 and also enhancement of cost management.

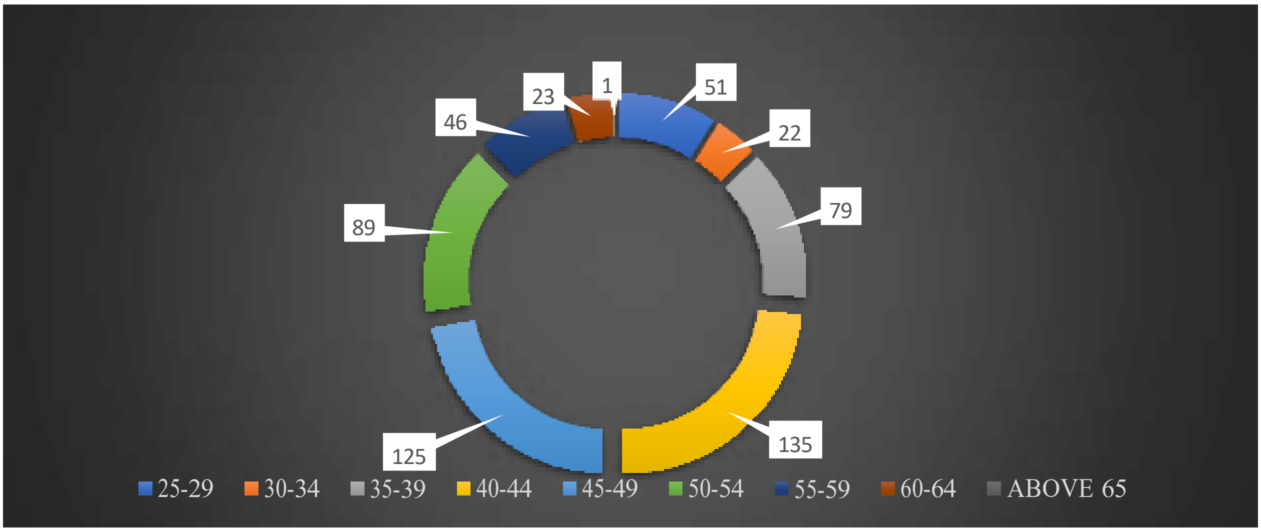
159. Figure 30 shows the staff compliment below shows the Bank's staff position as at 31 December 2021.

Figure 30: 2021 - Divisional Staff Complement



160. The Bank continued to monitor staff age distribution to ensure effective management, through deployment of structured Graduate Development Programs. This is key in feeding the leadership pipeline of the bank and creating a robust bench strength.

Figure 31: Staff age range as at December 2021

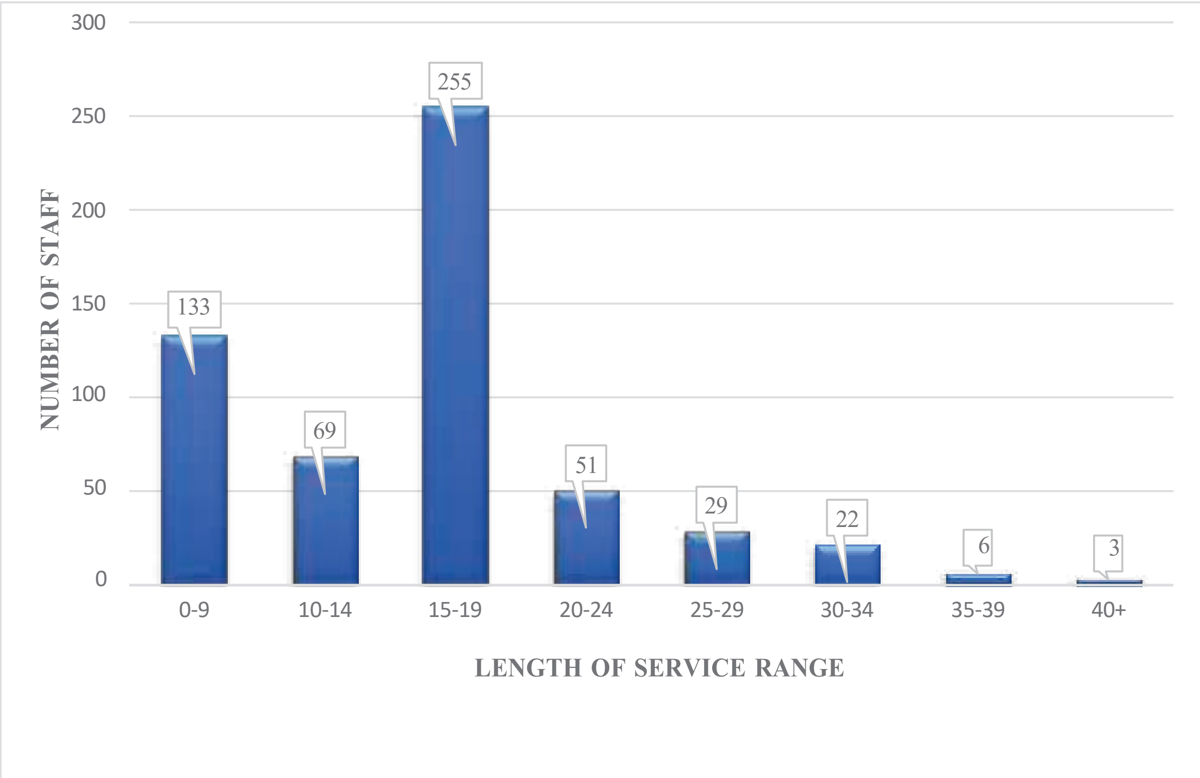


161. The Bank has more staff in the 40-44 age range, followed by 45-49 and 50-54 age range. The focus was on ensuring that the groups were more prepared on exit and sustainable

projects. There was also a focus on building mentoring skills to those in supervisory and leadership levels to ensure transfer of tacit knowledge and continuity in various areas. The Bank also prioritised strategies around retirement planning to ensure building sustainability for retirees through various mechanisms.

162. The Bank had varied length of service categories and given that central banking by nature builds the key skills for the organization. Figure 32 shows the length of services and analysis as at end of 2021.

Figure 32: Length of service analysis



163. The majority of the bank staff were in the 15 -19 length of service category, testimony of the retention efforts deployed by the Bank and the employee value proposition that has been developed to ensure the career in central banking is enhanced for effective delivery of the strategy.

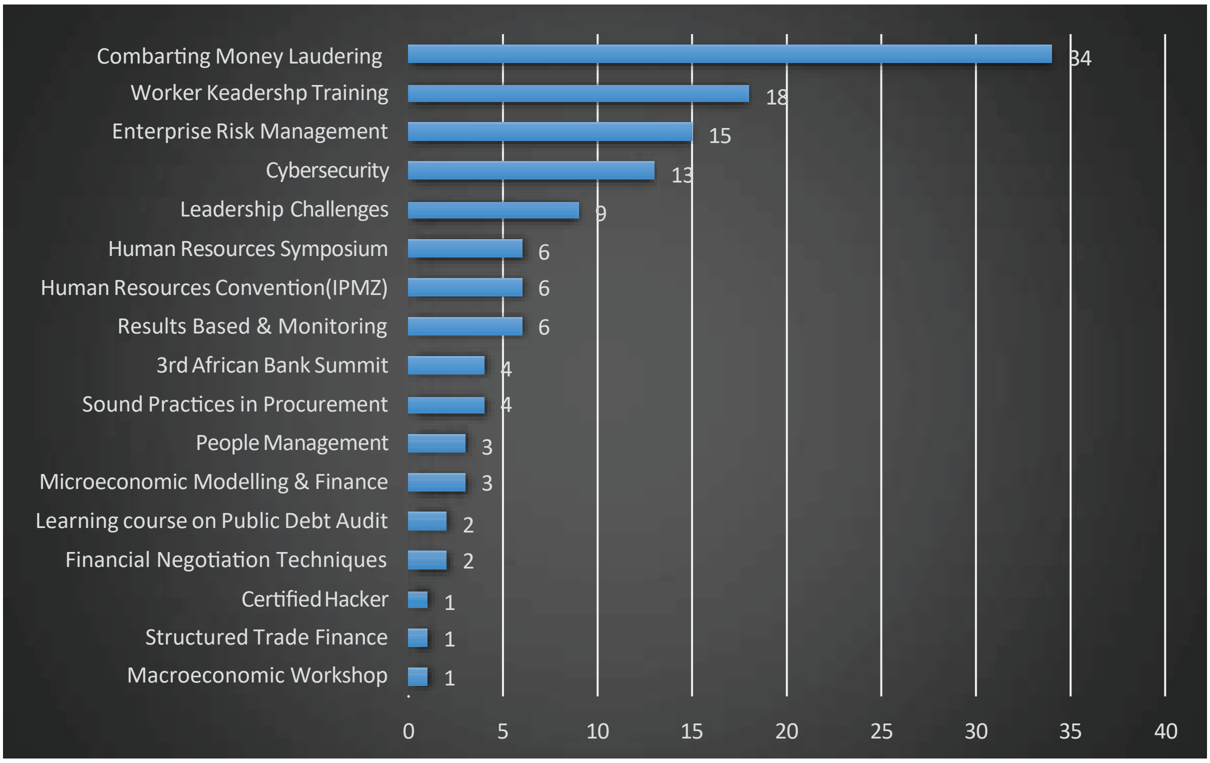
Staff Turnover Rates

164. The Bank lost 7 staff members culminating in a 1,2 % labour turnover against a 5% global benchmark according to the CIPD (UK). The Bank continued to build key mechanisms around retention in line with Talent Management global best practices to ensure business continuity and focus.

Talent Development

165. The Bank strategically developed its human capital in a bid to achieve continuity and achieve its objectives. The Bank will endeavor to invest in talent development through appropriate short and long-term training programmes. Figure 33 shows some of the key programs that were delivered during the year by the Bank.

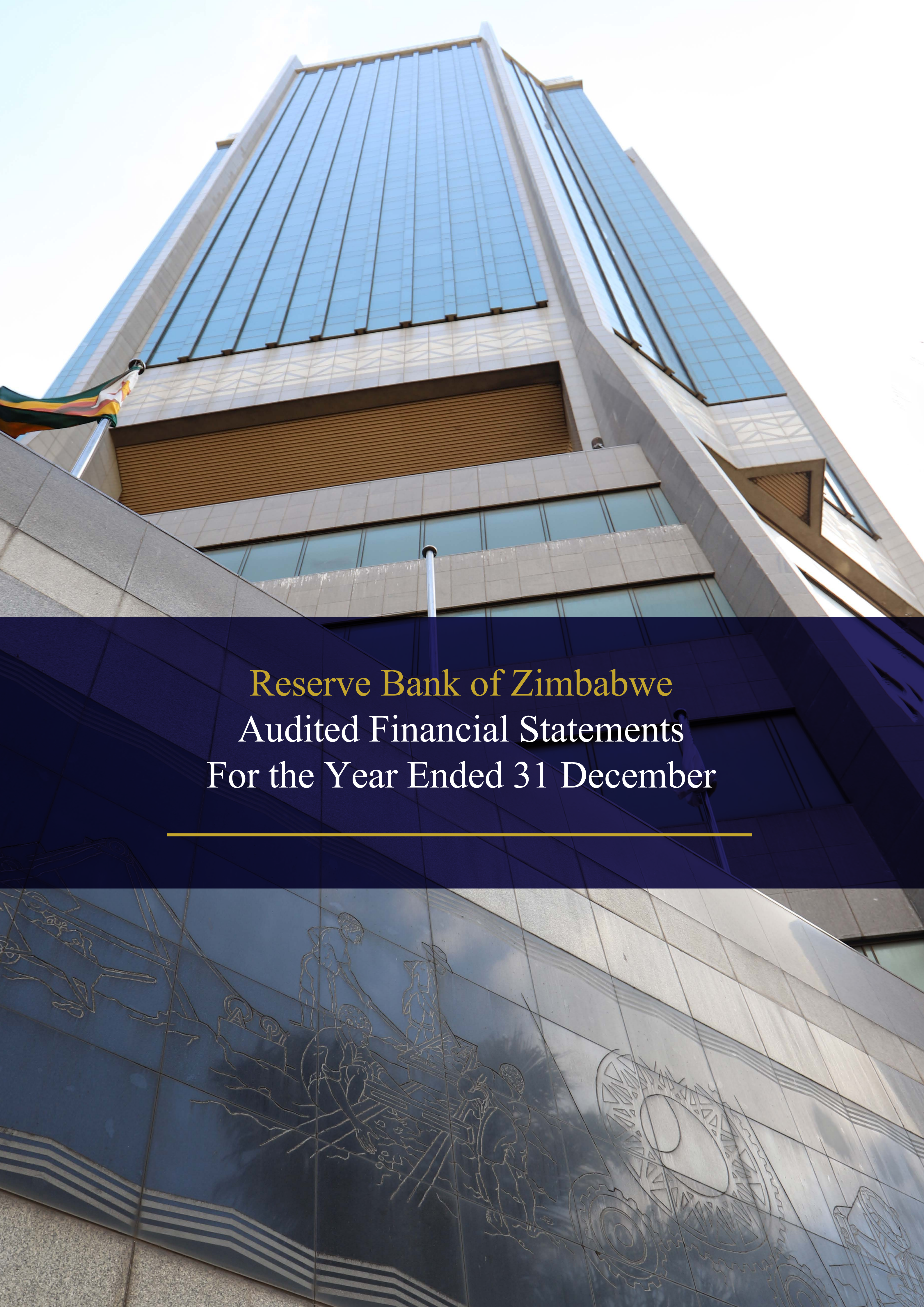
Figure 33: 2021 Capacity Building Interventions



166. As part of managing the leadership pipeline and continuity, the Bank engaged a team of Graduate Trainees who are undergoing structured training and mentorship from seasoned central bankers in a bid to build solid professionals.

Human Resources Information System

167. The Bank implemented an end-to-end HR system to increase business efficiency and increase the employee experience through enhanced HR processes. This was done to keep pace with global trends around 4th Industrial Revolution and technological advancements. The system enhancements focus on Performance Management and Talent Management, Leave Management, Loans among other areas.



Reserve Bank of Zimbabwe

Audited Financial Statements For the Year Ended 31 December

RESERVE BANK OF ZIMBABWE
FINANCIAL STATEMENTS

For the year ended 31 December 2021

Contents | **Pages**

The Finance Division of the Reserve Bank of Zimbabwe prepared these financial statements under the direction and supervision of the Director, Ms. Tsitsi Hungwe (PAAB registration number 04556).

RESERVE BANK OF ZIMBABWE
DIRECTORS' REPORT

For the year ended 31 December 2021

The Directors of the Reserve Bank of Zimbabwe ('the Bank', 'RBZ') have pleasure in submitting their report for the financial year ended 31 December 2021 as required by section 35 of the Reserve Bank of Zimbabwe Act [Chapter 22:15].

1. NATURE OF BUSINESS

1.1 The Reserve Bank of Zimbabwe was established under the Reserve Bank of Zimbabwe Act [Chapter 22:15].

As required by section 6 of the Reserve Bank of Zimbabwe Act [Chapter 22:15], the functions of the Bank are as follows:

a) to regulate Zimbabwe's monetary system;
b) to achieve and maintain the stability of the Zimbabwe dollar;
c) to foster the liquidity, solvency, stability and proper functions of Zimbabwe's financial system;
d) to supervise banking institutions and to promote the smooth operation of the payment system;
e) to formulate and execute the monetary policy of Zimbabwe;
f) to act as banker, financial advisor to, and fiscal agent of the State;
g) whenever appropriate and subject to any written directions given to it by the Finance Minister, to represent the interests of Zimbabwe in international or intergovernmental meetings, multilateral agencies and other organisations in matters concerning monetary policy;
h) to provide banking services for the benefit of:
    (i) foreign governments;
    (ii) foreign central banks or other monetary authorities; and
    (iii) international organisations of which Zimbabwe is a party;
i) to participate in international organisations whose objectives are to pursue financial and economic stability through international monetary co-operation;
j) subject to any written directions given to it by the Finance Minister, to undertake responsibilities and perform transactions concerning the State's participation in or membership of international organisations;
k) to exercise any functions conferred or imposed upon it by or in terms of any other enactment.

1.2 The following are subsidiaries of the Bank and their activities :

i) **Fidelity Gold Refinery (Private) Limited**
- refiners of gold
- printers of currency and securities.

ii) **Aurex (Private) Limited**
- producers of gold jewellery and diamond cutting & polishing.

iii) **Export Credit Guarantee Corporation**
- insurers of Zimbabwe's exports and providers of domestic credit guarantees.
- providers of short-term insurance.

iv) **Finance Trust of Zimbabwe (Private) Limited**
- investment company.

v) **Homelink (Private) Limited**
- providers of money transfer services, promoting and marketing investments and espousing development of housing schemes for Zimbabweans living abroad.

vi) **Carslone (Private) Limited (Dormant)**
- miners of gold.

vii) **Fiscorp (Private) Limited (Dormant)**
- administrators of quasi fiscal activities.

viii) **Venture Capital Company of Zimbabwe (Private) Limited (Dormant)**
- financiers of small to medium size private sector enterprises.

ix) **Zimbabwe Asset Management Corporation (ZAMCO) (Private) Limited**
- purchasers of non-performing loans to strengthen and to resuscitate the financial services sector thus to enhance local production.

x) **ResZim Investments (Private) Limited**
- investment Company.

The Bank does not consolidate results of its subsidiary companies. Refer to 'note 2' of the financial statements on the Bank's basis of preparation of financial statements.

2. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and integrity of the financial statements that present the state of affairs of the Bank. These include statement of profit or loss, other comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity for the year then ended and other information contained in this report.

In order to meet the above requirements, the Directors are responsible for maintaining adequate accounting records and internal controls to safeguard the assets of the Bank and to prevent and detect fraudulent activities. The internal control systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements of the Bank are prepared and presented in accordance with the requirements of the Reserve Bank of Zimbabwe Act [Chapter 22:15]. Accordingly, these financial statements have been prepared as outlined in the basis of preparation in 'note 2' and the accounting policies as determined by the Directors, as set out in 'note 3' to the financial statements. The accounting policies are prepared on the basis of International Financial Reporting Standards (IFRS), except as described in 'note 2' to the financial statements. The Directors consider the accounting policies adopted to be suitable for the intended users of these financial statements.

The financial statements are prepared to comply with International Accounting Standard (IAS) 29 'Financial Reporting in Hyper Inflationary Economies' following the directive issued by the Public Accountants and Auditors Board Zimbabwe (PAAB), in October 2019. The directive requires entities to implement IAS 29 for reporting periods starting 1 July 2019 onwards. The inflation adjusted financial statements are the primary financial statements. The historical cost financial statements have been presented as supplementary information. Freehold land & buildings, investment properties and unquoted shares were revalued at the reporting date. Assets and liabilities that are denominated in currencies other than the Zimbabwe dollar (ZW$) were translated to the functional currency in compliance with International Financial Reporting standards (IFRS).

The audited financial statements are presented in Zimbabwe dollars (ZW$). The Bank's independent auditors, KPMG, had unrestricted access to all the accounting records and supporting documentation during the course of the audit. The Directors have the power to recall and amend these financial statements.

3. BOARD OF DIRECTORS

The Bank is governed by a Board of Directors appointed in accordance with the Reserve Bank of Zimbabwe Act [Chapter 22:15]. The Board is chaired by the Governor as Executive Chairman and consists of the two Deputy Governors and other appointed Non-Executive Directors.

3.1 BOARD MEMBERS

The following were Board members during the year:

Name	Designation
Dr. J.P. Mangudya	Governor and Board Chairman (Executive)
Mr. K.C. Katsande*	Deputy Chairman (Independent Non-Executive Director)
Mrs. M. Dzumbunu	Acting Deputy Chairman (Independent Non-Executive Director)
Dr. K. Mlambo	Deputy Governor (Executive)
Dr. J.T. Chipika	Deputy Governor (Executive)
Mr. I.E. Manikai	Independent Non-Executive Director
Prof. J.T. Parwada	Independent Non-Executive Director
Prof. L. Majele-Sibanda	Independent Non-Executive Director
Ms. B. Muswaka	Independent Non-Executive Director
Mrs. E. Fundira	Independent Non-Executive Director
Dr. C.M. Fundanga	Independent Non-Executive Director
Mr. C. Mphambela	Non-Executive Director

*Mr. K.C. Katsande resigned from the board effective January 2021. He was replaced by Mrs. M. Dzumbunu as an interim Deputy Chair of the Board and Chair of the Audit and Oversight Committee.

3.2 BOARD COMMITEES

The Board has three committees that help it to discharge its mandate. The committees have clearly defined terms of reference setting out their roles, responsibilities and reporting procedures. All the three committees were fully constituted during the year.

The committees are as follows:

i. Audit and Oversight Committee,
ii. Human Resources and Corporate Governance Committee &
iii. Banking Sector Stability Committee.

3.2.1 AUDIT AND OVERSIGHT COMMITTEE

This committee assists the Board of Directors in fulfilling its oversight responsibilities in relation to the Bank's financial reporting, internal control systems, internal and external audit functions.

Consistent with good corporate governance practice, no Bank executive is a member of the Audit and Oversight Committee. The committee met regularly with the Bank's auditors (internal and external) and senior management to review accounting, auditing, internal control and financial reporting matters. Both internal and external auditors have unrestricted access to the Audit and Oversight Committee.

The following were the Audit and Oversight Committee members during the year under review:

Name	Designation
Mrs. M. Dzumbunu	Acting Chairman, Independent Non-Executive Director
Prof. J.T. Parwada	Independent Non-Executive Director
Ms. B. Muswaka	Independent Non-Executive Director
Mrs. E. Fundira	Independent Non-Executive Director
Mr. C. Mphambela	Non-Executive Director

3.2.2 HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEE

The committee's mandate is to give guidance to the Board on the Bank's governance, compensation, succession planning, performance management and Board remuneration & performance matters.

The following were the Human Resources and Corporate Governance Committee members during the year under review:

Name	Designation
Mr. I.E. Manikai	Chairman, Independent Non-Executive Director
Mrs. M. Dzumbunu	Acting Deputy Board Chairman (Independent Non-Executive Director)
Dr. K. Mlambo	Deputy Governor (Executive)
Prof. L. Majele-Sibanda	Independent Non-Executive Director

3.2.3 BANKING SECTOR STABILITY COMMITTEE

This committee provides guidance to the Board on its mandate of promoting banking sector stability including identification of inherent risks in the Bank's relevant policies.

The following were the Banking Sector Stability Committee members during the year under review:

Name	Designation
Prof. L. Majele-Sibanda	Acting Chairman, Independent Non-Executive Director
Dr. K. Mlambo	Deputy Governor (Executive)
Dr. J.T. Chipika	Deputy Governor (Executive)
Dr. C.M. Fundanga	Independent Non-Executive Director
Mr. C. Mphambela	Non-Executive Director

4. MONETARY POLICY COMMITTEE (MPC)

The following were members of the Monetary Policy Committee during 2021 who were appointed in line with Section 29(b) of the Reserve Bank of Zimbabwe Act [Chapter 22:15]:

Name	Designation
Dr. J.P. Mangudya	Governor and MPC Chairman (Executive)
Dr. K. Mlambo	Deputy Governor (Executive)
Dr. J.T. Chipika	Deputy Governor (Executive)
Prof. A. Chakravarti	Independent Non-Executive Member
Mrs. M. Dzumbunu	Acting Deputy Board Chairman (Independent Non-Executive Member)
Prof. A. Makochekanwa	Independent Non-Executive Member
Dr. C. Jinya	Independent Non-Executive Member
Dr. D. Makina	Independent Non-Executive Member
Mr. P.E. Gwanyanya	Independent Non-Executive Member

The Monetary Policy Committee's functions as stated in Section 29(b) are as follows: -

a) to determine the monetary policy of Zimbabwe, including the setting of limits on open market operations by the Bank;

b) to ensure price stability as defined by the Government's inflation target set out in the National Budget;

c) to determine interest rates for the economy in line with the Government's economic policies and targets for growth and employment and

d) to perform such other functions related to monetary policy, as the Minister may prescribe by regulations.

5. ACCOUNTING POLICIES

The accounting policies adopted by the Bank are set out in 'note 3' to the financial statements.

6. RESULTS OF THE BANK'S OPERATIONS

The Bank realized an inflation adjusted deficit of **ZW$12 billion** (2020 surplus: **ZW$375 million)** as indicated below:

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
Surplus/(Deficit) from Bank operations	(27,889,147)	(22,461,021)	(21,426,275)	(9,388,590)
Financial assets impairment reversal	70,030	-	70,030	-
Monetary gain	15,557,076	22,835,889	-	-
Surplus/(Deficit) for the year	**(12,262,041)**	**374,868**	**(21,356,245)**	**(9,388,590)**

6. RESULTS OF THE BANK'S OPERATIONS-continued

The Bank reported a deficit of ZW$28 billion before reversal of impairment of ZW$70 million and monetary gain of ZW$16 billion which was a result of inflation accounting. Interest expense and arrangement fees on foreign lines of credit that the Bank is managing on behalf of Government contributed significantly to the deficit for the year.

The Government through Finance Act no.7 of 2021 assumed foreign loans in the Bank's financial statements. The loans are however still in the Banks books hence interest expense reporting in the Bank's financial statements. The Bank will be relieved of this interest expense burden as soon as Government issues financial instruments to expunge these liabilities. Ordinarily, foreign loans secured to stabilize a nation's economy are on the central Government books. The Bank, being a fiscal agent, borrows on behalf of Government as mandated by section 7(n) of the RBZ Act [Chapter 22:15]. Central banks by nature are not for profit organisations hence may make losses in pursuit of economic policies that benefit their nations. Zimbabwe does not have foreign currency reserves hence the Government through the central bank is obliged to borrow to fund critical imports that include fuel, grain, electricity and other basic commodities amongst others. This results in huge interest expense in the central bank's financial statements.

7. INFLATION DEVELOPMENTS

Annual headline inflation averaged 98.55% in 2021, decelerating from an average of 557.21% in 2020. The decline followed sustained disinflation in the first half of 2021, a trend that started from July 2020. Annual inflation stood at 362.63% in January 2021, and fell to 50.25% by July 2021, before creeping to 60.47% by end December 2021. The improvement in domestic economic activity contributed to a stable inflation environment, against a background of nascent instability in the exchange rate, which saw the widening of foreign exchange premiums in the second half of the year 2021.

8. FOREIGN EXCHANGE MARKET

The Foreign Exchange Auction System continued in operation during the year. The Bank introduced administration fees to all those allocated forex and Bureaux de Change. The exchange rate at the beginning of the year was US$1: ZW$81.79 and closed the year at US$1: ZW$108.67.

9. FOREIGN EXCHANGE FACILITIES

The Bank negotiated and accessed offshore lines of credit for the purpose of providing liquidity support to the foreign exchange auction system, refinancing some existing obligations as well as meeting the country's balance of payments requirements. Despite the challenges linked to the Covid-19 pandemic, the Bank successfully accessed in excess of US$1.8 billion under new and existing revolving external facilities from Afreximbank (including Letters of Credit facilities), Gemcorp and other creditors. The amount accessed in 2021, represented an increase of about 127% from funds accessed by the Bank in 2020.

9. FOREIGN EXCHANGE FACILITIES-continued

The funds from the accessed offshore facilities went towards providing critical foreign exchange support to the economy for the importation of essential raw materials and equipment for the manufacturing sector, petroleum products, fertilizers, electricity, grains (rice and wheat), crude soya bean oil, medicals, agro chemicals and other raw materials for use by industry. The offshore borrowings were structured on the back of statutory export receivables from commodities that include high-value minerals. Usage of these facilities significantly contributed to 7.8% growth of the economy through enhancing capacity utilization in the real sectors of the economy.

10. IMF SDR ALLOCATION

The Bank received SDR677.4 million (US$961 million) from the International Monetary Fund (IMF) which was Zimbabwe's share of the IMF 2021 US$650 billion general SDR allocation to its members as a response to the adverse effects of the Covid-19 pandemic. The deposit is accounted for under cash and bank balances in the Bank's financial statements. The allocation also increased IMF liability in the Bank's financial statements.

11. INVESTMENTS

Afreximbank

The Government of Zimbabwe through the Bank committed to make additional investment in Afreximbank under its General Capital Increase (GCI). This opportunity has been open since August 2021 and will run until 31 December 2023. The Bank paid 40% of the expected contribution in December 2021.

IDBZ

The Bank participated in rights issue done by IDBZ to raise additional capital. The Bank bought 1,415,648 additional shares to bring its shareholding to 15.69% at year-end.

Zimswitch

The Bank made a decision to invest in Zimswitch by acquiring a 15% stake to support interoperability under the National Payment switch. Zimswitch provides national switch and plays a critical role in the provision of financial services in the country.

12. BANK POLICY RATES

The Bank Policy Rate closed the year at 60% per annum whilst the rate for the Medium-term Lending Facility was pegged at 40% per annum.

13. LOANS AND ADVANCES TO GOVERNMENT AND TO STATUTORY BODIES

Loans and advances to Government and Statutory Bodies were ZW$15.8 billion (2020: ZW$21.7 billion) as at end of year 2021. This emanated from foreign payments made on behalf of Government, which the Government was yet to reimburse the Bank by the end of the year.

14. LIQUIDITY MANAGEMENT

The Bank was holding ZW$19.8 billion worth of statutory reserves as at 31 December 2021. The Statutory Reserve Ratio for demand/call deposits was pegged at 10% whilst for savings and time deposits was pegged at 2.5% at year-end.

The Bank also introduced zero percent Non-Negotiable Certificates of Deposits (NNCDs) that replaced the 5% Savings Bonds during the first half of the year. These were used to mop up excess liquidity in the market. At year-end, total NNCDs issued by the Bank amounted to ZW$48 billion.

The Bank had a total of ZW$49 billion (2020: ZW$36 billion) worth of savings bonds in issue as at 31 December 2021. Included in this total is US$418 million equivalent to ZW$45.5 billion (2020: US$32 million) savings bonds.

15. BLOCKED FUNDS

The Government through the Finance Act no.7 of 2021 assumed blocked funds ("any liability payable in foreign currency that was incurred by any of the persons specified in the Act before the 22nd of February 2019, and in respect of which such foreign currency could not be repatriated from Zimbabwe"). Non-interest bearing foreign exchange bonds or zero coupon Government backed bonds will be issued to extinguish blocked funds in the Bank's financial statements. Total assumed debt is US$3.8 billion.

16. COVID-19 PANDEMIC

The Covid-19 pandemic continues to affect the economy at large in different ways. The Government of Zimbabwe started to ease restrictions during the year from the previous year's restrictive measures. There is still uncertainty over how the outbreak will impact the Bank in future periods.

The Bank continued to balance the strategic imperatives of continuing to exert its macroeconomic management mandate, while adhering to the WHO set Covid-19 protocols, which included staff working from home and stakeholders being engaged virtually.

17. BASIS OF FUNDING

The Bank is ordinarily a 'not for profit' organisation and a creature of the statute that has inherent powers that enable it to function even with negative equity. The Bank therefore, prepared these financial statements on a going concern basis. The country does not have foreign reserves hence the Government through the Bank, in terms of Section 6 1(g) and Section 7 1(n) of the RBZ Act [Chapter 22:15], secured external lines of credit from various institutions to stabilise the economy. These facilities, which are secured by the country's future export receipts, include those granted by the African Export-Import Bank (Afreximbank), TDB Bank, Gemcorp, etc. The Government through the Finance Act No 7 of 2021 assumed the foreign liabilities in the Bank's financial statements. This will reduce exchange losses and interest expenses that were a huge burden on the Bank's financial statements.

It is on this basis that all the sanctioned facilities are treated in these financial statements as Government loans with exchange losses attributable to them being on account of Government in terms of Section 34 of the RBZ Act [Chapter 22:15]. These loans were not contracted by the Bank for the purpose of monetary policy intervention but for public interest given the country's lack of access to official international financial resources.

18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements, which appear on pages 18 to 85 were approved by the Board of Directors on 31 May 2022. In line with the Reserve Bank of Zimbabwe Act [Chapter 22:15], the Directors approved the following officials to sign the financial statements

Dr. J.P. Mangudya	Governor and Board Chairman
Mrs. M. Dzumbunu	Acting Deputy Board Chairman & Audit and Oversight Committee Chairman
Dr. K. Mlambo	Deputy Governor
Dr. J.T. Chipika	Deputy Governor
Mrs. V. Sithole	Bank Secretary & Director Legal and Corporate Affairs

Dr. J.P. Mangudya
Governor, Board Chairman

Mrs. M. Dzumbunu
Acting Deputy Board Chairman & Audit and Oversight Committee Chairman

Dr. K. Mlambo
Deputy Governor

Dr. J.T. Chipika
Deputy Governor

Mrs. V. Sithole
Bank Secretary & Director Legal and Corporate Affairs

Date: 31 May 2022

KPMG

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

Independent Auditors' Report

To the Minister of Finance and Economic Development

Opinion

We have audited the inflation adjusted financial statements of the Reserve Bank of Zimbabwe (the Bank) set out on pages 18 to 85, which comprise the inflation adjusted statement of financial position as at 31 December 2021, and the inflation adjusted statement of profit or loss and other comprehensive income, the inflation adjusted statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the inflation adjusted financial statements of Reserve Bank of Zimbabwe for the year ended 31 December 2021 are prepared, in all material respects, in accordance with the basis of accounting described in note 2 to the inflation adjusted financial statements and the requirements of the Reserve Bank of Zimbabwe Act [Chapter 22:15].

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted financial statements of the current period. These matters were addressed in the context of our audit of the inflation adjusted financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a. Expected credit loss allowance on loans and advances

Refer to accounting policy note 3.9.1.5 (impairment) and critical judgements and key sources of estimation in applying the Bank's accounting policies note 6.3 (impairment of loans and advances), note 13 (loans and advances to government and other statutory bodies), note 14 (other loans and advances) and note 33.4 (credit risk) to the inflation adjusted financial statements.

Key audit matter	How the matter was addressed in our audit
As at reporting date, the Bank had loans and advances to government of ZW$ 16,1 billion and other loans and advances of ZW$ 24,3 billion, inflation adjusted. The Bank uses an Expected Credit Loss (ECL) model to determine the allowance for loans and advances. The Bank's ECL model includes certain judgements and assumptions such as: • the credit risk grade allocated to the loan advances categories ranging from stage 1 to stage 3; • the probability of a loan becoming past due and subsequently defaulting (probability of default 'PD'); • the determination of the Bank's definition of default; • the magnitude of the likely loss if there is default (loss given default 'LGD'); • the expected exposure in the event of a default (exposure at default 'EAD'); • the criteria for assessing significant increase in credit risk (SICR); • the rate of recovery on the loans that are past due and in default; and • the identification of impaired assets and the estimation of impairment, including the estimation of future cash flows, market values and estimated time and cost to sell collateral. Due to the significance of the loans and advances to the Bank and the level of judgement applied in determining the ECL, the expected credit loss allowance on loans and advances was considered a key audit matter.	Our procedures included the following: • Assessing and testing the design and operating effectiveness of the key controls over credit origination and monitoring; • Assessing whether the Bank's credit policies are aligned with their accounting policy, which is based on IFRS 9, *Financial Instruments* ("IFRS 9"); • Engaging our Financial Risk Management specialists to evaluate the appropriateness of the Bank's IFRS 9 ECL model by using our own independent models. The Financial Risk Management Specialists also evaluated the appropriateness of the PD, LGD and EAD; • Using available external and independent information to challenge management's assumptions and judgements in determining expected credit losses; • Assessing the completeness, accuracy and validity of data and inputs used during the development and application of the ECL model; • For a sample of loans and advances, we evaluated the appropriateness of the credit risk grade through the performance of credit reviews and an analysis of the financial performance of selected entities; and • Assessing the adequacy of the Bank's disclosures in respect of ECL based on IFRS 9 disclosure guidelines.

b. Recognition and recoverability of unrealised and realised exchange losses receivables

Refer to note 2.2.2 (IAS 21, Effects of changes in foreign exchange rates), note 3.9.1.1 (loans and receivables), note 12 (receivables) and note 33.4 (credit risk) to the inflation adjusted financial statements.

Key audit matter	How the matter was addressed in our audit
As at the reporting date the Bank had inflation adjusted exchange losses of ZW$ 588,8 billion, in the form of accumulated exchange losses which are to be funded by the Government and are accordingly recognised as a receivable from government. Section 34 of the Reserve Bank of Zimbabwe Act [Chapter 22.15] states that all exchange gains and losses from gold and foreign denominated assets are borne by the Bank for the account of the Government of	Our procedures included the following: • Engaging our Information Technology Audit specialists to test the accurate calculation of exchange losses or gains by the Bank's core banking system that resulted in the recorded exchange losses receivable; • Reviewed the Reserve Bank of Zimbabwe Act [Chapter 22.15] to determine the prescribed treatment of the exchange losses;

Key audit matter	How the matter was addressed in our audit
Zimbabwe. The Bank included exchange losses incurred from blocked funds and foreign loans in the balance of exchange losses receivable. We considered this to be a key audit matter, given the significance of the exchange losses receivable from the Government to the Bank's inflation adjusted financial statements.	• Inspected correspondence and agreements between the Ministry of Finance and Economic Development and the Bank, in connection with the terms of the contracted loans that gave rise to the exchange losses; and • Assessing the adequacy of the disclosure in accordance with the Reserve Bank of Zimbabwe Act (Chapter 22:15).

c. Recognition of blocked funds liability (legacy debt)

Refer to note 13 (loans and advances to the government and statutory bodies), note 14 (other loans and advances) and note 28 (foreign liabilities) to the inflation adjusted financial statements.

Key audit matter	How the matter was addressed in our audit
The Bank had outstanding blocked funds liability of US$3.0 billion included in the foreign liabilities financial statement caption. Blocked funds refer to foreign liabilities, on which the Bank, on behalf of the Government, provides exchange risk cover by committing to provide foreign currency at US$1: ZW$1, for settlement of registered external liabilities contracted and payable prior to the change of currency in February 2019. In terms of the Bank's accounting policy on foreign exchange rates, the liability for blocked funds is recorded at the closing auction rate of exchange which amounted to ZW$ 330 billion. Statutory Instrument 33 of 2019 separated historical foreign currency obligations (blocked funds) from historical local currency obligations. In terms of this Statutory Instrument, the blocked funds are treated as foreign exchange obligations to be paid by the Government to external creditors on behalf of the local contracting entities. Government took a deliberate and conscious decision to treat blocked funds along the lines of the 2015 RBZ Debt Assumption Act in order to ensure that the country is not cut-off from the global supply chain of goods and services. In this regard, the Government promulgated Finance Act no.7 of 2021, total approved amount for blocked funds totaling US$3.0 billion in blocked funds. Because of the significance of foreign exchange risk and exchange losses associated with the blocked funds liabilities, we considered this to be a key audit matter.	Our procedures included the following: • Obtaining an understanding of the registration process and inspecting the approvals of the registered blocked funds; • Independently confirming with the respective banks the registered blocked funds amounts which are owing by the Reserve Bank of Zimbabwe as at 31 December 2021; • Obtaining confirmation from the Ministry of Finance and Economic Development with regards the registered blocked funds in the Bank's books at the end of the year and; • Assessing the appropriateness of the recognition of the blocked funds in accordance with the Bank's policies.

d. Valuation of owner-occupied property and investment property

Refer to accounting policy note 3.5 (property, plant and equipment) and note 3.6 (investment property) and critical judgements and key sources of estimation in applying the Bank's accounting policies note 6.1 (property, plant and equipment useful lives, residual values and depreciation rates), note 6.2 (fair valuation of investment properties), note 17 (investment property), note 18 (property, plant and equipment) and note 35 (fair value measurement) to the inflation adjusted financial statements.

Key audit matter	How the matter was addressed in our audit
The Bank holds owner occupied properties that are measured at fair value based on IAS 16 - *Property, Plant and Equipment* (IAS 16). The Bank also holds investment property which is measured at fair value based on IAS 40 - *Investment Property* (IAS 40). As at reporting date the Bank had owner occupied properties amounting to ZW$ 12.6 billion, inflation adjusted, and investment properties amounting to ZW$ 1.5 billion, inflation adjusted. In the current year there was a change to the basis of determining the fair value estimate, in that property valuations were performed by independent professionally qualified valuers, directly in ZW$ currency, compared to prior periods where valuations were in USD and translated to the local currency at the auction (official) rate. Given that the transactions in properties in ZW$ are still few the basis of valuation adopted by management had some degree of complexity in determining the fair value of the owner occupied and investment properties. There was also need for significant judgement and estimation in determining the key inputs and assumptions used in determining the fair values in the local currency. Therefore property valuations, in the current year, are subjective and are an area that required a fair amount of judgement and estimation. Accordingly, the valuation of the Bank's owner occupied and investment properties was considered a key audit matter.	Our procedures included the following: • Evaluating the professional competence and objectivity of the external valuers engaged by the directors to value the properties and specifically evaluating the independence and competence of the external valuers by enquiring about their interests and relationship with the Bank. • Evaluating the appropriateness of the valuation methodologies used by the valuers, specifically in relation to the change in basis, based on our knowledge of the industry and based on the requirements of IFRS 13 - *Fair Value Measurement* (IFRS 13) and challenging and interrogating the valuers over the inputs used to value properties including requesting market support in respect of the 2021 values in ZW$; • Validating the inputs used by the independent valuers engaged by directors by comparing the valuation inputs against our knowledge of the industry; • Assessing the adequacy of the disclosures in the financial statements in respect of the valuation of owner occupied and investment properties based on IAS 16, IAS 40 and IFRS 13.

Emphasis of matter - basis of accounting

We draw attention to note 2 to the inflation adjusted financial statements which describes the basis of accounting. The inflation adjusted financial statements are prepared to assist the Bank in complying with the requirements of the Reserve Bank of Zimbabwe Act (Chapter 22:15). As a result, the inflation adjusted financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report and the unaudited financial information in the inflation adjusted financial statements titled "Unaudited historical cost", but does not include the inflation adjusted financial statements and our auditors' report thereon.

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

In connection with our audit of the inflation adjusted financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the inflation adjusted financial statements
The directors are responsible for the preparation of the inflation adjusted financial statements in accordance with the Bank's stated accounting policies stated in note 2 to the inflation adjusted financial statements and in the manner required by the Reserve Bank of Zimbabwe Act [Chapter 22:15], and for such internal control as the directors deem are necessary to enable the preparation of inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Identify and assess the risks of material misstatement of the inflation adjusted financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the inflation adjusted financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

Themba Mudidi
Chartered Accountant (Z)
Registered Auditor
PAAB Practicing Certificate Number 0437

31 May 2022

For and on behalf of, KPMG Chartered Accountants (Zimbabwe), Reporting Auditors

Mutual Gardens
100 The Chase (West)
Emerald Hill
P.O Box 6, Harare
Zimbabwe

RESERVE BANK OF ZIMBABWE
INFLATION ADJUSTED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021

	NOTES	AUDITED INFLATION ADJUSTED 2021 ZW$ 000	AUDITED INFLATION ADJUSTED 2020 ZW$ 000	UNAUDITED HISTORICAL COST* 2021 ZW$ 000	UNAUDITED HISTORICAL COST* 2020 ZW$ 000
Interest income	7.1	2,745,758	3,218,381	2,229,427	1,188,716
Commission income	7.2	1,308,948	503,091	1,160,346	164,507
Interest and commission expense	7.3	(28,902,776)	(26,164,129)	(22,752,826)	(11,761,575)
Net interest and commission expense		**(24,848,070)**	**(22,442,657)**	**(19,363,053)**	**(10,408,352)**
Other income	7.4	3,889,393	8,219,098	3,307,680	4,796,864
Net interest and commission expense after other income		**(20,958,677)**	**(14,223,559)**	**(16,055,373)**	**(5,611,488)**
Operating costs	7.5	(6,496,634)	(6,954,820)	(4,937,066)	(2,979,127)
Expected credit losses		(433,836)	(1,282,642)	(433,836)	(797,975)
Deficit for the year before reversal of impairment of financial assets and monetary gain/loss		**(27,889,147)**	**(22,461,021)**	**(21,426,275)**	**(9,388,590)**
Reversal of financial assets impairment	8	70,030	-	70,030	-
Monetary gain		15,557,076	22,835,889	-	-
Surplus/(Deficit) for the year		**(12,262,041)**	**374,868**	**(21,356,245)**	**(9,388,590)**
Other comprehensive income					
Fair value gain/(loss) on investments	21	2,006,103	558,710	2,006,103	347,592
Revaluation gain on properties	20	3,972,875	6,543,734	7,147,157	4,071,076
Total comprehensive income for the year		**5,978,978**	**7,102,444**	**9,153,260**	**4,418,668**
Total surplus/(deficit) for the year		**(6,283,063)**	**7,477,312**	**(12,202,985)**	**(4,969,922)**

*The Historical Cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS 29) 'Financial Reporting in Hyperinflationary Economies'. The Auditors have not expressed an opinion on the Historical Cost information. This applies to all Historical Cost information in these financial statements.

RESERVE BANK OF ZIMBABWE
INFLATION ADJUSTED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

		AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	NOTES	2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
Assets					
Cash and bank balances	9	92,531,182	4,138,695	92,531,182	2,574,821
Gold and foreign assets	10	20,408,543	15,940,236	20,408,543	9,916,956
Investment securities	11	5,725,697	9,959,041	5,725,697	6,195,853
Receivables	12	635,847,913	721,329,710	635,817,872	448,746,839
Loans and advances to government	13	15,841,449	21,667,199	15,841,449	13,479,892
Other loans and advances	14	24,130,594	14,218,121	24,130,594	8,845,570
Other investments	15	2,159,727	1,487,417	2,159,727	925,372
Investments in subsidiaries	16	5,873,028	5,040,859	681,501	112,550
Investment property	17	1,540,420	1,104,275	1,540,420	687,008
Property, plant and equipment	18	12,529,668	8,705,187	12,241,030	5,127,738
Total Assets		**816,588,221**	**803,590,740**	**811,078,015**	**496,612,599**
Equity and Liabilities					
Capital and reserves					
Share capital	19	89,575	89,575	2,000	2,000
Share premium	19	4,389,187	4,389,187	98,000	98,000
Revaluation reserve	20	14,250,558	10,277,683	12,127,304	4,980,147
Mark to market	21	5,858,965	3,852,862	2,902,882	896,779
General reserve fund	22	-	-	-	-
Accumulated surplus/(deficit)	23	(40,763,492)	(28,501,451)	(36,815,599)	(15,459,354)
deficit attributable to equity Shareholders		**(16,175,207)**	**(9,892,144)**	**(21,685,413)**	**(9,482,428)**
Liabilities					
Notes and coins in circulation	24	5,152,107	3,818,996	5,152,107	2,375,926
Deposit accounts	25	34,369,920	37,130,868	34,369,920	23,100,360
Payables	26	466,622	2,304,774	466,622	1,433,877
Term deposits	27	52,841,565	34,968,088	52,841,565	21,754,822
Foreign liabilities	28	585,194,679	671,056,070	585,194,679	417,486,522
International Monetary Fund facilities	29	154,738,535	64,204,088	154,738,535	39,943,520
Total liabilities		**832,763,428**	**813,482,884**	**832,763,428**	**506,095,027**
Total equity and liabilities		**816,588,221**	**803,590,740**	**811,078,015**	**496,612,599**

RESERVE BANK OF ZIMBABWE
INFLATION ADJUSTED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

Dr. J.P. Mangudya
Governor, Board Chairman

Mrs. M. Dzumbunu
Acting Deputy Board Chairman & Audit and Oversight Committee Chairman

Dr. K. Mlambo
Deputy Governor

Dr. J.T. Chipika
Deputy Governor

Mrs. V. Sithole
Bank Secretary & Director Legal and Corporate Affairs

Date: 31 May 2022

RESERVE BANK OF ZIMBABWE
INFLATION ADJUSTED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share Capital ZW$	Share Premium ZW$	Revaluation Reserve ZW$	Mark to Market Reserve ZW$	General Reserve Fund ZW$	Accumulated deficit ZW$	Total ZW$
Balance as at 1 January 2020	89,575	4,389,187	3,733,950	3,294,152	-	(28,876,319)	(17,369,455)
Surplus of the year	-	-	-	-	-	374,868	374,868
Revaluation gain on properties	-	-	6,543,733	-	-	-	6,543,733
Fair value gains on investments	-	-	-	558,710	-	-	558,710
Balance at 31 December 2020	**89,575**	**4,389,187**	**10,277,683**	**3,852,862**	**-**	**(28,501,451)**	**(9,892,144)**
Surplus for the year	-	-	-	-	-	(12,262,041)	(12,262,041)
Fair value gains on investments	-	-	-	2,006,103	-	-	2,006,103
Revaluation gain on properties	-	-	3,972,875	-	-	-	3,972,875
Balance at 31 December 2021	**89,575**	**4,389,187**	**14,250,558**	**5,858,965**	**-**	**(40,763,492)**	**(16,175,207)**

RESERVE BANK OF ZIMBABWE
STATEMENT OF CHANGES IN EQUITY - UNAUDITED HISTORICAL COST

For the year ended 31 December 2021

	Share Capital ZW$	Share Premium ZW$	Revaluation Reserve ZW$	Mark to Market Reserve ZW$	General Reserve Fund ZW$	Accumulated (Deficit)/Surplus ZW$	Total ZW$
Balance as at 1 January 2020	**2,000**	**98,000**	**909,071**	**549,187**	**-**	**(6,070,763)**	**(4,512,505)**
Surplus of the year	-	-	-	-	-	(9,388,591)	(9,388,591)
Fair value gains on investments	-	-	-	347,592	-	-	347,592
Revaluation gain on properties	-	-	4,071,076	-	-	-	4,071,076
Balance at 31 December 2020	**2,000**	**98,000**	**4,980,147**	**896,779**	**-**	**(15,459,354)**	**(9,482,428)**
Deficit for the year	-	-	-	-	-	(21,356,245)	(21,356,245)
Fair value gains on investments	-	-	-	2,006,103	-	-	2,006,103
Revaluation gain on properties	-	-	7,147,157	-	-	-	7,147,157
Balance at 31 December 2021	**2,000**	**98,000**	**12,127,304**	**2,902,882**	**-**	**(36,815,599)**	**(21,685,413)**

RESERVE BANK OF ZIMBABWE
INFLATION ADJUSTED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	NOTES	2021 ZW$ 000	2020 ZW$ 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flows			
Surplus/(Deficit) for the year		(12,262,041)	374,868
Adjustment for items not affecting operating cash flows			
-Depreciation	7.5	474,945	348,136
-Fair value gain in investment property	7.4	(853,412)	(888,588)
-(Revaluation)/Impairment of investments	7.5	-	1,261,305
-Expected credit losses		433,836	1,282,642
-Profit on disposal of property, plant and equipment	7.4	(6,326)	(36,843)
-Reversal of financial assets impairment	8	(70,030)	-
-Other accrued interest income		(5,333,214)	(9,462,786)
-Interest expense	7.3	28,902,776	26,164,129
-Monetary gain		(15,557,076)	(22,835,889)
		(4,270,542)	**(3,793,036)**
Interest and commission paid			
-Interest and commission paid		(12,764,691)	(9,963,938)
Operating cash flows before movements in working capital		**(17,035,233)**	**(13,756,974)**
Movements in working capital			
Increase in receivables		(19,411,698)	(5,612,092)
Increase in deposit accounts		51,881,686	41,689,276
(Increase)/decrease in payables		105,651,547	7,039,570
Increase (decrease) in advances		(1,954,756)	3,435,836
Net cash flows from working capital movements		**136,166,779**	**46,552,590**
Net cash inflow/(outflow) from operating activities		**119,131,546**	**32,795,616**

RESERVE BANK OF ZIMBABWE
INFLATION ADJUSTED STATEMENT OF CASH FLOWS – (continued)

For the year ended 31 December 2021

	NOTES	2021 ZW$ 000	2020 ZW$ 000
CASH FLOWS FROM INVESTING ACTIVITIES			
Investing Activities			
Purchase of shares and investment securities		(9,355,391)	1,172,472
Proceeds from disposal of property, plant and equipment	37.2	5,461	36,853
Purchase of property, plant and equipment	37.1	(239,741)	(312,357)
Dividend & Interest received		1,188,809	651,569
Net cash from Investing Activities		**(8,400,862)**	**1,548,537**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in liabilities		18,707,522	17,708,413
Increase in legacy debt		(43,172,658)	(53,884,742)
Net cash from Financing Activities		**(24,465,136)**	**(36,176,329)**
Decrease in cash and cash equivalents due to revaluation and monetary adjustments		2,126,938	(12,202,557)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**88,392,486**	**(14,034,733)**
Cash and cash equivalents at beginning of the year		**4,138,695**	**18,173,428**
-Balances with foreign banks		3,023,872	17,363,720
-Foreign currency		1,113,011	801,581
-Committed funds		1,812	8,127
Cash and cash equivalents at end of the year		**92,531,181**	**4,138,695**
-Balances with foreign banks		90,029,010	3,023,872
-Foreign currency		847,251	1,113,011
-Committed funds		1,654,920	1,812

RESERVE BANK OF ZIMBABWE
STATEMENT OF CASH FLOWS - UNAUDITED HISTORICAL COST

For the year ended 31 December 2021

	NOTES	2021 ZW$ 000	2020 ZW$ 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flows			
Deficit for the year		(21,356,245)	(9,388,590)
Adjustment for items not affecting operating cash flows			
-Depreciation	7.5	154,076	35,667
-Fair value gain in investment property	7.4	(853,412)	(552,821)
-(Revaluation)/Impairment of investments	7.5	-	784,700
-Unrealised exchange losses on legacy debt	7.5	-	-
-Expected credit losses		433,836	797,975
-Profit on disposal of property, plant and equipment		(4,997)	(22,085)
-Reversal of financial assets impairment	8	(70,030)	-
-Other accrued interest receivable		(4,305,845)	(5,067,844)
-Interest expense	7.3	22,752,826	11,761,575
		(3,249,791)	**(1,651,423)**
Interest and commission paid			
-Interest and commission paid		(10,442,381)	(4,055,834)
Operating cash flows before movements in working capital		**(13,692,172)**	**(5,707,257)**
Movements in working capital			
Increase in receivables		(19,411,699)	(3,468,050)
Increase in deposit accounts		51,881,686	24,029,972
Increase in payables		105,651,547	4,379,553
Increase/(decrease) in advances		(1,954,755)	2,080,470
Net cash flows from working capital movements		**136,166,779**	**27,021,945**
Net cash inflow from operating activities		**122,474,607**	**21,314,688**

RESERVE BANK OF ZIMBABWE
STATEMENT OF CASH FLOWS – UNAUDITED HISTORICAL COST (continued)

For the year ended 31 December 2021

	NOTES	2021 ZW$ 000	2020 ZW$ 000
CASH FLOWS FROM INVESTING ACTIVITIES			
Investing Activities			
Purchase of shares and investment securities		(8,958,432)	784,178
Proceeds from disposal of property, plant and equipment	37.2	4,207	22,384
Purchase of property, plant and equipment	37.1	(198,153)	(157,772)
Dividend & Interest received		1,102,889	533,878
Net cash from Investing Activities		**8,049,489**	**1,182,668**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in liabilities		18,707,523	11,080,529
Decrease in legacy debt		(43,172,658)	(33,523,508)
Net cash from Financing Activities		**(24,465,135)**	**(22,442,979)**
(Decrease)/Increase in cash and cash equivalents due to revaluation		(3,621)	8
INCREASE IN CASH AND CASH EQUIVALENTS		**89,956,360**	**54,385**
Cash and cash equivalents at beginning of the year		**2,574,821**	**2,520,436**
-Balances with foreign banks		1,881,253	2,408,137
-Foreign currency		692,441	111,172
-Committed funds		1,127	1,127
Cash and cash equivalents at end of the year		**92,531,181**	**2,574,821**
-Balances with foreign banks		90,029,010	1,881,253
-Foreign currency		847,251	692,441
-Committed funds		1,654,920	1,127

1. REPORTING ENTITY

The Reserve Bank of Zimbabwe is a Statutory Body established in terms of the Reserve Bank of Zimbabwe Act [Chapter 22:15]. The Bank's registered office is number 80 Samora Machel Avenue, Harare.

2. BASIS OF PREPARATION

The financial statements of the Bank are prepared and presented as prescribed by the Reserve Bank of Zimbabwe Act [Chapter 22:15]. Accordingly, these financial statements have been prepared in accordance with the accounting policies, as determined by the Directors, as set out in 'note 3' to the financial statements. The Bank uses International Financial Reporting Standards (IFRS) as a guide on most appropriate accounting policies and model for presentation and disclosure framework in its financial statements. Accounting policies in respect of exchange losses (disclosed in note 3.2.1 and note 12) and blocked funds (disclosed in note 28) are in accordance with the RBZ Act, [Chapter 22:15] and SI 33 respectively. The Directors consider the accounting policies adopted to be suitable for the intended users of the financial statements.

2.1 Adoption of IAS 29 'Financial Reporting in Hyper Inflationary Economies'

The financial statements are prepared to comply with International Accounting Standard (IAS) 29 'Financial Reporting in Hyper Inflationary Economies' following the directive issued by the PAAB in October 2019. All Zimbabwean entities reporting under IFRS are required to comply with requirements of IAS 29 'Financial Reporting in Hyper Inflationary Economies' for reporting periods 1 July 2019 onwards. The inflation adjusted financial statements are the primary financial statements. The historical cost financial statements have been presented as supplementary information. Freehold land & buildings, investment properties and unquoted shares were revalued at the reporting date. Assets and liabilities that are denominated in currencies other than the Zimbabwe dollar (ZW$) were translated to the functional currency in compliance with IFRS.

The Bank adopted the Zimbabwe Consumer Price Index (CPI) as the general price index to restate balances and transactions. The restatement factors are derived from dividing the December 2021 CPI by the relevant month's CPI as shown below:

2.1 Adoption of IAS 29 'Financial Reporting in Hyper Inflationary Economies' continued

MONTH	CPI	CONVERSION FACTOR
December 2019	551.6	7.2104
December 2020	2,474.5	1.6074
January 2021	2,608.8	1.5246
February 2021	2,698.9	1.4737
March 2021	2,759.8	1.4412
April 2021	2,803.6	1.4187
May 2021	2,874.8	1.3835
June 2021	2,986.4	1.3318
July 2021	3,062.9	1.2986
August 2021	3,191.2	1.2464
September 2021	3,342.0	1.1901
October 2021	3,555.9	1.1186
November 2021	3,760.9	1.0576
December 2021	3,977.5	1.0000

All comparative figures have been restated to reflect the change in the CPI from the start of the reporting period, 1 January 2021 to 31 December 2021. Assets and liabilities carried at fair value as at 31 December 2021 have not been restated in the current year as they are presented at the measuring unit current at the reporting date. Non-monetary assets and depreciation that are not current at the statement of financial position date are restated from date of initial application of hyperinflationary accounting, 1 January 2018. Those purchased after 1 January 2018, are restated using the change in CPI index at the transaction date. Share Capital and Premium have been restated using CPI index at the beginning of the period.

The statement of profit or loss items have been restated by applying restatement factors applicable in the month when the transactions were processed in the Bank's financial statements. A net monetary gain was recognized in the statement of profit or loss. All items in the statement of cash flows have been expressed based on the restated financial information for the period, except for those items measured at the current unit at the reporting date.

2.2 Financial Reporting Framework

The Bank presents its statement of financial position in order of liquidity.The financial statements are prepared on the basis of policies prepared using International Financial Reporting Standards (IFRS) as a guide, except as described below.

2.2.1 IFRS 3 'Business Combinations' and IFRS 10 'Consolidated Financial Statements'

The financial statements of the subsidiary companies of the Bank are not consolidated. The Directors of the Bank are of the opinion that the nature of the activities of the Bank and its subsidiaries are so diverse that consolidation would not result in meaningful presentation of the results of the Bank and its subsidiaries. This is however, not in accordance with both IFRS 3 Business Combinations and IFRS 10 Consolidated Financial Statements which require that an entity (the parent) that controls one or more other entities (subsidiaries) should present consolidated financial statements. The Board is considering a phased approach to consolidation.

2.2.2 IAS 21 'Effects of changes in foreign exchange rates'

Exchange gains and losses are accounted for in accordance with the provisions of section 34 of the Reserve Bank of Zimbabwe Act [Chapter 22:15] which states that all exchange losses and gains from Gold and Foreign denominated assets are borne by the Bank for the account of the Government of Zimbabwe. Ordinarily, central banks do not have government foreign liabilities in their books hence the RBZ Act referring only to "exchange losses and gains on foreign assets", which are reserves. The Bank holds foreign liabilities on behalf of Government (Finance Act No 7 of 2021). These revalue on movement of exchange rates. These exchange losses are thus accounted for in accordance with Section 34 of the said RBZ Act.

The Bank is required to pay the Government of Zimbabwe in the event of realised exchange gains or receive from the Government of Zimbabwe in the event of realised exchange losses. This however does not conform to IAS 21 'Effects of Changes in Foreign Exchange Rates', which requires that all realised and unrealised foreign exchange gains and losses should be recognised in the statement of profit or loss and other comprehensive income.

2.3 Use of estimates and judgements

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. This result in making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The Bank shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods except for the disclosure of the effect in periods when it is impracticable to estimate that effect. Management judgement was used in the application of accounting policies that have a significant effect on the financial statements and on estimates with a significant risk of material adjustments in the subsequent year.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in 'note 6' to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the transaction price of the consideration received or receivable, taking into account contractually defined terms.

3.1.1 Interest income

Interest income arises from the Bank's lending and money market activities. It is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable to the instrument.

3.1.2 Fee income

The Bank recognises fees in advance from licensing services in accordance with the substance of the underlying transaction. Also, the Bank recognises income from facility fees from its money market activities. Facility fees are recognised using the effective interest rate of the average life of the underlying asset. Due to the short-term nature of the loans and advances, the facility fees have been amortised equally over the term of the loan as an estimation of the effective interest rate.

3.1.3 Commission income

The Bank provides Real Time Gross Settlement (RTGS) services to financial institutions. Commission income is recognised when control of the services is transferred to the financial institution at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services. The Bank has generally concluded that it is the principal in these revenue arrangements because it typically controls the services before transferring to financial institutions. The Bank also earns commissions from foreign currency allocations. Revenue related to foreign currency allocation transactions is recognised at the point in time when the transaction takes place.

3.1.3 Dividend income

Dividend income from investments is recognised when the dividend has been declared.

3.1.4 Other income

Other income arising from the provision of other services to clients is recognised on the accrual basis in accordance with the substance of the underlying transaction.

3.1.5 Rental income

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2.1 Foreign currency translation

These financial statements are expressed in Zimbabwe Dollars (ZW$). Transactions in currencies other than the ZW$ are recorded at the spot exchange rate on the transaction date. Monetary assets and liabilities carried at amounts that are denominated in currencies other than the ZW$ are translated at the spot exchange rate on the reporting date.

In terms of section 34(1) of the Reserve Bank of Zimbabwe Act [Chapter 22:15], any exchange gains and losses arising on the translation of gold and foreign assets are for the account of the Government of Zimbabwe and are recorded in the gold and foreign currency adjustment account which is disclosed under either 'assets' or 'liabilities' on the statement of financial position. Almost all foreign borrowings in the Bank's financial statements are for the account of Government, hence the treatment of all exchange losses or gains on foreign liabilities per section 34 of the RBZ Act [Chapter 22:15].

3.2.2 Presentation and functional currency

The financial statements are presented in Zimbabwe Dollars (ZW$) which is the Bank's functional currency.

3.3 Employee benefits

3.3.1 Retirement benefit costs

The Bank contributes towards a defined contribution plan. Contributions to this plan are recognised as an expense in the statement of profit or loss and other comprehensive income in the periods in which the employees render services.

3.3.2 Pension scheme

The Bank and its employees contribute 15% and 6% of pensionable earnings respectively to the Fintrust Pension Fund. The fund is a defined contribution fund, the assets of which are held in a separate trustee administered fund. The trustees of the fund are appointed by the employer and employees. These trustees make up the board that is required by law to act in the best interests of the plan participants and is responsible for setting investment management and pension payments policies. The Bank is not exposed to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3.3 Termination benefits

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

3.3.4 Short term benefits

Short term benefits consist of salaries, accumulated leave payments and any non-monetary benefits such as medical aid contributions etc. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.4 Taxation

The Bank is exempt from Income Tax and Capital Gains Tax in terms of the Income Tax Act [Chapter 23:06] and the Capital Gains Tax Act [Chapter 23:01].

3.5 Property, plant and equipment

Land and buildings held for use in the provision and supply of services, or for administrative purposes, are initially measured at cost. They are subsequently stated in the statement of financial position at their revalued amounts, being the fair value at the reporting date. These are determined from market-based evidence by appraisal undertaken by independent professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. On revaluation, accumulated depreciation is reversed.

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from the fair value determined at the reporting date. Property is revalued after three years in accordance with the Bank’s accounting policy. Any revaluation increase arising on the revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same assets previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged.

A decrease in carrying amount of a revalued asset is charged as an expense to the extent that it exceeds the balance, if any, held in revaluation reserve relating to a previous revaluation of that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property, plant and equipment (continued)

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to the accumulated fund.

Furniture, equipment and motor vehicles are stated at cost less accumulated depreciation and impairment losses, if any. When significant part of equipment is required to be replaced at intervals, the Bank depreciates them separately based on their specific useful lives. All other repairs and maintenance costs are recognised in profit or loss as incurred.

Depreciation is charged so as to write off the acquisition cost or valuation of assets, other than land and buildings under construction, over their estimated useful lives to their residual values, using the straight line method, on the following basis:

Buildings	17-44 Years
Machinery	4 Years
Furniture and equipment	4 -10 Years
Motor vehicles	5 Years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised as income or expense in profit or loss. Land is not depreciated in the Bank's financial statements.

3.6 Investment property

Investment property, which is property held to earn rentals and or for capital appreciation, is initially measured at cost and subsequently at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes the cost for subsequent accounting.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Leases

The Bank has entered into commercial property leases on its investment property portfolio. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Rental income and expenditure under operating leases is accounted for through profit or loss on a straight line basis, over the period of the lease.

3.8 Investments in subsidiaries and joint ventures

A subsidiary is an investment wherein the Bank controls the investee. The Bank controls an investee when it has power to govern the financial and operating policies, is exposed to variable returns from its involvement with the investee and has ability to use its power to affect the amount of the investee’s returns.

Investments in subsidiaries are stated at cost. Subsequent to initial recognition, the investments in subsidiaries are carried at cost less any accumulated impairment. Subsidiaries are tested for impairment on an annual basis and impairments are accounted for through statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. Management determines the appropriate classification at initial recognition of the financial instrument. All financial assets and liabilities are initially recognised on the trade date i.e., the date the Bank becomes a party to the contractual provisions of the instrument. The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention in acquiring them. The Bank's financial instruments consist primarily of cash and deposits with banks, equity investments, loans and advances to customers, customer deposits, investment securities held to maturity, amounts due to banks, loans and borrowings.

3.9.1 Financial assets

Financial assets are classified into the following categories: financial assets 'at fair value through other comprehensive income' (FVTOCI) and at amortised cost. The classification depends on the nature and purpose of the financial asset and it is determined at the time of initial recognition.
The Bank's main financial assets include loans and receivables, investment securities, equity investments and foreign assets.

3.9.1.1 Loans and receivables

Receivables, loans and advances to Government and to Statutory Bodies, other loans and advances not quoted on active markets are classified as loans and receivables. These include loans to subsidiaries. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method less impairments. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortised is included in interest income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in other operating expenses. Exchange losses expected from Government are included in receivables.

3.9.1.2 Foreign assets

Foreign assets are recognised at the rate of exchange ruling when they are acquired and subsequently restated using the spot exchange rate at the reporting date. Gains and losses arising from movements in exchange rate of foreign assets are for the account of the Government of Zimbabwe as stipulated in section 34 (1) of the Reserve Bank of Zimbabwe Act [Chapter 22:15].

3.9.1.3 Equity Investments

FVTOCI financial assets are equity investments. The FVTOCI designation was made because the investments are expected to be held for the long term for strategic purposes. After initial measurement, FVTOCI financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income (OCI) and posted in the mark to market reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income. When the investment is determined to be impaired, the cumulative loss is reclassified from the mark to market reserve to the statement of profit or loss as impairment loss. Dividend received whilst holding FVTOCI financial assets is reported as dividend income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9.1.4 Investment securities

Non derivative financial assets with fixed or determinable payments and fixed maturities are classified as investment securities when the Bank has the positive intention and ability to hold them to maturity. After initial measurement, investment securities are measured at amortised cost using the effective interest method, less, impairment. The effective interest amortised is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Bank's investments in Treasury Bills and other deposits have been classified as investment securities.

3.9.1.5 Impairment

The Bank is a policy driven institution whose lending guidelines are directed as outlined by the Monetary Policy Committee pronouncements. The Bank recognises an allowance for expected credit losses (ECLs) for all debt instruments according to IFRS 9. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses.

The 12 month ECL is the portion of LTECL that represent the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Bank groups its debt instruments (loans & receivables excluding rent receivable, investment securities and foreign assets) into Stage 1, Stage 2 and Stage 3 as described below:

i. Stage 1: When debt instruments are first recognised, the Bank recognises an allowance based on 12 month ECL. Stage 1 debt instrument also includes facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
ii. Stage 2: When a debt instrument has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 debt instruments also include facilities, where the credit risk has improved and the debt instrument has been reclassified from Stage 3.
iii. Stage 3: These debt instruments are considered credit-impaired. The Bank records an allowance for the LTECL.

For rent receivable, the Bank applies a simplified approach in calculating ECLs. Therefore, the Bank does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Bank has established a provision model that is based on historical credit loss experience.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9.1.5 Impairment (continued)

Equity instruments are not subject to impairment under IFRS9. The Bank considers a financial asset in default when contractual payments are 90 days past due. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.9.2 Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are recognised when the Bank becomes party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value, generally being their issue proceeds net of transaction costs incurred.

The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option-pricing valuation techniques whose variables include only data from observable markets.

The Bank's main financial liabilities include International Monetary Fund ('IMF') facilities, foreign loans, domestic loans, other deposits payable and interest bearing deposits which are subsequently measured at amortised cost using the effective interest method.

3.9.2.1 Loans and borrowings

After initial measurement, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are an integral part of the EIR. The effective interest amortised is included as interest expense in the statement of profit or loss.

This category generally applies to interest bearing loans and borrowings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9.2.2 Currency in circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. Currency in circulation represents the face value of notes and coins issued to commercial banks by the Reserve Bank of Zimbabwe. Unissued notes and coins held by the Bank in the vaults are not part of the currency in circulation.

3.9.3 Offsetting financial instruments

The Bank offsets financial assets and financial liabilities and reports the net balance in the statement of financial position where there is a legally enforceable right to set off. This holds where there is an intention to settle on a net basis or to realize the financial assets and settle the financial liability simultaneously, where the maturity date for the financial assets and liabilities are the same and the financial assets and liabilities are denominated in the same currency.

3.9.4 Derecognition of financial assets and financial liabilities

The Bank derecognises a financial asset when it loses control over the contractual rights that comprise the financial asset and transfers substantially all the risks and benefits associated with the financial asset. This arises when the rights either are realised, expire or are surrendered. The Bank derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expired.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount of the portion of the asset to be transferred), the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain that had been recorded in other comprehensive income is recognised in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Fair value measurement

The Bank measures non-financial assets, such as investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i. In the principal market for the asset or liability, or
ii. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

i. Level 1. Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
ii. Level 2. Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
iii. Level 3. Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Gold

Gold is recognised at the rate of exchange ruling when it is acquired and subsequently revalued using the spot exchange rate at the reporting date. Gains and losses arising from movements in exchange rate is for the account of the Government of Zimbabwe as stipulated in section 34 (1) of the Reserve Bank of Zimbabwe Act [Chapter 22:15].

3.12 Cash and bank balances

Cash and bank balances include foreign currency on hand and foreign currency balances held with various banks. Cash and bank balances are carried at amortised cost in the statement of financial position.

3.13 Rounding Off

Amounts in these financial statements are rounded to the nearest thousand (000) unless otherwise stated.

4. STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

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

i. Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
ii. Covid-19 - Related Rent Concessions (Amendment to IFRS 16).
iii. Annual Improvements to IFRS Standards 2018–2020.
iv. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
v. Reference to Conceptual Framework (Amendments to IFRS 3).
vi. Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
vii. IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
viii. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
ix. Definition of Accounting Estimates (Amendments to IAS 8).

5. STANDARDS APPLIED FOR THE FIRST TIME

There are no standards applied for the first time**.**

6. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION IN APPLYING THE BANK'S ACCOUNTING POLICIES

In the process of applying the Bank's accounting policies, the Board made the following judgements and estimates that have a significant effect on the amounts recognised in the financial statements.

6.1 Property, plant and equipment useful lives, residual values and depreciation rates

The Bank's property, plant and equipment are depreciated using depreciation rates, useful lives and residual values estimated by the Directors. The Bank's policy requires revaluation of its property on a regular basis within periods not exceeding three years. The Bank's land and buildings were professionally revalued based on open market values for periods ending 31 December 2019, 2020 and 2021 by external property valuers due to volatility in the property market.

6.2 Fair valuation of investment properties

The fair value of investment properties at year-end was independently determined by the Bank's property valuers. This resulted in a fair value increase of ZW$853 million (2020: ZW$889 million). The Directors have reviewed the results of the independent valuation for reasonableness and they believe the investment properties have been fairly valued. The key assumptions used in the fair value of investment property are further explained below:

The valuations were conducted in accordance with International Valuation Standards using the following assumptions:

i. The properties have no significant structural defects and that any defects would not require more than the normal level of maintenance and expenditure
ii. Each property is not contaminated and is not adversely affected by any existing or proposed environmental law.
iii. There are no abnormal ground conditions, or archaeological remains present, which might adversely affect the present or future occupation, development or value of the properties. Each property is free from rot, infestation and structural or latent defect.
iv. No currently known deleterious or hazardous materials or suspect techniques have been used in the construction of, or subsequent alterations or additions to each of the properties.

6. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION IN APPLYING THE BANK'S ACCOUNTING POLICIES (continued)

6.3 Impairment of loans and advances

The Bank's business model is to hold financial assets in order to collect contractual cashflows that are solely payments of principal and interest on the principal amount outstanding. The Bank applies IFRS 9, which requires forward looking impairment for all financial instruments. Expected Credit Losses were calculated for financial assets using recalibrated models as at 31 December 2021.

6.3.1 The key components of the impairment methodology are described as follows:

Significant increase in credit risk ("SICR")

At each reporting date the Bank assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.

6.3.2 Low credit risk

Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.

6.3.3 Default

The Bank's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:

i. significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower),
ii. a breach of contract, such as default or delinquency in interest and/or principal payments,
iii. active market disappearance due to financial difficulties, and
iv. it becomes probable that the borrower will enter bankruptcy or other financial reorganisation where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Bank would not otherwise consider.

Exposures which are overdue for more than 90 days are also considered to be in default.

6.3.4 Forward-looking information

Forward-looking information is incorporated into the Bank's impairment methodology calculations and in the Bank's assessment of SICR. The Bank includes all forward-looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.

6.3 Impairment of loans and advances (continued)

6.3.5 Probability of default (PD)

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

6.3.6 Loss given default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

6.3.7 Exposure at default (EAD).

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

6.4 Investments in subsidiaries and unquoted shares

Investments in subsidiaries are stated at cost less accumulated impairment. The Bank tests all investments in subsidiaries for impairment on an annual basis. The breakdown of investments are disclosed in 'note 16'.

The Bank's investments in unquoted shares are in Infrastructural Development Bank of Zimbabwe (IDBZ), Zimswitch and African Export-Import Bank (Afreximbank). The Bank engaged services of professional consultants for independent fair valuation of its investments in IDBZ, Zimswitch and Afreximbank. The Directors have reviewed the results of the independent valuations for reasonableness and they believe the investments in unquoted shares have been fairly valued. The consultants' key methods, assumptions and inputs used in the valuation methods are disclosed in 'note 15'.

6.5 Provision for legal disputes

The Bank's legacy legal issues continued during the year. The Directors do not believe that there will be an outflow of resources from the Bank arising from these cases other than already accounted for, except from the cost of defending the cases. Consequently, no additional provision has been made for these cases.

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

		AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
		2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
7.	**INCOME AND EXPENDITURE**				
7.1	**Interest income comprises:**				
	- Interest on Treasury Bills (foreign and local Treasury Bills)	550,874	1,442,350	426,622	439,754
	- Interest on local and foreign bank balances	8,968	2,053	7,815	366
	- Interest on Government loans & advances	484,115	39,676	393,774	24,596
	-Interest on advances to financial institutions	1,701,801	1,734,302	1,401,216	724,000
		2,745,758	**3,218,381**	**2,229,427**	**1,188,716**
	Interest earning assets as at 31 December 2021 were ZW$17.9 billion (2020: ZW$23.6 billion). (See note 33.1.2) The average interest rate on assets was 14.73% per annum (2020: 6.5%).				
7.2	**Commission earned (RTGS)**	**1,308,948**	**503,091**	**1,160,346**	**164,507**
	The performance obligation is the delivery of RTGS services and is satisfied by receipt of payment made at that point in time				
7.3	**Interest and commission expense**	**28,902,776**	**26,164,129**	**22,752,826**	**11,761,575**
	Interest and commission expense consists of interest on savings bonds, loans and borrowings. Interest bearing liabilities as at 31 December 2021 were $230 billion (2020: ZW$329.6 billion) (See note 33.1.2). The average interest rate on Liabilities was 7.02% (2020:7.5%)				
7.4	**Other income comprises:**				
	Dividends from shares (local and foreign)	778,015	726,386	628,132	368,604
	Licensing fees, customs declaration (CD) forms	136,131	126,057	132,469	26,777
	Fair value gains on investment property	853,412	888,588	853,412	552,821
	Fees received and other income	2,061,533	6,403,575	1,645,932	3,808,609
	Profit on disposal of property plant and equipment	6,326	36,843	4,997	22,085
	Rental Income (refer note 17)	53,976	37,647	42,738	17,968
		3,889,393	**8,219,098**	**3,307,680**	**4,796,864**

7. INCOME AND EXPENDITURE (continued)	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
7.5 Operating expenses	**(6,496,634)**	**(6,954,820)**	**(4,937,066)**	**(2,979,127)**
Included in operating expenses are:				
Auditors' remuneration	32,478	24,789	25,588	5,411
Advertising Expenses	203,535	28,729	169,459	14,545
Computer software licences	247,923	214,752	197,194	90,044
Depreciation of property, plant and equipment	474,945	348,136	154,076	35,667
Impairment of unquoted investments	-	1,261,305	-	784,700
Repairs, maintenance and Bank vehicle expenses	184,370	113,264	149,974	53,305
Utility bills and telecommunication	216,027	186,629	174,074	91,768
Travel	55,620	98,137	48,848	26,642
External printing	741,523	1,595,546	488,926	572,213
Courier services	280,009	320,107	209,825	110,161
Employee benefits	**3,303,405**	**1,976,777**	**2,706,003**	**884,822**
-salaries	2,323,563	1,285,122	1,926,789	584,817
-staff bonuses	140,677	90,423	111,455	42,758
-medical expenses	185,287	120,391	148,659	55,145
-Pension & NSSA contributions	244,957	99,085	199,560	41,591
-other expenses	408,921	381,756	319,540	160,511
Directors' fees	34,773	39,156	29,253	17,222
8. REVERSAL OF FINANCIAL ASSETS IMPAIRMENT				
Change in allowance for doubtful debts (Gvt)	70,030	-	70,030	-
9. CASH AND BANK BALANCES				
Nostro accounts balances	90,029,010	3,023,873	90,029,010	1,881,253
Bank balances/cash at hand	847,251	1,113,011	847,251	692,441
Committed Funds	1,654,921	1,811	1,654,921	1,127
	92,531,182	**4,138,695**	**92,531,182**	**2,574,821**

Cash and Bank Balances comprise cash on hand and demand deposits with local and foreign banks (including Special Drawing Rights (SDR) balances held at the International Monetary Fund).

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
10. GOLD AND FOREIGN ASSETS				
Gold	225,773	279,558	225,773	173,922
Foreign investments	19,781,090	14,919,022	19,781,090	9,281,625
	20,006,863	**15,198,580**	**20,006,863**	**9,455,547**
Encumbered assets	**401,680**	**741,656**	**401,680**	**461,409**
South African Treasury Bills (Investment securities)	401,680	741,656	401,680	461,409
	20,408,543	**15,940,236**	**20,408,543**	**9,916,956**
Foreign investments reconciliation				
Opening balance	14,919,022	3,383,688	9,281,625	2,105,106
Additional shares	320,994	366,471	320,994	227,994
Afreximbank General Capital shares - (2,843)	5,433,300	-	5,433,300	-
Swift shares sale	(12,924)	-	(12,924)	-
Fair value adjustment	(879,302)	11,168,863	4,758,095	6,948,525
Balance at year end	**19,781,090**	**14,919,022**	**19,781,090**	**9,281,625**

Foreign investments are shares in African Export-Import Bank (Afreximbank) and the SWIFT payment platform. The Bank's Afreximbank investment valuation was done by professional valuers.

The South African Treasury Bills (SATBs) of ZAR59 million are investments securities at the South African Reserve Bank. These Treasury Bills were pledged as security for an overdraft facility at the South African Reserve Bank of ZAR26 million. The movement in the investments is mainly SATBs maturities and exchange rate fluctuations.

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
11. INVESTMENT SECURITIES				
Zimbabwe Treasury Bills	**5,725,697**	**9,959,041**	**5,725,697**	**6,195,853**
12. RECEIVABLES				
Exchange losses	588,845,834	701,222,773	588,845,834	436,254,240
Receivables	13,329,877	11,880,237	13,329,877	7,391,094
Prepayments	421,327	1,416,975	391,286	864,945
Expected credit losses	(22,274)	(37,141)	(22,274)	(23,106)
Export Incentives	3,611,566	5,805,129	3,611,566	3,611,566
Government IMF drawdown and interest	29,661,583	1,041,737	29,661,583	648,100
Balance at year end	**635,847,913**	**721,329,710**	**635,817,872**	**448,746,839**

The bulk of the receivables is exchange losses most of which are unrealised and are accounted for in terms of Section 34 of the RBZ Act [Chapter 22:15]. Section 34 of the RBZ Act [Chapter 22:15] states that all exchange losses and gains from gold and foreign denominated assets are borne by the Bank for the account of the Government of Zimbabwe. Ordinarily, foreign loans secured to stabilize a country's economy are on the central Government books. The Bank being a fiscal agent, borrows on behalf of Government as mandated by section 7(n) of the RBZ Act [Chapter 22:15]. Central banks by nature are not for profit organisations hence may make losses in pursuit of economic policies that benefit their nations. Also, Government assumed most liabilities in the Bank's books through the Finance Act no. 7 of 2021. It is on this basis that all the exchange losses and gains are treated in these financial statements as recoverable from or payable to Government respectively.

Any payment of the realised exchange gains to the Government shall be made in accordance with arrangements approved by the Ministry of Finance and Economic Development. In the same light, any realised exchange losses receivable from Government of Zimbabwe and any payment by the Government of Zimbabwe on the receivable balance shall be upon request by the Bank. The GFCA account does not accrue any interest.

12. RECEIVABLES (continued)

Export incentives are subsidies receivable from Government, and they do not accrue interest. Government IMF drawdown is made up of a cumulative SDR529 million (2020: SDR329 million) withdrawn by Government from IMF SDR allocation. These balances are recorded at the spot exchange rate on the day of the transaction.

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
12.1 Expected credit losses reconciliation				
Opening Balance	(37,140)	(10,245)	(23,106)	(1,421)
Expected credit losses (note 33.4)	14,866	(26,895)	832	(21,685)
Balance at year end	**(22,274)**	**(37,140)**	**(22,274)**	**(23,106)**
13. LOANS AND ADVANCES TO GOVERNMENT AND STATUTORY BODIES				
Loans and advances (legacy debt)	58,466	206,546	58,466	128,497
Government loans	16,434,569	22,131,561	16,434,569	13,768,789
Expected credit losses (note 33.4)	(651,586)	(670,908)	(651,586)	(417,394)
Balance	**15,841,449**	**21,667,199**	**15,841,449**	**13,479,892**
13.1 Movement of expected credit losses				
Balance at the beginning of the year	(670,908)	(206,543)	(417,394)	(128,497)
Expected credit losses adjustment	19,322	(464,365)	(234,192)	(288,897)
Balance at the end of the year	**(651,586)**	**(670,908)**	**(651,586)**	**(417,394)**

Loans and advances to Government were ZW$16 billion (2020: ZW$22 billion) at year-end. This was mainly emanating from foreign payments made on behalf of Government, which the Government was yet to reimburse the Bank.

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
14. OTHER LOANS AND ADVANCES				
Advances				
-Interbank advances	4,412,391	4,237,296	4,412,391	2,636,164
-Loans to subsidiaries	12,148,494	1,585,483	12,148,494	986,382
Private sector loans				
-Advances	8,369,484	9,471,129	8,369,484	5,892,308
-Fertilizer debtors (legacy)	704	1,204	704	748
Expected credit losses	(800,479)	(1,076,991)	(800,479)	(670,032)
	24,130,594	**14,218,121**	**24,130,594**	**8,845,570**
Movement in expected credit losses of other loans and advances				
Balance at the beginning of the year	(1,076,991)	(293,566)	(670,032)	(182,637)
Expected credit losses adjustment	276,512	(783,425)	(130,447)	(487,395)
Balance at the end of the year	**(800,479)**	**(1,076,991)**	**(800,479)**	**(670,032)**

Interbank and other advances
Interbank advances consist of MBA and loans to banks.

Loans to subsidiaries
Fidelity Gold Refinery administered Gold Development Initiative Facilities constitute the bulk of loans to subsidiaries.

Private Sector Advances
Private sector loans are advances made by the Bank to strategic Government institutions and other facilities.

Loan Terms
Overnight interbank and MBA facility interest rates are published in the Monetary Policy Statement whilst the other terms are negotiated per facility.

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
15. OTHER INVESTMENTS				
Opening balance	**1,487,416**	**119,347**	**925,372**	**74,250**
IDBZ	1,487,416	119,347	925,372	74,250
Zimswitch	-	-	-	-
Current Year Movements				
Rights Issue - IDBZ	232,467	30,708	219,807	19,104
Fair value(loss)/gain - IDBZ	(528,636)	1,337,362	(528,636)	832,018
New Investment – Zimswitch	757,888	-	636,808	-
Fair value(loss)/gain – Zimswitch	906,376	-	906,376	-
Effect of IAS 29	(695,784)	-	-	-
Closing Balance	**2,159,727**	**1,487,417**	**2,159,727**	**925,372**
IDBZ	616,543	1,487,417	616,543	925,372
Zimswitch	1,543,184	-	1,543,184	-

The investments in unquoted local shares are classified as FVTOCI. The FVOCI designation was made because the investments are expected to be held for the long term for strategic purposes. The Bank's unquoted local shares refer to 15.69% shareholding in IDBZ and 15% in Zimswitch. The Bank invested in Zimswitch in September 2021. In November the Bank exercised its rights after IDBZ made a rights offer to its shareholders.

Professional consultants were engaged to evaluate the fair value of the Bank's investment in unquoted local shares as at 31 December 2021. The market based approach method was used in the valuation of the investments.

16. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries at cost less impairment losses	Shareholding	AUDITED INFLATION ADJUSTED 2021 ZW$ 000	AUDITED INFLATION ADJUSTED 2020 ZW$ 000	UNAUDITED HISTORICAL COST 2021 ZW$ 000	UNAUDITED HISTORICAL COST 2020 ZW$ 000
Fidelity Gold Refinery (Private) Ltd	100%	745,606	745,606	16,648	16,648
Aurex (Private) Limited	100%	742,574	742,574	16,580	16,580
Homelink (Private) Ltd	100%	2,161,410	1,329,241	598,630	29,679
Export Credit Guarantee Corporation (ECGC	100%	642,994	642,994	14,356	14,356
Zimbabwe Asset Management Corporation	100%	1,580,444	1,580,444	35,287	35,287
Reszim Investments (Private) Limited	100%	-	-	-	-
Finance Trust of Zimbabwe (Private) Limited	100%	-	-	-	-
Carslone (Private) Limited	100%	-	-	-	-
Fiscorp (Private) Limited	100%	-	-	-	-
Venture Capital Company of Zimbabwe (Pvt) Ltd	100%	-	-	-	-
		5,873,028	**5,040,859**	**681,501**	**112,550**

All of the above subsidiaries are incorporated in Zimbabwe.

17. INVESTMENT PROPERTY

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
Opening balance	1,104,275	967,548	687,008	134,187
Fair value adjustment	853,412	888,586	853,412	552,821
Monetary loss	(417,267)	(751,859)	-	-
Closing balance	**1,540,420**	**1,104,275**	**1,540,420**	**687,008**

Independent professional valuers revalued the Bank's investment property at 31 December 2021. The valuations were performed on the basis of open market values based on prevailing arm's length market transactions in accordance with International Valuation Standards. Refer to 'note 6.2'and 'note 35' for the key valuation assumptions and inputs.

The following amounts were recognised in the statement of comprehensive income as a result of rentals from the investment property held:

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
Rental income	53,976	37,647	42,738	17,968
Direct operating expenses from rental Income	(3,677)	(4,880)	(3,153)	
	50,299	**32,767**	**39,585**	**16,961**

The Bank leases (operating lease) its investment properties to various tenants. The lease agreements are renewable on an annual basis. Future minimum lease receipts as at 31 December 2021:

Up to 1 Year undiscounted	2 to 5 Years	More than 5 Years
ZW$84,627,659	-	-

Sensitivity analysis on investment property fair values

If the market prices are to decrease or increase by the following percentages, investment property fair values will be as follows:-

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
Decrease by 50%	770,210	552,138	770,210	343,504
Increase by 50%	2,310,630	1,656,413	2,310,630	1,030,512

18. PROPERTY, PLANT AND EQUIPMENT: AUDITED INFLATION ADJUSTED

	Land ZW$ 000	Buildings ZW$ 000	Furniture, equipment and machinery ZW$ 000	Motor vehicles ZW$ 000	Total ZW$ 000
Cost/Revaluation					
At 1 January 2020	15,603	7,029,428	900,555	813,227	8,758,813
Additions	-	2,704	150,362	33,292	186,358
Disposals		-	(60)	(5,224)	(5,284)
Revaluation	26,859	1,005,933	-	-	1,032,792
Cost/Valuation					
At 31 December 2020	**42,462**	**8,038,065**	**1,050,857**	**841,295**	**9,972,679**
Additions	-	-	61,884	73,861	135,745
Disposals	-	-	(583)	(12,970)	(13,553)
Revaluation	13,671	3,959,205	-	-	3,972,876
At 31 December 2021	**56,133**	**11,997,270**	**1,112,158**	**902,186**	**14,067,747**
At 1 January 2020	-	225	609,179	484,000	1,093,404
Charge for the year	-	172,791	76,120	99,225	348,136
Disposals	-	-	(60)	(5,224)	(5,284)
Reversal on revaluation	-	(168,764)	-	-	(168,764)
At 31 December 2020	**-**	**4,252**	**685,239**	**578,001**	**1,267,492**
Charge for the year	-	190,076	193,278	91,591	474,945
Disposals	-	-	(233)	(9,797)	(10,030)
Reversal on revaluation	-	(194,328)	-	-	(194,328)
At 31 December 2021	**-**	**-**	**878,284**	**659,795**	**1,538,079**
Net Book Values					
At 31 December 2021	**56,133**	**11,997,270**	**233,874**	**242,361**	**12,529,668**
At 31 December 2020	**42,462**	**8,038,813**	**365,618**	**263,294**	**8,705,187**

18.1 PROPERTY, PLANT AND EQUIPMENT: UNAUDITED HISTORICAL COST

	Land ZW$ 000	Buildings ZW$ 000	Furniture, equipment and machinery ZW$ 000	Motor vehicles ZW$ 000	Total ZW$ 000
Cost/Revaluation					
At 1 January 2020	2,164	974,870	15,720	22,009	1,014,763
Additions	-	375	76,475	17,831	94,681
Disposals		-	(29)	(2,421)	(2,450)
Revaluation	24,253	4,023,819	-	-	4,048,072
At 31 December 2020	**26,417**	**4,999,064**	**92,166**	**37,419**	**5,155,066**
Additions	-	-	54,211	66,251	120,462
Disposals	-	-	(181)	(438)	(619)
Revaluation	29,716	6,998,206			7,027,922
At 31 December 2021	**56,133**	**11,997,270**	**146,196**	**103,232**	**12,302,831**
Accumulated Depreciation					
At 1 January 2020	-	5	11,126	5,687	16,818
Charge for the year	-	23,963	6,698	5,005	35,666
Disposals	-	-	(29)	(2,117)	(2,146)
Reversal on revaluation	-	(23,010)	-	-	(23,010)
At 31 December 2020	**-**	**958**	**17,795**	**8,575**	**27,328**
Charge for the year	-	118,275	25,425	10,375	154,075
Disposals	-	-	(37)	(332)	(369)
Reversal on revaluation	-	(119,233)	-	-	(119,233)
At 31 December 2021		**-**	**43,183**	**18,618**	**61,801**
Net Book Values					
At 31 December 2021	**56,133**	**11,997,270**	**103,013**	**84,614**	**12,241,030**
At 31 December 2020	**26,417**	**4,998,106**	**74,371**	**28,844**	**5,127,738**

	AUDITED INFLATION ADJUSTED 2021 ZW$ 000	AUDITED INFLATION ADJUSTED 2020 ZW$ 000	UNAUDITED HISTORICAL COST 2021 ZW$ 000	UNAUDITED HISTORICAL COST 2020 ZW$ 000
19. SHARE CAPITAL				
Authorised				
2 million shares of $1 each	89,575	89,575	2,000	2,000
Issued				
2 million shares of $1 each	89,575	89,575	2,000	2,000
Reserves				
Share premium	4,389,187	4,389,187	98,000	98,000

The Bank's authorised capital is US$2 million wholly issued to the Government of Zimbabwe as per Section 31 of the Reserve Bank of Zimbabwe Act [Chapter 22:15]. In December 2015, the Government of Zimbabwe issued historical ZW$100 million eight-year debt instruments to the Bank as capitalisation.

20. REVALUATION RESERVE

	AUDITED INFLATION ADJUSTED 2021 ZW$ 000	AUDITED INFLATION ADJUSTED 2020 ZW$ 000	UNAUDITED HISTORICAL COST 2021 ZW$ 000	UNAUDITED HISTORICAL COST 2020 ZW$ 000
Opening Balance	10,277,683	3,733,949	4,980,147	909,071
Fair value gain on buildings	3,972,875	6,543,734	7,147,157	4,071,076
Closing balance	**14,250,558**	**10,277,683**	**12,127,304**	**4,980,147**

	AUDITED INFLATION ADJUSTED 2021 ZW$ 000	AUDITED INFLATION ADJUSTED 2020 ZW$ 000	UNAUDITED HISTORICAL COST 2021 ZW$ 000	UNAUDITED HISTORICAL COST 2020 ZW$ 000
21. MARK TO MARKET RESERVE				
Opening balance	3,852,862	3,294,152	896,779	549,187
Fair value gain / (loss) on equity investments	2,006,103	558,710	2,006,103	347,592
Balance at the end of the year	**5,858,965**	**3,852,862**	**2,902,882**	**896,779**
22. GENERAL RESERVE FUND	-	-	-	-

In terms of section 32 of the Reserve Bank of Zimbabwe Act [Chapter 22:15], the Bank is required to maintain a general reserve fund. Once the balance of the fund exceeds three times the issued share capital of the Bank, any operating surplus, after providing for bad and doubtful debts, depreciation, staff costs and any such items as are usually provided by financial institutions, shall ultimately be paid to the Government of Zimbabwe.

	AUDITED INFLATION ADJUSTED 2021 ZW$ 000	AUDITED INFLATION ADJUSTED 2020 ZW$ 000	UNAUDITED HISTORICAL COST 2021 ZW$ 000	UNAUDITED HISTORICAL COST 2020 ZW$ 000
23. ACCUMULATED SURPLUS/ (DEFICIT)				
Opening Balance	(28,501,451)	(28,876,319)	(15,459,354)	(6,070,763)
(Deficit)/Surplus for the year	(12,262,041)	374,868	(21,356,245)	(9,388,591)
Closing balance	**(40,763,492)**	**(28,501,451)**	**(36,815,599)**	**(15,459,354)**
24 NOTES AND COINS IN CIRCULATION				
Notes	5,052,397	3,074,986	5,052,397	2,276,216
Coins	99,710	744,010	99,710	99,710
	5,152,107	**3,818,996**	**5,152,107**	**2,375,926**

		AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
		2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
25	**DEPOSIT ACCOUNTS**				
	Local Financial institutions				
	-Bankers RTGS	3,629,661	22,805,537	3,629,661	14,188,091
	-Statutory reserves	19,781,788	3,539,678	19,781,788	2,202,153
	-Government	5,254,541	6,643,357	5,254,541	4,133,056
	-Other	3,378,922	4,140,173	3,378,922	2,575,740
	-Short term local deposits	2,325,008	2,123	2,325,008	1,320
		34,369,920	**37,130,868**	**34,369,920**	**23,100,360**
26	**PAYABLES**				
	Local Payables	466,622	2,304,774	466,622	1,433,877
		466,622	**2,304,774**	**466,622**	**1,433,877**
26.1	**LEAVE PAY LIABILITY RECONCILIATION**				
	Opening balance 1 January	84,802	41,999	55,758	5,825
	Net provisions accrued	99,601	42,803	128,645	49,933
	Closing balance 31 December	**184,403**	**84,802**	**184,403**	**55,758**
	The leave pay liability is included in the payables balance at year end.				
27.	**TERM DEPOSITS**				
	Non-Negotiable Certificates of Deposit	47,688,376	-	47,688,376	-
	Savings Bonds	3,417,631	31,578,930	3,417,631	19,646,313
	Short term deposits	1,730,245	3,252,848	1,730,245	2,023,706
	Other	5,313	136,310	5,313	84,803
		52,841,565	**34,968,088**	**52,841,565**	**21,754,822**

	AUDITED INFLATION ADJUSTED 2021 ZW$ 000	AUDITED INFLATION ADJUSTED 2020 ZW$ 000	UNAUDITED HISTORICAL COST 2021 ZW$ 000	UNAUDITED HISTORICAL COST 2020 ZW$ 000
28. FOREIGN LIABILITIES				
Blocked Funds	330,655,836	309,028,875	330,655,836	192,257,243
Aggregated foreign loans	154,510,418	343,454,747	154,510,418	213,674,735
Savings Bonds	45,478,020	4,206,767	45,478,020	2,617,171
Short term foreign deposits	21,791,804	6,801,288	21,791,804	4,231,310
Payables and other	32,196,649	3,341,323	32,196,649	2,078,749
Interest accrued	561,952	4,223,070	561,952	2,627,314
	585,194,679	**671,056,070**	**585,194,679**	**417,486,522**

Foreign liabilities are facilities and lines of credit from regional and international institutions which the Government secured through the Bank for importation of electricity, fuel, raw materials for industries and medical supplies. Included in foreign loans are loans amounting to US$100 million (ZW$10.9 billion) that are secured by Savings Bonds. Section 7(n) of the RBZ Act [Chapter 22:15] mandates the Bank to 'borrow foreign currency on behalf of the State'. These are secured by future export receipts.

The Government through the Finance Act no.7 of 2021 assumed most Bank foreign liabilities including blocked funds. Non-interest bearing foreign exchange bonds or zero coupon Government backed bonds will be issued to expunge blocked funds in the Bank's financial statements. Total assumed debt is US$3.8 billion. As at 31 December 2021, outstanding blocked funds balance was US$3 billion.

South African Reserve Bank (SARB) overdraft is included in foreign loans. The facility is secured by encumbered assets in the form of South African Treasury Bills worth ZAR59 million held at the South African Reserve Bank. This arrangement has been in place for many years.

	AUDITED INFLATION ADJUSTED 2021 ZW$ 000	AUDITED INFLATION ADJUSTED 2020 ZW$ 000	UNAUDITED HISTORICAL COST 2021 ZW$ 000	UNAUDITED HISTORICAL COST 2020 ZW$ 000
29. INTERNATIONAL MONETARY FUND FACILITIES				
Net cumulative SDR allocations	154,523,798	64,106,921	154,523,798	39,883,069
IMF No.1 and 2	214,737	97,167	214,737	60,451
	154,738,535	**64,204,088**	**154,738,535**	**39,943,520**

The Bank received SDR677.4 million (US$961 million) (ZW$104 billion) from IMF which is Zimbabwe's share of the IMF 2021 US$650 billion general SDR allocation. The SDR allocation to the Government of Zimbabwe by IMF was deposited into the Bank's account at the IMF.

The equivalent SDRs owed to the IMF were as follows:

	2021 SDR	2020 SDR
Net Cumulative SDR allocations	1,016,017,051	338,581,039

The exchange rate applied, ZW$/SDR 152.0878 (2020 ZW$/SDR 117.79475).

30. CONTINGENT LIABILITIES AND COMMITMENTS

30.1 The Bank had contingent liabilities of ZW$21 million (2020: ZW$21 million) as at 31 December 2021. There were pending legal cases amounting to ZW$20 million which the Bank was being jointly sued. The Bank believes that the outcome of the negotiations are uncertain.

31. CAPITAL COMMITMENTS

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
Authorised and contracted:	75,621	316,610	75,621	196,974
Authorised and uncontracted:	35,559	-	35,559	-
	111,180	**316,610**	**111,180**	**196,974**

32. RETIREMENT BENEFIT SCHEMES

32.1 Private scheme

The Bank and its employees contribute to the Fintrust Pension Fund. The fund is a defined contribution fund, the assets of which are held in a separate trustee administered fund. The Bank contributes 15% and the employees 6% of pensionable earnings. During the year under review, the Bank contributed ZW$221 million (2020: ZW$89 million) towards this plan and the cost is included in the staff costs. The board of the pension fund is required by law to act in the best interests of the plan participants and is responsible for setting investment management and pension payments policies. The Bank is not exposed to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

32.2 National Social Security Authority (NSSA) scheme

The employees are also members of a state-managed retirement benefit plan, NSSA, and the contributions to the scheme are made in terms of the National Social Security Authority Act [Chapter 17:04]. During the year the Bank contributed ZW$23.6 million (2020: ZW$10 million) towards this plan and the cost is included in the staff costs.

32.3 Recognition of pension contributions

The Bank's obligation with respect to the retirement benefit plan is to make the specific contributions. The contributions to the pension funds are recognized as an expense when they fall due.

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
32.4 Contributions recognized as an expense during the year				
Fintrust Pension Fund	221,314	89,077	180,563	37,318
National Social Security Authority Scheme	23,644	10,009	18,997	4,273
	244,958	**99,086**	**199,560**	**41,591**

33. RISK MANAGEMENT

The Bank is exposed to a range of risks. Risk governance policies and procedures are performed by Divisional Directors and oversight provided by the Board through the Audit and Oversight Committee. The Audit and Oversight Committee oversees how management monitors compliance with the Bank's risk management policies, procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit and Oversight Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Oversight Committee of the Board.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. Certain aspects of risk management specific to financial instruments are described below.

33.1 Market price risk

Market price risk is the risk of loss resulting from changes in market conditions and prices. Market price risk includes interest rate risk, currency risk and equity price risk. In its monetary policy operations, the Bank is obliged to accept certain market-related risks which would not be fully compatible with pure commercial practice. The Bank nevertheless manages its market risks responsibly, utilising modern technology and appropriate organisational structures and procedures. Exposures and limits are measured continuously and strategies are routinely reviewed by management on a daily basis and, when circumstances require, throughout the day.

33.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This is managed at both the Monetary Policy Committee and management level through regular policies and benchmarks which relate to interest rate risk management. The majority of the Bank's loans and advances are at concessionary rates and some are at nil interest which is not market linked.

The Bank faces high interest rate risk on its foreign liabilities caused by foreign currency shortages. If the Bank fails to repay its dues on time, most institutions apply punitive interest rates. The Bank's senior management manages these risks and the Board's Banking Sector Stability Committee that advises on financial services sector stability supervises them.

The following are the Bank's interest earning assets and interest bearing liabilities:

33. RISK MANAGEMENT (continued)

33.1.2 Interest Earning Assets and Liabilities (continued)

		AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
		2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
Financial assets	**Average Interest**				
Zimbabwe Treasury Bills	6.83%	5,725,697	9,959,041	5,725,697	6,195,854
Interbank advances	26.47%	4,412,391	4,225,995	4,412,391	2,629,133
Loans to subsidiaries	14.68%	1,825,224	1,584,721	1,825,224	985,908
Loans and advances other	10.93%	6,513,112	7,844,377	6,513,112	4,880,251
		18,476,424	**23,614,134**	**18,476,424**	**14,691,146**
Financial Liabilities					
Foreign liabilities	7.31%	227,860,981	298,010,172	227,860,981	185,402,138
Savings Bonds	6.73%	3,417,631	31,578,930	3,417,631	19,646,313
		231,278,612	**329,589,102**	**231,278,612**	**205,048,451**

33. RISK MANAGEMENT (continued)

33.2 Equity Risk Analysis

The Bank has invested in non-listed entities as part of its efforts to support economic development aspirations of the country despite inherent equity risks. In Afreximbank, the Bank invested in class A shares. Locally, the Bank has invested in IDBZ as part of its effort to support infrastructure development in the country. It has also invested in Zimswitch which provides the national payment switch for local transactions.

33.2.1 Investments in African Export-Import Bank (Afreximbank)

The fair value of the Bank's investments in Afreximbank was estimated using a weighted average equity price based on Dividend Valuation Model (DVM), Discounted Cash Flow model (DCF) and Net Asset Value model (NAV).

33.2.2 Investments in Infrastructure Development Bank (IDBZ)

The market based approach method was used in the valuation of IDBZ.

33.2.2 Investments in Zimswitch

The market based approach method was used in the valuation of Zimswitch.

33.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in exchange rates. The Bank's liabilities are predominantly held in US$ hence increased foreign currency risk. The introduction of an exchange rate in February 2019 brought with it an increased foreign currency risk since the Bank has huge foreign liabilities with no reserves to back them. Government however, assumed most liabilities in the Bank's books lessening the foreign currency risk.

Below is a sensitivity analysis on foreign currency exchange risk for foreign assets and liabilities.

	Value as at 31 December 2021			Decrease by 10%		Increase by 10%	
Assets/ liabilities	Value US$ 000	Exchange Rate	Value ZW$ 000	Exchange Rate	Value ZW$ 000	Exchange Rate	Value ZW$ 000
Foreign Assets	1,039,329	108.666	112,939,725	97.80	101,646,376	119.53	124,230,995
Foreign Liabilities	5,385,260	108.666	585,194,679	97.80	526,678,428	119.53	643,700,128

33. RISK MANAGEMENT (continued)

33.4 Credit risk

Credit risk is the risk of loss due to inability or unwillingness of a counterparty to meet its contractual obligations. Credit risk arises from such activities of the Bank as advances to and deposits made with other institutions and the settlement of financial market transactions. The Bank's Financial Markets Division manages these risks. Credit mitigation is employed by the Bank through taking collateral mostly in the form of Treasury Bills, real estate and other guarantees. The Bank is also exposed to credit risk on expected rental collections when its tenants fail to pay rentals for occupying its investment properties.

Expected Credit Losses

The Bank applied IFRS 9 'Financial Instruments' which uses forward looking impairment models for all financial assets and lease receivables. The total expected credit losses at the end of the year were as follows:

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	31 Dec 2021 ZW$ 000	31 Dec 2020 ZW$ 000	31 Dec 2021 ZW$ 000	31 Dec 2020 ZW$ 000
Other loans and advances	800,479	1,076,991	800,479	670,032
Other receivables	22,274	37,141	22,274	23,106
Government and Statutory bodies	651,586	670,907	651,586	417,394
	1,474,339	**1,785,039**	**1,474,339**	**1,110,532**

The Bank's major debtor was the Government of Zimbabwe. ECLs for Government and Statutory Bodies are for loans & advances to Government and investment securities. Macro-economic indicators (Gross Domestic Product, inflation, current account balance and foreign direct investment) were used in the calculation of ECLs.

The decrease in total expected credit losses is mainly due to the decrease of loans and advances to various institutions. As at 31 December 2021, all loans and advances were in stage 1 except for a few staff loans in stage 3 whose holders had left the Bank.The Bank is satisfied with the levels of ECLs provided for as at 31 December 2021.

Concentration of credit risk

This is a risk which arises in the business of lending whereby there is too much exposure to a single counterparty or obligor. If that obligor fails, the lending institution suffers. From a central bank perspective, this does not apply. The Bank lends to Government, banks and its subsidiaries which it has 100% control. Lending to banks is done under monetary policy operations, special facilities and Lender of Last Resort window usually caused by a mismatch between the bank's assets and liabilities. Ordinarily, lending to banks is secured by either Government or RBZ securities. The role of the central bank is to craft and implement monetary policy in its pursuit of price and financial sector stability.

33. RISK MANAGEMENT (continued)

33.4.1 Credit Risk Analysis -AUDITED INFLATION ADJUSTED

Credit Risk Analysis 2021	Neither Past Due/nor impaired ZW$ 000	Past due not impaired ZW$ 000	Past due and impaired ZW$ 000	Total ZW$ 000
Gold and foreign assets	401,680	-	-	401,680
Receivables	635,745,293	80,346	22,274	635,847,913
Investment securities	5,725,697	-	-	5,725,697
Government loans and advances	15,189,863	-	651,586	15,841,449
Advances	23,330,115	-	800,479	24,130,594
Total non-derivative assets	**680,392,648**	**80,346**	**1,474,339**	**681,947,333**
Credit Risk Analysis 2020				
Gold and foreign assets	741,656	-	-	741,656
Receivables	720,236,881	1,055,689	37,141	721,329,711
Investment securities	9,959,041	-	-	9,959,041
Government loans and advances	20,996,291	-	670,907	21,667,198
Advances	13,141,130	-	1,076,991	14,218,121
Total non-derivative assets	**765,074,999**	**1,055,689**	**1,785,039**	**767,915,727**

33. RISK MANAGEMENT (continued)

33.4.1 Credit Risk Analysis - UNAUDITED HISTORICAL COST

Credit Risk Analysis 2021	Neither Past Due/nor impaired ZW$ 000	Past due not impaired ZW$ 000	Past due and impaired ZW$ 000	Total ZW$ 000
Gold and foreign assets	401,680	-	-	401,680
Receivables	635,715,252	80,346	22,274	635,817,872
Investment securities		-	-	5,725,697
Government loans and advances	15,189,863	-	651,586	15,841,449
Advances	23,330,115	-	800,479	24,130,594
	680,362,607	**80,346**	**1,474,339**	**681,917,292**
Total non-derivative assets				
Credit Risk Analysis 2020				
	000	**000**	**000**	**000**
Gold and foreign assets	461,409	-	-	461,409
Receivables	448,066,953	656,780	23,106	448,746,839
Investment securities	6,195,853	-	-	6,195,853
Government loans and advances	13,190,995	-	288,897	13,479,892
Advances	8,175,538	-	670,032	8,845,570
Total non-derivative assets	**476,090,748**	**656,780**	**982,035**	**477,729,563**

33.5 Liquidity risk

Liquidity risk concerns the ability of the Bank to fulfil its financial obligations as they become due without incurring unacceptable losses. Ultimate responsibility of managing liquidity risk lies with the Board of Directors which has built an appropriate liquidity risk management framework for the management of the Bank's short, medium and long term funding and liquidity requirements.

The Bank negotiated and accessed external facilities to support the foreign exchange auction system, refinance existing obligations as well as meet the country's balance of payments requirements. In a difficult year due to the impact of the Covid-19 pandemic in terms of accessing international capital, the Bank accessed in excess of US$1.8 billion from new and existing revolving offshore facilities from Afreximbank (Including Letters of Credit facilities), Gemcorp, Trade and Development Bank (TDB) and other creditors. Refinancing of existing facilities affected loan tenures which vary from one facility to another.

The table below shows the Bank's financial assets and financial liabilities grouped into relevant maturities and the amounts disclosed in the table are the contractual undiscounted cash flows.

33.5 Liquidity risk continued - AUDITED INFLATION ADJUSTED

33.5.1 Maturity Analysis (2021)	On demand ZW$ 000	Due between 0-3 months ZW$ 000	Due between 3-12 months ZW$ 000	Due between 1-5 years ZW$ 000	Due After 5 years ZW$ 000	Total Carrying amount ZW$ 000
Assets held for managing liquidity risk						
Cash and Bank balances	92,531,182	-	-	-	-	92,531,182
Gold and foreign assets	225,773		19,781,090	-	401,680	20,408,543
Investment securities	-	41,585	110,505	2,787,978	2,785,629	5,725,697
Receivables	-	51,811,295	123,239	704,525	583,208,854	635,847,913
Government loans and advances	-	-	-	15,841,449	-	15,841,449
Loans and advances	-	69,750	17,375,052	1,684,128	589,273	19,718,203
Interbank advances	-	1,409,028	2,838,352	165,011	-	4,412,391
Total assets held for managing liquidity risk	**92,756,955**	**53,331,658**	**40,228,238**	**21,183,091**	**586,985,436**	**794,485,378**
Non-derivative liabilities						
Notes and coins in circulation	5,152,107	-	-	-	-	5,152,107
Deposit accounts	34,369,920	-	-	-	-	34,369,920
Payables	466,622	-	-	-	-	466,622
Term deposits	-	52,726,816	108,688	6,061	-	52,841,565
Foreign liabilities	71,940,756	43,316,919	69,237,070	57,330,472	343,369,462	585,194,679
International Monetary Fund facilities	214,737	-	-	-	154,523,798	154,738,535
Total non-derivative liabilities	**112,144,142**	**96,043,735**	**69,345,758**	**57,336,533**	**497,893,260**	**832,763,428**
Net exposure	**(19,387,187)**	**(42,712,077)**	**(29,117,520)**	**(36,153,442)**	**89,092,176**	**(38,278,050)**

33.5 Liquidity risk continued - AUDITED INFLATION ADJUSTED

33.5.1 Maturity Analysis (2020)	On demand ZW$ 000	Due between 0-3 months ZW$ 000	Due between 3-12 months ZW$ 000	Due between 1-5 years ZW$ 000	Due After 5 years ZW$ 000	Total Carrying amount ZW$ 000
Assets held for managing liquidity risk						
Cash and Bank balances	4,138,695	-	-	-	-	4,138,695
Gold and foreign assets	279,558	-	14,919,022	-	741,656	15,940,236
Investment securities	-	305,143	399,519	4,151,391	5,102,988	9,959,041
Receivables	-	40,943,520	11,759	71,514	680,302,917	721,329,710
Government loans and advances	-	-	21,667,199	-	-	21,667,199
Loans and advances	-	2,028	1,955,003	7,884,973	138,820	9,980,824
Interbank advances	-	3,681,922	445,649	109,725	-	4,237,296
Total assets held for managing liquidity risk	**4,418,253**	**44,932,613**	**39,398,151**	**12,217,603**	**686,286,381**	**787,253,001**
Non-derivative liabilities						
Notes and coins in circulation	3,818,996	-	-	-	-	3,818,996
Deposit accounts	37,130,868	-	-	-	-	37,130,868
Payables	2,304,774	-	-	-	-	2,304,774
Term deposits		23,237,098	8,466,625	10,894	3,253,471	34,968,088
Foreign liabilities	61,206,383	51,457,112	49,649,417	507,478,034	1,265,124	671,056,070
International Monetary Fund facilities	97,167	-	-	-	64,106,921	64,204,088
Total non-derivative liabilities	**104,558,188**	**74,694,210**	**58,116,042**	**507,488,928**	**68,625,516**	**813,482,884**
Net exposure	**(100,139,935)**	**(29,761,597)**	**(18,717,891)**	**(495,271,325)**	**617,660,865**	**(26,229,883)**

33.5 Liquidity risk continued - - UNAUDITED HISTORICAL COST

33.5.1 Maturity Analysis (2021)	On demand ZW$ 000	Due between 0-3 months ZW$ 000	Due between 3-12 months ZW$ 000	Due between 1-5 years ZW$ 000	Due After 5 years ZW$ 000	Total Carrying amount ZW$ 000
Assets held for managing liquidity risk						
Cash and Bank balances	92,531,182	-	-	-	-	92,531,182
Gold and foreign assets	225,773		19,781,090	-	401,680	20,408,543
Investment securities	-	41,585	110,505	2,787,978	2,785,629	5,725,697
Receivables	-	51,781,254	123,239	704,525	583,208,854	635,817,872
Government loans and advances	-	-	-	15,841,449	-	15,841,449
Loans and advances	-	69,750	17,375,052	1,684,128	589,273	19,718,203
Interbank advances	-	1,409,028	2,838,352	165,011	-	4,412,391
Total assets held for managing liquidity risk	**92,756,955**	**53,301,617**	**40,228,238**	**21,183,091**	**586,985,436**	**794,455,337**
Non-derivative liabilities						
Notes and coins in circulation	5,152,107	-	-	-	-	5,152,107
Deposit accounts	34,369,920	-	-	-	-	34,369,920
Payables	466,622	-	-	-	-	466,622
Term deposits	-	52,726,816	108,688	6,061	-	52,841,565
Foreign liabilities	71,940,756	43,316,919	69,237,070	57,330,472	343,369,462	585,194,679
International Monetary Fund facilities	214,737	-	-	-	154,523,798	154,738,535
Total non-derivative liabilities	**112,144,142**	**96,043,735**	**69,345,758**	**57,336,533**	**497,893,260**	**832,763,428**
Net exposure	**(19,387,187)**	**(42,742,118)**	**(29,117,520)**	**(36,153,442)**	**89,092,176**	**(38,308,091)**

33.5 Liquidity risk continued - UNAUDITED HISTORICAL COST

33.5.1 Maturity Analysis (2020)	**On demand ZW$ 000**	**Due between 0-3 months ZW$ 000**	**Due between 3-12 months ZW$ 000**	**Due between 1-5 years ZW$ 000**	**Due After 5 years ZW$ 000**	**Total Carrying amount ZW$ 000**
Assets held for managing liquidity risk						
Cash and Bank balances	2,574,821	-	-	-	-	2,574,821
Gold and foreign assets	173,922	-	9,281,625	-	461,409	9,916,956
Investment securities	-	189,840	248,554	2,582,720	3,174,739	6,195,853
Receivables	-	25,455,735	7,316	44,492	423,239,297	448,746,839
Government loans and advances	-	-	13,479,892	-	-	13,479,892
Loans and advances	-	1,571	1,216,273	4,884,504	86,365	6,188,713
Interbank advances	-	2,290,648	277,253	88,956	-	2,656,857
Total assets held for managing liquidity risk	**2,748,743**	**27,937,794**	**24,510,913**	**7,600,672**	**426,961,810**	**489,759,931**
Non-derivative liabilities						
Notes and coins in circulation	2,375,926	-	-	-	-	2,375,926
Deposit accounts	23,100,360	-	-	-	-	23,100,360
Payables	1,433,877	-	-	-	-	1,433,877
Term deposits		14,456,579	5,267,372	6,777	2,024,094	21,754,822
Foreign liabilities	38,078,547	32,013,198	30,888,570	315,719,131	787,076	417,486,522
International Monetary Fund facilities	60,451	-	-	-	39,883,069	39,943,520
Total non-derivative liabilities	**65,049,161**	**46,469,777**	**36,155,942**	**315,725,908**	**42,694,239**	**506,095,027**
Net exposure	**(62,300,418)**	**(18,531,983)**	**(11,645,029)**	**(308,125,236)**	**384,267,571**	**(16,335,096)**

33.5 Liquidity risk (continued) - AUDITED INFLATION ADJUSTED

33.5.2 Secured and unsecured Loans and Advances (2021)	Secured value ZW$ 000	Unsecured value ZW$ 000	Total carrying Amount ZW$ 000
Financial Assets			
Receivables	-	635,847,913	635,847,913
Loans and advances	1,434,322	22,696,272	24,130,594
Government loans and advances	-	15,841,449	15,841,449
Total	**1,434,322**	**674,385,634**	**675,819,956**
Secured and Unsecured Financial Liabilities			
Term deposits	-	52,841,565	52,841,565
Notes and coins in circulation	5,152,107	-	5,152,107
Deposit accounts	-	34,369,920	34,369,920
Payables	-	466,622	466,622
Foreign Liabilities	585,194,679	-	585,194,679
International Monetary Fund facilities	-	154,738,535	154,738,535
Total	**590,346,786**	**242,416,642**	**832,763,428**

The security tendered on the loans and advances is in the form of Zimbabwe Treasury Bills worth ZW$1.9 billion and properties worth ZW$2.9 billion.

33.5 Liquidity risk (continued) - AUDITED INFLATION ADJUSTED

33.5.2 Secured and unsecured Loans and Advances (2020)

	Secured value ZW$ 000	Unsecured value ZW$ 000	Total carrying Amount ZW$ 000
Financial Assets			
Receivables	-	721,329,710	721,329,710
Loans and advances	4,701,486	9,516,634	14,218,120
Government loans and advances	-	21,667,199	21,667,199
Total	**4,701,486**	**752,513,543**	**757,215,029**
Secured and Unsecured Financial Liabilities			
Term deposits	-	34,968,088	34,968,088
Notes and coins in circulation	3,818,996	-	3,818,996
Deposit accounts	-	37,130,868	37,130,868
Payables	-	2,304,774	2,304,774
Foreign Liabilities	671,056,070	-	671,056,070
International Monetary Fund facilities	-	64,204,088	64,204,088
Total	**674,875,066**	**138,607,818**	**813,482,884**

The security tendered on loans and advances is in the form of Zimbabwe Treasury Bills worth ZW$4.7 billion.

33.5 Liquidity risk (continued) – UNAUDITED HISTORICAL COST

33.5.2 Secured and unsecured Loans and Advances (2021)

	Secured Value 2021 ZW$ 000	Unsecured value 2021 ZW$ 000	Total carrying Amount 2021 ZW$ 000
Financial Assets			
Receivables	-	635,817,872	635,817,872
Loans and advances	1,434,322	22,696,272	24,130,594
Government loans and advances	-	15,841,449	15,841,449
Total	**1,434,322**	**674,355,593**	**675,789,915**
Secured and Unsecured Financial Liabilities			
Term deposits	-	52,841,565	52,841,565
Notes and coins in circulation	5,152,107	-	5,152,107
Deposit accounts	-	34,369,920	34,369,920
Payables	-	466,622	466,622
Foreign Liabilities	585,194,679	-	585,194,679
International Monetary Fund facilities	-	154,738,535	154,738,535
Total	**590,346,786**	**242,416,642**	**832,763,428**

The security tendered on the loans and advances is in the form of Zimbabwe Treasury Bills worth ZW$1.9 billion and properties worth ZW$2.9 billion.

33.5 Liquidity risk (continued) – UNAUDITED HISTORICAL COST
33.5.2 Secured and unsecured Loans and Advances (2020)

	Secured Value 2020 ZW$ 000	Unsecured value 2020 ZW$ 000	Total carrying Amount 2020 ZW$ 000
Financial Assets			
Receivables	-	448,746,837	448,746,837
Loans and advances	2,924,952	5,920,618	8,845,570
Government loans and advances	-	13,479,892	13,479,892
	2,924,952	**468,147,347**	**471,072,299**
Total			
Secured and Unsecured Financial Liabilities			
Term deposits	-	21,754,822	21,754,822
Notes and coins in circulation	2,375,926	-	2,375,926
Deposit accounts	-	23,100,360	23,100,360
Payables	-	1,433,877	1,433,877
Foreign Liabilities	417,486,522	-	417,486,522
International Monetary Fund facilities	-	39,943,520	39,943,520
Total	**419,862,448**	**86,232,579**	**506,095,027**

The security tendered on loans and advances assets is in the form of Zimbabwe Treasury Bills worth ZW$3 billion.

34. CAPITAL MANAGEMENT

The Bank's objective when managing capital which is a broader concept than the equity on the face of financial position, is to safeguard the Bank's ability to maintain liquidity and stability of the economy.

The Bank is not subject to capital requirements by a regulatory body.

The table below summarises the composition of the Bank's capital for the year ended 31 December 2021.

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
Share Capital	89,575	89,575	2,000	2,000
Share Premium	4,389,187	4,389,187	98,000	98,000
Revaluation Reserve	14,250,558	10,277,683	12,127,304	4,980,147
Mark to Market	5,858,965	3,852,862	2,902,882	896,779
General Reserve Fund	-	-	-	-
Accumulated (deficit)/surplus	(40,763,492)	(28,501,451)	(36,815,599)	(15,459,354)
Total	**(16,175,207)**	**(9,892,144)**	**(21,685,413)**	**(9,482,428)**

The Bank's policies in respect of capital management are in accordance with its mandate as spelt out by the Reserve Bank of Zimbabwe Act [Chapter 22:15] and in accordance with any directives from the Minister of Finance and Economic Development.

The deployment of capital between specific operations is largely driven by the mandate of the Bank to strengthen and impose discipline in the financial services sector aimed at managing inflation and maintaining financial sector stability.

35. Fair Value Measurement

Quantitative disclosures fair value measurement hierarchy for assets as at December 2021 - AUDITED INFLATION ADJUSTED

	Date of valuation	Total	Level 1 Quoted prices in active markets	Level 2 Fair value measuring using Significant observable inputs	Level 3 Significant unobservable inputs
		ZW$ 000	ZW$ 000	ZW$ 000	ZW$ 000
Assets measured at fair value					
Investment properties	31 December 2021	1,540,420	-	-	1,540,420
FVTOCI financial investments					
Unquoted equity shares	31 December 2021	2,159,727	-	-	2,159,727
Revalued property					
Land and buildings	31 December 2021	12,053,403	-	-	12,053,403
Other Assets					
Gold and foreign assets	31 December 2021	20,408,543	627,453	-	19,781,090

35. Fair Value Measurement (continued)

Quantitative disclosures fair value measurement hierarchy for assets as at December 2020 - AUDITED INFLATION ADJUSTED

	Date of valuation	Total	Level 1 Quoted prices in active markets	Level 2 Fair value measuring using Significant observable inputs	Level 3 Significant unobservable inputs
		ZW$ 000	ZW$ 000	ZW$ 000	ZW$ 000
Assets measured at fair value					
Investment properties	31 December 2020	1,104,277	-	-	1,104,277
FVTOCI financial investments					
Unquoted equity shares	31 December 2020	1,487,416	-	-	1,487,416
Revalued property					
Land and buildings	31 December 2020	8,705,187	-	-	8,705,187
Other Assets					
Gold and foreign assets	31 December 2020	15,940,236	1,021,214	-	14,919,022

35. Fair Value Measurement

Quantitative disclosures fair value measurement hierarchy for assets as at December 2021 - UNAUDITED HISTORICAL COST

	Date of valuation	Total	Level 1 Quoted prices in active markets	Level 2 Fair value measuring using Significant observable inputs	Level 3 Significant unobservable inputs
		ZW$ 000	ZW$ 000	ZW$ 000	ZW$ 000
Assets measured at fair value					
Investment properties	31 December 2021	1,540,420	-	-	1,540,420
FVTOCI financial investments					
Unquoted equity shares	31 December 2021	2,159,727	-	-	2,159,727
Revalued property					
Land and buildings	31 December 2021	12,053,403	-	-	12,053,403
Other Assets					
Gold and foreign assets	31 December 2021	20,408,543	627,453	-	19,781,090

35. Fair Value Measurement

Quantitative disclosures fair value measurement hierarchy for assets as at December 2020 - UNAUDITED HISTORICAL COST

	Date of valuation	Total	Level 1 Quoted prices in active markets	Level 2 Fair value measuring using Significant observable inputs	Level 3 Significant unobservable inputs
		ZW$ 000	ZW$ 000	ZW$ 000	ZW$ 000
Assets measured at fair value					
Investment properties	31 December 2020	687,008	-	-	687,008
FVTOCI financial investments					
Unquoted equity shares	31 December 2020	925,372	-	-	925,372
Revalued property					
Land and buildings	31 December 2020	5,024,522	-	-	5,024,522
Other Assets					
Gold and foreign assets	31 December 2020	9,916,956	635,331	-	9,281,625

35. FAIR VALUE MEASUREMENT (continued)

Description of valuation techniques used and key inputs to valuation of properties 2021*

	Valuation Technique	Significant unobservable inputs	Range
Investment properties	Direct Comparison and Income capitalisation.	Capitalisation rate	6.8-7%
		Estimated rental value per sqm per month.	ZW$350 - ZW$ 5,500
Office properties	Direct Comparison and Income capitalisation.	Capitalisation rate	8-18%
		Estimated rental value per sqm per month.	ZW$1,100 -ZW$ 9,000
Land	Market Value	The market value was determined through analysis of property data, comparable evidence and trends.	Sale trends usually higher
			(7%-13.5% of the asking price).
Residential properties	Market Value	The market value was determined through analysis of property data, comparable evidence and trends.	Sale trends usually higher
			(7%-13.5% of the asking price).

Description of valuation techniques used and key inputs to valuation of properties 2020*

	Valuation Technique	Significant unobservable inputs	Range
Investment properties	Direct Comparison and Income capitalisation.	Capitalisation rate	7-11%
		Estimated rental value per sqm per month.	ZW$380- ZW$1,304
Office properties	Direct Comparison and Income capitalisation.	Capitalisation rate	7-11%
		Estimated rental value per sqm per month.	ZW$380- ZW$1,304
Land	Market Value	The market value was determined through analysis of property data, comparable evidence and trends.	Sale trends usually higher
			(7%-13.5% of the asking price).
Residential properties	Market Value	The market value was determined through analysis of property data, comparable evidence and trends.	Sale trends usually higher
			(10%- 20% of the asking price).

*In the current year management changed the basis for determining property fair value values by directly obtaining fair values in ZW$, unlike in 2020 where fair values were determined in US$ and then converted to ZW$ at the auction rate. Since the ZW$ transactions are still few the basis of valuation adopted by management had some degree of complexity in determining the fair value of the owner occupied and investment properties. There was also need for significant judgement and estimation in determining the key inputs and assumptions used in determining the fair values in the local currency. Therefore property valuations in the current year are subjective and are an area required a fair amount of judgment and estimation.

36. RELATED PARTY INFORMATION

The Bank is wholly owned by the Government of Zimbabwe. The Bank holds equity interests in the companies listed below as indicated:

Ownership interest and voting power	**%**
Fidelity Gold Refinery (Private) Limited	100
Aurex (Private) Limited	100
Export Credit Guarantee Corporation	100
Finance Trust of Zimbabwe	100
Homelink (Private) Limited	100
Carslone (Private) Limited (Dormant)	100
Fiscorp (Private) Limited (Dormant)	100
Zimbabwe Asset Management Corporation (ZAMCO)	100
Venture Capital Company of Zimbabwe (Private) Limited (Dormant)	100
ResZim (Private) Limited	100

The Bank sold Transload to Government for US$1.5 million during the year.

36.1 Balances with related parties: Subsidiaries

		AUDITED INFLATION ADJUSTED		**UNAUDITED HISTORICAL COST**	
		2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
Subsidiary	**Transaction Type**				
Fidelity Gold Refinery	Loan	11,828,152	1,109,222	11,828,152	690,084
Homelink	Loan	320,342	367,642	320,342	228,722
Zimbabwe Asset Management Company	Loan	-	108,615	-	67,573
TOTAL		**12,148,494**	**1,585,479**	**12,148,494**	**986,379**

36. RELATED PARTY INFORMATION (continued)

36.2 Compensation of key management personnel of the Bank.

The Bank has not entered into any transactions with any of its Non-Executive Directors and their associates in 2021. Compensation of the Bank's key management personnel includes salaries, non-cash benefits and contributions to the post-employment pension plan.

Salaries and benefits to management personnel

Compensation paid to the Bank's senior management and Directors during the year is as follows

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
	2021 ZW$ 000	2020 ZW$ 000	2021 ZW$ 000	2020 ZW$ 000
Short term senior management benefits	124,132	55,427	96,196	25,100
Non-executive Directors	28,264	16,670	23,153	13,112
Senior managers loans (balances)	1,371	2,294	1,371	1,427
Total	**153,767**	**74,391**	**120,720**	**39,639**

NB: Senior manager's loans are issued at market interest rate.

37. NOTES TO THE STATEMENT OF CASH FLOWS

Property, plant and equipment

	AUDITED INFLATION ADJUSTED		UNAUDITED HISTORICAL COST	
37.1 Additions **Property, plant and equipment**	**2021** **ZW$**	**2020** **ZW$**	**2021** **ZW$**	**2020** **ZW$**
Additions as per PPE note (note 18)	132,009	186,357	120,462	94,681
Add assets purchased not yet delivered	107,732	128,702	77,691	63,465
Less assets purchased in prior year capitalised	-	(2,702)	-	(374)
Balance as per Statement of Cash flow	**239,741**	**312,357**	**198,153**	**157,772**
37.2 Disposals **Property, plant and equipment**				
Disposals as per PPE note (note 18)	739	5,283	619	2,448
Disposal of PPE classified as held for sale	-	-	-	-
Less accumulated depreciation	(466)	(5,283)	(368)	(2,149)
	273	-	251	299
Adjustment for items not on PPE	(1,138)		(1,041)	
Profit on disposal / (loss)	6,326	36,853	4,997	22,085
Balance as per Statement of Cash flow	**5,461**	**36,853**	**4,207**	**22,384**

38. EVENTS AFTER REPORTING PERIOD

Subsequent to year-end, the following events took place:

i. The Bank received a dividend of ZW$37 million from Zimswitch declared for the year ended 31 December 2021 and a further ZW$30 million for the first quarter of 2022.

ii. ZAMCO started the process of winding up operations after achieving its set goals.

iii. The MPC committee met on the 1st of April 2022 and agreed on the following resolutions to be implemented immediately:-
   a) Reviewed upwards the Bank policy rate from 60% to 80% per annum.
   b) Reviewed upwards the Medium-Term Bank Accommodation Facility interest rate from 40% to 50% per annum.

iv. Statutory Instrument 68A of 2022 Reserve Bank of Zimbabwe (Issue of One Hundred Dollar Banknote) Notice issued on the 5th of April introduced the new ZW$100 banknote.

v. Standard Chartered Bank announced its plans to exit the Zimbabwe market.

vi. On the 9th of May 2022, the Reserve Bank of Zimbabwe issued a circular to banks temporarily suspending lending by banks to Government and the Private Sector, as part of measures to restore microeconomic stability in the country. The suspension of lending was subsequently lifted on the 17th of May 2022.

39. BASIS OF FUNDING

The Bank is ordinarily a ‘not for profit’ organisation and a creature of the statute that has inherent powers that enable it to function even with negative equity. The Bank therefore, prepared these financial statements on a going concern basis. The country does not have foreign reserves hence the Government through the Bank, in terms of Section 6 1(g) and Section 7 1(n) of the RBZ Act [Chapter 22:15], secured external lines of credit from various institutions to stabilise the economy. These facilities, which are secured by the country’s future export receipts, include those granted by the African Export-Import Bank (Afreximbank), TDB Bank, Gemcorp, etc. The Government through the Finance Act No 7 of 2021 assumed the foreign liabilities in the Bank’s financial statements. This will reduce exchange losses and interest expenses that were a huge burden on the Bank’s financial statements.

It is on this basis that all the sanctioned facilities are treated in these financial statements as Government loans with exchange losses attributable to them being on account of Government in terms of Section 34 of the RBZ Act [Chapter 22:15]. These loans were not contracted by the Bank for the purpose of monetary policy intervention but for public interest given the country’s lack of access to official international financial resources.

STATISTICAL TABLES

Table 1: Monetary Survey (ZW$’000)

	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21
Net Foreign Assets	-728,596.76	-691,268.72	-643,665.14	-556,149.85	-- 1,327,513.88	-1,877,294.72	-40,662,175.37	-316,766,634.64	-384,183,672.41
Central Bank	-730,087.39	-629,622.76	-639,497.71	-574,251.01	-1,126,260.86	-1,758,219.23	-50,285,843.15	-392,036,907.50	-535,897,818.20
Other Depository Corporations	1,490.63	-61,645.96	-4,167.43	18,101.16	-201,253.02	-119,075.49	9,623,667.78	75,270,272.86	151,714,145.79
Net Domestic Assets (NDA)	4,616,575.16	5,068,399.98	5,379,804.12	6,194,430.87	9,144,792.53	11,887,199.99	75,680,355.31	521,691,490.51	859,545,190.28
Domestic Claims	5,205,580.02	5,422,983.32	6,329,950.04	7,481,417.88	10,697,155.53	14,880,344.65	27,819,807.93	101,159,726.29	340,286,879.84
Claims on Central Government(net)	1,491,415.12	1,555,167.85	2,374,108.23	3,597,963.54	6,277,467.58	9,980,336.76	14,062,737.58	23,276,846.68	83,610,072.33
Claims on Central Government	1,583,492.70	1,652,977.52	2,483,931.32	3,758,737.40	6,412,445.92	10,063,093.05	15,580,358.19	37,789,748.86	98,427,828.73
Less Liabilities to Central Government	92,077.58	97,809.67	109,823.09	160,773.86	134,978.34	82,756.29	1,517,620.61	14,512,902.18	14,817,756.40
Claims on Other Sectors	3,714,164.90	3,867,815.48	3,955,841.82	3,883,454.35	4,419,687.96	4,900,007.89	13,757,070.35	77,882,879.61	256,676,807.51
Other Financial Corporations	38,903.84	24,193.92	81,997.26	82,282.79	62,784.00	156,610.64	186,506.15	606,276.57	9,710,262.81
State and Local Government	18,619.20	12,198.23	45,257.57	34,237.41	46,177.22	37,159.65	26,320.30	37,924.29	170,565.46
Public Non-Financial Corporations	80,528.68	86,261.61	172,204.57	253,405.61	591,300.63	647,586.90	2,431,172.28	2,578,274.18	23,865,846.53
Private Sector	3,576,113.18	3,745,161.72	3,656,382.42	3,513,528.54	3,719,426.11	4,058,650.69	11,113,071.62	74,660,404.58	222,930,132.71
Other Items(Net)	589,004.85	354,583.34	950,145.92	1,286,987.02	1,552,363.01	2,993,144.66	-47,860,547.38	-420,531,764.21	-519,258,310.44
Broad Money-M3	3,887,978.42	4,377,131.27	4,736,138.98	5,638,281.02	7,817,278.65	10,009,905.27	35,018,179.94	204,924,855.86	475,361,517.87
Securities Other than Shares Included in Broad Money	82,609.89	119,858.96	44,656.65	62,894.35	68,638.47	58,584.04	243,976.57	1,436,202.84	3,696,333.82
Near Money-M2	3,805,368.52	4,257,272.31	4,691,482.33	5,575,386.66	7,748,640.18	9,951,321.23	34,774,203.37	203,488,653.02	471,665,184.05
Other Deposits	1,327,429.62	1,532,981.91	1,632,979.65	1,471,657.19	1,401,725.04	1,508,902.47	1,887,924.83	9,906,844.70	37,402,963.80
Narrow Money-M1	2,477,938.90	2,724,290.40	3,058,502.69	4,103,729.48	6,346,915.14	8,442,418.76	32,886,278.54	193,581,808.32	434,262,220.25
Transferable Deposits	2,477,938.90	2,723,991.75	3,051,375.71	4,033,558.66	6,014,977.26	7,940,376.20	31,978,710.26	192,383,729.76	431,948,432.28
Currency Outside Depository Corporations	0.00	298.65	7,126.98	70,170.81	331,937.88	502,042.57	907,568.29	1,198,078.56	2,313,787.98

Source: Reserve Bank of Zimbabwe, 2021

Table 2: Institutional Asset Base and Market Share (ZW$ Million)

	Dec-18	Dec-19	Dec-20	Dec-21	Market Share (%)
Commercial Banks	11,677.18	52,053	305,570	686,094	89.28%
Building Societies	1,998.03	6,283	31,535	74,716	9.72%
POSB	269.26	541	2,903	7,654	1.00%
GRAND TOTAL	13,944.47	58,876.23	340,007.69	768,464.02	100.00%

Source: Reserve Bank of Zimbabwe, 2021

Table 3: Annual Inflation - Percentage Change in Consumer Price Index (%)

	Food and non-alcoholic beverages	Alcoholic beverages and tobacco	Clothing and footwear	Housing water electricity gas and other fuels	Furniture, household equipment and maintenance	Health	Transport	Communication	Recreation and culture	Education	Restaurants and hotels	Miscellaneous goods and services	All Items
Weights	31.3	4.9	4.3	27.6	5.3	1.4	8.4	2.7	2.3	4.3	1.1	6.5	100.0
2021													
Jan	369.4	451.5	399.6	174.8	358.9	415.0	348.5	1,370.6	347.1	376.1	354.3	449.6	362.6
Feb	359.0	425.0	358.4	177.3	336.5	334.2	326.5	359.5	277.1	144.5	350.0	340.2	321.6
Mar	299.8	313.7	236.2	79.3	242.3	253.7	265.9	363.1	140.3	144.2	296.4	270.1	240.6
Apr	216.6	231.1	201.3	76.0	178.8	185.5	239.2	349.6	121.4	180.7	238.8	227.0	194.1
May	178.6	162.0	156.4	71.8	142.1	148.3	181.3	332.8	139.7	180.6	224.3	181.8	161.9
Jun	108.8	99.1	77.5	75.3	82.8	78.2	119.5	256.7	75.1	193.8	149.3	126.5	106.6
Jul	55.1	54.4	33.5	59.6	43.6	46.4	48.4	63.1	52.6	192.2	89.3	74.0	56.4
Aug	50.5	48.6	30.4	59.2	40.7	45.5	40.1	46.8	45.9	63.0	83.4	66.4	50.2
Sep	54.5	54.4	34.5	61.6	45.8	50.8	44.6	26.8	43.0	33.1	91.9	60.9	51.5
Oct	61.4	53.9	37.6	42.5	52.8	59.4	53.5	31.9	48.3	30.1	100.0	62.6	54.5
Nov	65.4	55.2	37.7	44.0	55.7	67.1	56.4	43.7	50.5	30.9	112.5	68.4	58.4
Dec	64.9	58.7	41.1	48.4	58.2	73.0	61.2	42.5	54.6	31.4	121.1	75.8	60.7

Source: ZIMSTAT, 2021

Table 4: Central Government Operations- US$ Millions

	2014	2015	2016	2017	2018	2019	2020	2021
Total revenue and grants	3,727.19	3,737.07	3,502.20	4,336.47	5,533.45	22,970.7	183,039.1	495,037.1
Total expenditure and net lending	3,911.57	3,861.72	4,902.23	6,568.07	7,744.78	22,533.7	162,925.3	508,992.2
Overall Balance	-184.4	-124.7	-1,400.03	-2,231.6	-2,211.3	437.0	20,113.8	-13,955.1
Financing	191.9	259.2	906.5	2,231.6	2,211.3	-437.0	-20,113.8	13,955.1
of which : Foreign (net)	-54.9	-69.4	177.5	53.4	-12.6	-121.9	-14,011.3	-2,878.6
Domestic (net)	246.9	328.6	729.0	2,527.4	2,223.9	32.1	-6,102.5	36,160.1
Other Financing (net)							-305.8	

Source: Ministry of Finance and Economic Development, 2021

Table 5: Gross Domestic Product at Factor Cost by Industry (US$ millions)

PERIOD	2010	2011	2012	2013	2014	2015	2016	2017	2018
Agriculture, Hunting and Fishing and forestry	1157.19	1222.05	1376.81	1363.95	1704.94	1653.79	1618.00	1838.42	2019.00
Mining and quarrying	802.41	1006.30	1063.64	1186.54	1156.96	1089.42	1219.00	1267.20	1353.00
Manufacturing	1108.81	1293.48	2403.51	2466.38	2454.64	2373.34	2382.83	2428.25	2575.00
Electricity, gas, steam and air conditioning supply	358.80	436.37	448.27	453.11	546.45	533.16	460.80	480.41	482.00
Water supply; sewerage, waste management and remediation activities	39.63	38.28	43.70	38.97	40.00	41.23	40.00	45.00	45.54
Construction	182.21	288.54	376.17	398.59	426.01	426.29	441.73	496.99	563.07
Wholesale and retail trade; repair of motor vehicles and motorcycles	2116.12	2149.12	2463.05	2936.54	2963.54	3044.00	3409.28	3732.35	4105.58
Transportation and storage	511.65	612.06	615.19	618.32	651.37	674.10	678.82	732.30	821.06
Accommodation and food service activities	498.76	506.54	580.53	692.13	698.49	717.46	719.34	787.51	825.76
Information and communication	1136.99	1320.12	733.30	1374.05	1375.00	1412.13	1413.00	1524.32	1711.89
Financial and insurance activities	708.62	730.30	1137.14	1300.75	950.34	983.60	1082.49	1135.72	1217.59
Real estate activities	126.29	193.22	302.87	340.53	385.00	417.10	420.48	427.03	457.81
Professional, scientific and technical activities	259.90	287.70	350.63	365.30	354.49	356.81	382.85	384.53	423.10
Administrative and support service activities	142.37	141.68	130.57	137.63	133.00	133.73	138.15	138.75	161.36
Public administration and defence; compulsory social security	540.41	910.46	1272.24	1300.72	1447.49	1495.51	1612.89	1634.57	1917.59
Education	656.83	948.33	1326.45	1523.65	1684.15	1834.49	1889.53	2135.16	2476.12
Human health and social work activities	130.27	205.65	279.41	313.53	348.24	395.00	417.57	455.15	491.79
Arts, entertainment and recreation	3.28	5.32	6.53	7.11	8.38	9.89	10.88	12.24	15.38
Other service activities	109.10	126.77	189.31	181.80	183.48	187.78	188.82	203.00	218.68
Domestic Services	23.37	27.16	40.55	42.98	44.70	47.00	49.35	52.31	54.25
Gross Domestic Product	10577.36	12399.20	15072.53	16965.98	17470.71	17732.81	18475.79	19803.84	21936.33

Source: ZIMSTAT, 2018

Table 6: Real Gross Domestic and National Product Per Capita at Market Prices (US$)

Period	Gross Domestic Product	Net Investment Income paid to Other Countries/2	Gross National Product	Gross Domestic Product	Gross National Product	Population (Million)	Per capita Gross Domestic Product**	Per capita Gross National Product
	Current Prices			Constant Prices				
2011	14,101.9	-2,000.3	12,101.6	14,670.0	12,661.7	1,177.4	1,013.0	14,101.9
2012	17,114.80	-2,213.60	14,901.30	17,114.80	14,901.30	1,310.40	1,146.20	17,114.80
2013	19,091.00	-1,877.60	17,213.40	17,455.30	15,757.80	1,305.70	1,176.00	19,091.00
2014	19,495.50	-1,852.20	17,643.30	17,870.20	16,080.70	1,309.00	1,173.80	19,495.50
2015	19,963.10	-1,982.40	17,980.80	18,188.30	15,156.00	1,304.50	1,090.40	19,963.10
2016	20,548.70	-1,775.70	18,773.00	18,325.80	15,258.20	1,284.90	1,067.00	20,548.70
2017	22,040.90	-1,961.30	20,079.60	19,187.80	15,829.20	1,315.30	1,084.20	22,040.90
2018	24,312.30	-1,604.90	22,706.60	20,115.40	18,291.30	1,348.00	1,225.80	24,312.30

Source: ZIMSTAT, 2018
***Calculated using GDP at constant prices*

Table 7: Distribution of National Income (US$ millions)

Period	Wages and salaries	Gross Operating Surplus	Mixed Income	Taxes on Production	Taxes on Products	GDP by Expenditures at Market Prices	Net primary income from abroad	Gross National Income
2012	2 541	15 244	1 871	1 871	17 115	- 2 214	312	2 525
2013	2 821	17 151	1 940	1 940	19 091	- 1 878	314	2 191
2014	2 803	17 655	1 841	1 841	19 496	- 1 852	366	2 218
2015	2 731	17 919	2 044	2 044	19 963	- 1 982	393	2 375
2016	2 661	18 671	1 878	1 878	20 549	- 1 776	424	2 200
2017	2 928	20 014	2 027	2 027	22 041	- 1 961	133	2 094
2018	4 058	22 158	2 153	2 153	24 312	- 1 605	421	2 025

Source: ZIMSTAT, 2018

Table 8: Expenditure on Gross Domestic Product (US$ millions)

Period	Private consumption	Net Non-profit making bodies	Government Consumption expenditure	Gross fixed capital formation	Increase in Stocks	Total domestic Expenditure	Net export of goods and services	Expenditure on gross domestic product
2012	15044.32	3423.99	1039.03	1687.01	-392.16	21194.35	-4079.50	17114.85
2013	15753.88	3520.14	861.57	1758.18	5.37	21893.77	-2802.75	19091.02
2014	15492.06	3813.38	808.50	1879.22	5.84	21993.15	-2497.63	19495.52
2015	17000.61	3768.54	869.44	2003.43	8.00	23642.02	-3678.90	19963.12
2016	16301.31	3724.23	825.33	2026.38	11.00	22877.25	-2328.57	20548.68
2017	16039.11	4772.17	1452.25	2138.45	8.00	24401.98	-2361.08	22040.90
2018	17045.00	6228.32	1684.15	2272.49	10.00	27229.96	-2918.39	24311.56

Source: ZIMSTAT, 2018

Table 9: Balance of Payments – US$ Millions

	2016	2017	2018	2019	2020	2021
Trade balance	-2,129.6	-1,581.1	-2,464.0	-131.5	-226.0	-1,529.1
Current Account Balance	-697.5	-271.2	-1,379.6	920.5	1,096.3	348.2
Capital Account Balance	242.3	223.7	231.4	314.5	299.7	301.4
Financial Account : Net Lending(+)/Net Borrowing(-)	-910.8	-1,145.9	-977.9	308.5	791.9	598.4
Net Errors and Omissions	-455.6	-1098.4	170.3	-926.5	-604.0	-51.2
Gross Foreign Reserves (US$m)	421.3	385.4	291.7	256.4	168.7	1009.6
Import Cover (months) at 100% (Goods & Services)	0.8	0.7	0.5	0.6	0.4	1.5

Source: Reserve Bank of Zimbabwe, 2021

Table 10: Exports of Major Commodities and Total Imports - US$ Millions

Year	Tobacco	Gold	Ferro-Alloys	Textiles/Clothing	Total Exports	Total Imports
2002	435	159	107	18	1802	1820
2003	321	152	120	28	1670	1778
2004	227	263	185	21	1684	1989
2005	204	191	158	23	1602	1994
2006	207	202	146	16	1732	1966
2007	190	154	141	14	1711	1937
2008	229	94	153	0.2	1660	2630
2009	301	155	70	0.7	1613	3213
2010	384	334	118	2.2	3244	5162
2011	731	599	260	2.4	4416	7562
2012	773	715	126	2.5	3808	6710
2013	877	639	167	2.5	3694	6809
2014	773	624	244	2.0	3558	6306
2015	855	753	181	1.82	3614	6062
2016	933	913	115	0.3	3701	5236
2017	775	886	279	2.2	3476	4933
2018	904	1,245	272	2.9	4678	6616
2019	773	1064	281	2.0	4664	4489
2020	741	982	129	2.3	4932	4720
2021	781	1,613	316	2.1	6315	7138

Source: Reserve Bank of Zimbabwe, 2021

Table 11: Zimbabwe Stock Exchange Statistics

	Share Prices (2009=100)		Market Capitalization
Period	**Industrial Shares**	**Mining Shares**	**US$ Millions**
2014	162.79	71.71	4,327.10
2015	114.85	23.72	3,073.40
2016	144.53	58.51	4,007.95
2017	333.0	142.4	9,580.57
2018	487.13	227.71	19,424.41
2019	766.34	316.66	29,767.09
2020	8 782.18	4 134.09	317 879.31
2021	-	7 815.37	1,317.21

Source: Zimbabwe Stock Exchange, 2021

Table 12: Selected Economic Indicators

	2016	2017	2018	2019	2020	2021
National Accounts (Real Sector)						
Real GDP Growth (%)	0.8	4.7	4.8^{est}	-6.1^{est}	-4.1^{est}	7.8^{est}
Inflation (Annual Average) %	-1.6	0.9	10.6	255.3	557.2	94.6
Deposit Corporations Survey						
Notes & Coins in Circulation (Million ZW$)	70,170.81	331,937.88	502,042.57	907,568.29	1,198,078.56	2,313,788.0
Growth (%)	884.6	373.0	51.3	80.8	32.0	93.12
Broad Money (Million ZW$)	5,638.28	7,817.28	10,009.91	35,018.18	204,920.29	455,077.24
Growth %	19.0	38.6	28.0	249.8	485.2	122.1
Reserve Money (Million ZW$)	1,472.74	2,475.79	3,258.22	10,327.81	18,762.40	35,776.51
Growth %	161.5	68.1	31.6	217.0	81.7	90.7
Domestic Credit (Million ZW$)	7,481.42	10,697.16	14,880.34	27,819.81	101,149.73	211,685.68
Growth %	18.2	43.0	39.1	87.0	263.6	109.3
Credit to Private sector (Million ZW$)	3,513.53	3,719.43	4,058.65	11,113.07	74,660.40	153,064.38
Growth %	-3.9	5.9	9.1	173.8	571.8	105.0
Credit to Government (Million ZW$)	3,597.96	6,277.47	9,980.34	14,062.74	23,276.85	54,436.95
Growth %	51.6	74.5	59.0	40.9	65.5	133.9
Balance of Payments Accounts						
Exports of Goods and Services (Million US$)	4,059.7	4,640.2	5,178.2	5,266.9	5,263.3	6,574.8
Growth %	2.4	14.3	11.6	1.7	-0.1	24.9
Imports of Goods and Services (Million US$)	6,189.3	6,221.3	7,642.2	5,398.4	5,489.3	8,103.9
Growth %	-14.2	0.5	22.8	-29.4	1.7	47.6
Trade Balance (Million US$)	-2,129.6	-1,581.1	-2,464.0	-131.5	-226.0	-1,529.1
Current Account Balance (Million US$)	-697.5	-271.2	-1,379.6	920.5	1,096.3	348.2
Capital a/c balance (Million US$)	242.3	223.7	231.4	314.5	299.7	301.4
Financial a/c balance (Million US$)	-910.8	-1,145.9	-977.9	308.5	791.9	598.4

	2016	2017	2018	2019	2020	2021
International Reserves (Months of Import Cover)	1.0	0.9	0.5	0.7	0.4	2.7
Government Accounts						
Revenues (excluding Retained Revenue) (Million ZW$)	3,502.20	4,336.47	5,533.45	22,970.66	183,039.06	495,037.08
Expenditures & Net Lending (Million ZW$)	4,902.23	6,568.07	7,744.78	22,533.66	162,925.25	508,992.19
Recurrent Expenditures (Million ZW$)	3,934.75	4,741.31	5,196.81	13,823.00	108,648.15	363,266.19
Of which Employment Costs including Pension (Million ZW$)	*2,732.22*	*2,986.90*	*3,934.75*	*7,118.72*	63,121.40	193,261.03
Capital Expenditure & Net lending (Million ZW$)	967.5	1,826.76	2,547.96	8,710.65	54,277.10	145,726.00
Overall Balance (Million ZW$)	- 1,400.03	-2,231.59	- 2,211.32	437.00	20,113.81	-13,955.11

Source: Reserve Bank of Zimbabwe, 2021

REGISTERED OFFICES

Head Office

Reserve Bank of Zimbabwe
80 Samora Machel Avenue
Box 1283 Harare, Zimbabwe
Tel: (+263) 242700300
Email: info@rbz.co.zw

Regional Office

Reserve Bank of Zimbabwe
93 Leopold Takawira Street
Box 399 Bulawayo, Zimbabwe
Tel: +263 8677002046
Email: info@rbz.co.zw

@ReserveBankZim

@ReserveBankZim

www.rbz.co.zw