ANNUAL REPORT 2019

People's Own Savings Bank

Simply Possible

LETTER OF TRANSMITTAL

……………………………2020

The Minister of Finance and Economic Development
Attention: HON. PROFESSOR MTHULI NCUBE
Ministry of Finance and Economic Development Offices
Government Composite Office Block
Samora Machel Avenue/4th Street
HARARE

Dear Honourable Minister

In accordance with section 19 (1) (a) of the People's Own Savings Bank Act (Chapter 24:22), I have the honor to submit, on behalf of the Board of Directors, the Annual Report and the Audited Financial Statements of the People's Own Savings Bank for the year ended 31 December, 2019. In line with section 19(2) of the POSB Act and for purposes of section 35 (7) of the Public Finance Management Act, (Chapter 22:19), we advise that by this minute, we have directly submitted 400 copies of the 2019 Annual Report to the Clerk of Parliament.

Yours sincerely
The People's Own Savings Bank

I.P. NDLOVU (MR)

POSB ACTING BOARD CHAIRPERSON

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VISION AND MISSION STATEMENT

OUR VISION

To be the leading financial services provider for a transforming Zimbabwe.

OUR MISSION

To provide simple, responsive, innovative and inclusive financial solutions through modern technologies and motivated employees.

OUR VALUES

Teamwork

- We work together towards a shared vision.
- We display energy, enthusiasm and commitment towards our bank.
- We are committed to shared goals, open and honest communication.

Innovation

- We keep abreast with modern trends.
- We generate new ideas and improve the way we serve the customer.
- We continuously improve the way we do business.
- We are change drivers.
- We are a learning organization.

Integrity

- We uphold honesty in all our dealings.
- We are accountable for our actions.
- We are professional and efficient.

Responsiveness

- We ensure that our customers' interests lie at the core of our actions.
- We take into account the views of our stakeholders.
- We are sensitive to the needs of our clients.
- We respond to queries timeously.
- We respect the views of our customers.
- We meet our customers' expectations.
- We are proactive in offering sustainable solutions.

BRANCH NETWORK

Beitbridge Branch
96 Old Border Post Road,
Beitbridge
Telephone: +263 852322750

Bindura Branch
Shop No. 1 NSSA Complex
Artherstone Rd, Bindura
Telephone: +263-066210-7939

Bulawayo Main Branch
Corner Main Street/L Takawira Street
Bulawayo
Telephone: +263-292-77169/79212

Causeway Branch
Corner Central Ave/Third Street
Harare
Telephone: +263-242-792045/773637

Chiedza Branch
68 Nkwame Nkrumah Street
Harare
Telephone: +263-242-703647/8

Chinhoyi Branch
135 Midway Street
Chinhoyi
Telephone: +263-267-212-5309

Chipinge Branch
274 Main Street
Chipinge
Telephone: +263-227-204-2799

Chiredzi Branch
Old Mutual Shopping Complex
Chiredzi
Telephone: +263-231-231-2200

Chitungwiza Branch
Chitungwiza Town Centre
Chitungwiza
Telephone: +263-270-2121986

Fort Street Branch
Corner Fort St/13th Avenue
Bulawayo
Telephone: +263-292-67328

Gokwe Branch
971 Intermarket House
Gokwe Centre
Telephone: +263-55-259-2764

Gwanda Branch
Stand 217, 4th Avenue
Gwanda
Telephone: +263-8428-22441

Gweru Branch
Corner 7th Street/Robert Mugabe
Gweru
Telephone: +263-54-2-220535

Halyet House Branch
Corner Josiah Tongogara Street/9th Ave
Bulawayo
Telephone: +263-292-79730/79205

Harare Main
Mezzanine Floor, Harare Main Post Office
Cnr Innez Terrace/N. Mandela, Harare
Telephone: +263-242-773635/7

Highglen Branch
Shop Number 3
Highglen Shopping Centre, Harare
Telephone: +263-242-692048

Kadoma Branch
336 Robert Mugabe and Baker Street
Kadoma
Telephone: +263-268-21-23418

Karoi Branch
87 Fred Jameson Ave
Karoi
Telephone: +263-64-215-7918

Kopje Plaza Branch
Corner Jason Moyo Ave/Kaguvi Steet
Harare
Telephone: +263-242-771865

Kwekwe Branch
Communication and Allied Building,
Shop 9, Kwekwe
Telephone: +263-5525-24575

BRANCH NETWORK (cont.)

Marondera Branch
Stand 1137, Second Street
Marondera
Telephone: +263-6523-22980-2

Masvingo Branch
48 Hughes Road
Masvingo
Telephone: +263-239-2264309

Mbare Branch
38 Captain Tapfumaneyi Street
Mbare, Harare
Telephone: +263-242-771950

Mutare Branch
Stand 4011, 1st Avenue
Mutare
Telephone: +263-02-02-61766/61957

Mutoko Branch
Shop 1, Stand 46/47, BJ Shopping Mall,
O. Newton Drive, Mutoko
Telephone: +263-65213-2748

Mvuma Branch
Slice Complex
580 Masvingo Road
Telephone: +263-542-532255/322

Nelson Mandela Branch
Corner N. Mandela / L. Takawira Street
Harare
Telephone: +263-242-751512

Nkulumane Branch
Shop 9 Nkulumane
Bulawayo
Telephone: +263-292-486143

Parirenyatwa Branch
Parirenyatwa Hospital
Mazowe Street, Harare
Telephone: +263-242-795689

Rusape Branch
8 Manda Avenue
Rusape
Telephone: +263-255-205-2091/2/3

Southerton Branch
Corner Highfield Rd/Lobengula Rd
Harare
Telephone: +263-242-620450

Victoria Falls Branch
1 Landela Complex
Victoria Falls
Telephone: +263-213-42631/42628

Westgate Branch
Shop MP1 Westgate Shopping Centre
Harare
Telephone: +263-242-334103

Zvishavane Branch
Stand No 22-23
Robert Mugabe Way, Zvishavane
Telephone: +263-39-2-2383

Contact Centre
Corner Third Street/Central Avenue
Telephone: +263-242-252595/6
Whatsapp: +263 732 200 888
Email: posb@posb.co.zw

ESTEEM BANKING BRANCHES

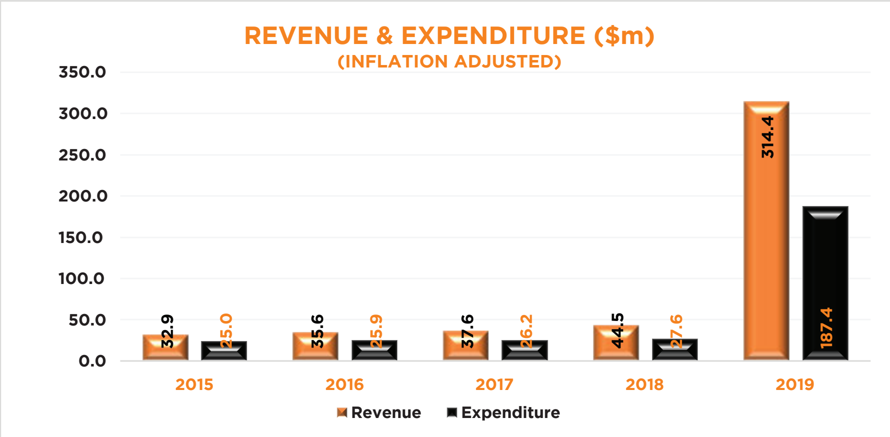
Esteem Banking Bulawayo
Shop 3, Ascot Shopping Centre
Bulawayo
Telephone: +263-292-234327/250119

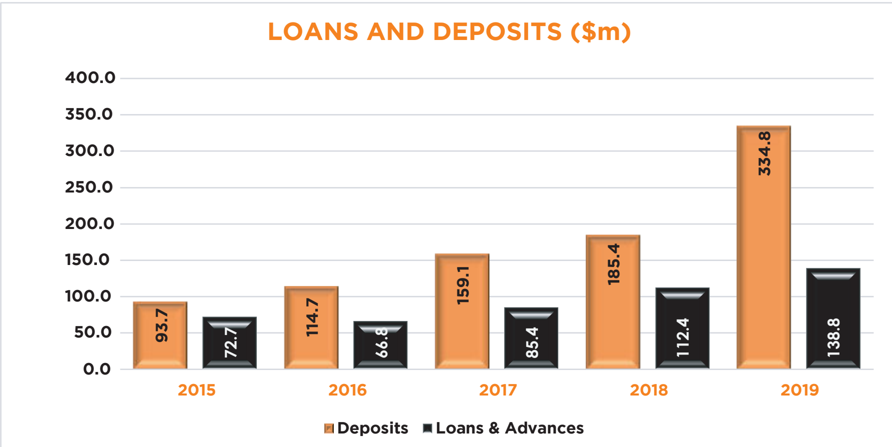
Esteem Banking Harare
Exhibition Park, Harare Show Grounds
Harare
Telephone: +263-242-752443/752017

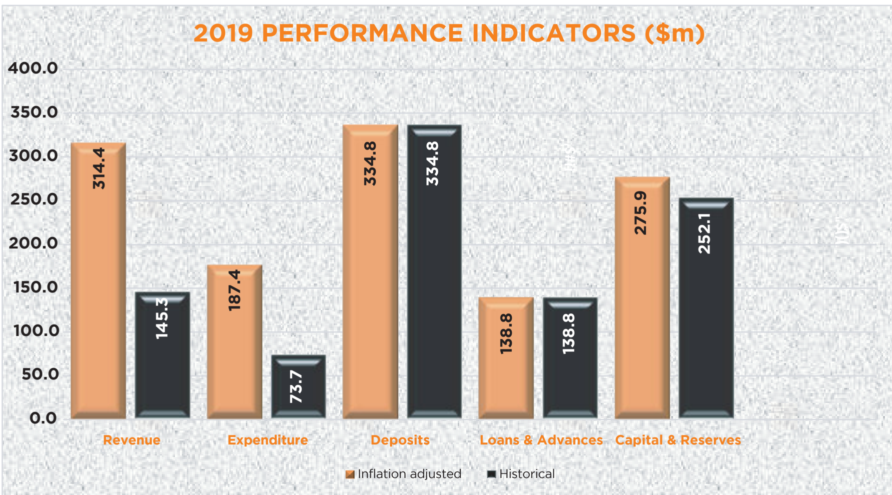
Esteem Banking Westgate Cubicle
Shop MPI Westgate Shopping Centre
Harare
Telephone: +263-242-300000

FINANCIAL HIGHLIGHTS

Indicator	2015	2016	2017	2018	2019	
	Historical	Historical	Historical	Historical	Inflation adjusted	Historical
Revenue	32,911,976	35,571,912	37,599,975	44,505,670	314,381,701	145,291,815
Expenditure	25,004,465	25,895,482	26,235,969	27,616,835	187,359,948	73,734,273
Net profit/(loss)	7,907,511	9,676,430	11,354,006	16,888,835	(265,404,268)	71,557,542
Deposits	93,684,287	114,707,241	159,092,398	185,489,042	334,767,157	334,767,157
Loans & Advances	72,668,277	66,790,938	85,416,198	112,369,005	138,751,023	138,751,023
Capital & reserves	33,000,464	41,192,204	54,446,012	87,834,084	275,941,765	252,114,538







GENERAL INFORMATION

HEAD OFFICE

Causeway Building
Corner Central Avenue/ Third Street
P.O. Box CY 1628, Causeway, Harare
Telephone: +263-242-793831 / 729701
Fax: +263-242- 708537 / 730971
Website: www.posb.co.zw

AUDITORS

Auditor General
Burroughs House
48 George Silundika Avenue
P.O. Box CY 143 Causeway, Harare
Telephone: +263-242-793611/4& 762817/8
Email: ocag@auditgen.gov.zw

ATTORNEYS

Mawere and Sibanda Legal Practitioners
10th Floor Chiedza House
1st Street/ Nkwame Nkrumah Avenue
Box CY1376, Harare
Telephone: +263-242-750843/ 750627
Email: maweresibanda@zol.co.zw

BOARD OF DIRECTORS

Mr. I.P. Ndlovu	Acting Board Chairperson
Mrs. N.C. Chindomu	Non- Executive Member
Mr. O. Jambwa	Non- Executive Member
Mrs. M. Murerìwa	Non- Executive Member
Mr. I. Mvere	Non- Executive Member
Mrs. C. Nyamutswa	Non- Executive Member
Mr. A. Kandlela	Chief Executive Officer
Mr. G. Changunda	Chief Accounting Officer

COMPANY SECRETARY

Mrs. D. Mapimhidze

EXECUTIVE MANAGEMENT

Mr. A. Kandlela	Chief Executive Officer
Mr. G Changunda	Chief Accounting Officer
Mr. L. M. Kupika	General Manager Banking Operations
Mr. W. Fungura	General Manager Risk, Security & Investigations
Mr F. Chirikure	General Manager Corporate & Investment Banking
Mr. M. Kujeke	Human Resources Executive
Ms. L. Ngulube	Information Technology Executive
Mrs. P. Chinomona	Head Compliance
Mrs. D. Mapimhidze	Company Secretary and Legal Advisor
Mr. T. Maseya	Head Procurement Management Unit
Mr. I. Mukonyerwa	Head Internal Audit
Miss D. Mpofu	Acting Marketing Manager

BOARD OF DIRECTORS


Israel P. Ndlovu
Acting Board Chairperson


Nomusa C. Chindomu
Non Executive Director


Onias Jambwa
Non Executive Director


Monica Mureriwa
Non Executive Director


Ignatius Mvere
Non Executive Director


Caecilia Nyamutswa
Non Executive Director


Admore Kandlela
Chief Executive Officer


Garainashe Changunda
Chief Accounting Officer


Dorothy Mapimhidze
Company Secretary and Legal Advisor

EXECUTIVE MANAGEMENT

Admore Kandlela
Chief Executive Officer

Garainashe Changunda
Chief Accounting Officer

Lawrence M. Kupika
General Manager Banking Operations

Wilbert Fungura
General Manager Risk, Security & Investigations

Farai Chirikure
General Manager Corporate and Investment Banking

Malvern Kujeke
Human Resources Executive

Loice Ngulube
Information Technology Executive

Patience Chinomona
Head Compliance

Dorothy Mapimhidze
Company Secretary and Legal Advisor

Tamuka Maseya
Head Procurement Management Unit

Izasi Mukonyerwa
Head Internal Audit

Dionne Mpofu
Acting Marketing Manager

CHAIRPERSON'S STATEMENT

I.P. NDLOVU (MR)
ACTING BOARD CHAIRPERSON

INTRODUCTION

I have great pleasure in presenting the audited financial results of the People's Own Savings Bank for the year ended 31 December, 2019.

ECONOMIC ENVIRONMENT

The year under review was characterized by several economic challenges including shortages of foreign currency, inadequate cash in local currency, as well as prolonged power cuts and rampant inflation. Severe drought and Cyclone Idai induced floods, substantially worsened the situation in the agricultural sector and negatively impacted on food security of our citizens especially the vulnerable ones.

On a positive note, the World Bank is projecting that the country's real gross domestic product will grow by 2.7% in 2020, driven by a rebound in agriculture as rains largely return to normal. Shortage of foreign currency and electricity is, however, projected to persist, thus negatively affecting the recovery of the key sectors of the economy such as mining, agriculture and manufacturing. Increased investment in these sectors is crucially important to ensure that Zimbabwe achieves the level of economic growth and creation of jobs required to achieve a better life for its citizens by the year 2030.

Annual inflation was on an upward trend and reached a record high of 521.2% in December 2019 whilst monthly inflation stood at 16.55% from 9.03% in December 2018 mainly due to high prices of food stuffs amid shortages of basic commodities including maize and wheat. The annual broad money supply grew by 249% to close the year 2019 at ZWL34.98 billion from ZWL10.01 billion in December 2018. Activity on the Zimbabwe Stock Exchange remained bearish at close of the year 2019 as trading was concentrated in some selected wealth preserving and midcap counters. The volume and value of shares traded, however, increased by 39% and 113% respectively from December 2018, whilst market capitalization increased by 55% to close the year under review at ZWL30.05 billion from ZWL19.42 billion in December 2018.

BANKING SECTOR OVERVIEW

The banking sector continued to exhibit resilience reflected by adequate capitalization, improved earnings performance as well as satisfactory asset quality and liquidity position. Both foreign currency and revaluation gains on investment properties contributed to the overall positive performance of banks, however the banking sector continued to be vulnerable to foreign exchange risks. The other major risk facing banks is the issue of relatively low and unattractive interest rates on financial assets, resulting in negative real interest rates.

FINANCIAL HIGHLIGHTS

The financial results for the year ended 31 December 2019 were achieved in a challenging economic environment following the re-introduction of the local currency in February 2019 and the subsequent abolishment of the multi-currency system in June 2019. The Public Accountants and Auditors Board (PAAB) pronounced Zimbabwe as a hyperinflationary economy effective for reporting periods ended on or after 1 July 2019, thus the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies have been applied to the financial statements for the year ended 31 December 2019.

CHAIRPERSON'S STATEMENT (cont.)

In complying with the requirements of IAS 29, the directors applied necessary judgment and assumptions where appropriate. The users of the financial statements are however cautioned that in hyperinflationary environments, certain inherent economic distortions may influence the outturn of the financial results.

In inflation adjusted terms the Bank recorded a loss of ZWL265 million during the year ended 31 December 2019. In historical terms the Bank recorded a net profit of ZWL71.6 million for the year in question. The loss reported by the Bank in inflation adjusted terms reflects the impact of hyperinflation on monetary assets which constituted a significant portion of its balance sheet considering the nature of the business of the Bank. The following summarizes the key financial highlights of the Bank's performance in 2019:

- Net operating income for the year declined by 14% in inflation adjusted terms to reach ZWL314.4 million for the year 2019 due to effective yields on financial assets below inflation; whereas year on year inflation was at 521%, weighted average yield on the majority of interest bearing assets was below 30%.
- Impairment charges improved by 124% as evidenced by the reversal of credit losses to the extent of ZWL0.9 million in 2019 bearing testimony to the improvement in the quality of the financial assets of the Bank;
- Operating expenses decreased by 16% to ZWL187 million in 2019 from ZWL224 million in 2018 in tandem with the cost to income ratio which improved from 61% in 2018 to 56% in 2019, attributed to effective cost control by management.
- Total assets declined by 62% to ZWL678 million as at 31 December 2019 from ZWL1.791 billion in 2018, a result of erosion of value of monetary assets on the Bank's balance sheet due to hyper-inflation;
- The liquidity ratio of the Bank improved remarkably to 73% as at 31 December 2019 up from 63% recorded as at end of prior year.
- More significantly capital adequacy of the Bank surged from 43% achieved as at 31 December 2018 to reach 45% as at end of the year under review.

STRATEGIC PLANNING

In January 2019, the Board approved the Strategic Plan of the Bank for the five years ending 31 December 2023. The plan focuses on four key strategic areas which are a result of strong support emanating from our stakeholder consultation process. These key result areas are set out as follows: deposit mobilization, financial inclusion, lending and service delivery. We are excited by the transformation of our banking business over the years and have set bold targets in terms of financial inclusion and market share by 2023. Financial inclusion has been and will always be a core value for POSB. When financial inclusion indicators improve, more individuals are empowered, more jobs are created and the economy grows. In light of the above POSB, will continue to promote financial inclusion effectively and profitably for the Bank – while adding value to customers that other banks sometimes disregard. We tackle financial inclusion by being a socially responsible savings bank that offers banking services to a diverse range of customers including individuals, families, and entrepreneurs, small to medium enterprises in rural and remote geographical areas. We also serve marginalized and vulnerable customers across Zimbabwe such as young people as well as the older people who sometimes do not have access to banking services. The business case for banking low income earners is that they understand that by banking their savings with POSB they are banking to create a better world for themselves. For our part, we serve them because it is our core business; our mandate that we were founded on: to inculcate a savings culture among the people of Zimbabwe.

DIVIDEND

The Bank held its Annual General Meeting on the 17th of June 2019 and a dividend of ZWL4,222,209.00 was declared and paid to shareholders during the year under review.

PARTIAL PRIVATISATION OF THE BANK

The Bank is one of those state entities targeted for partial privatization. The groundwork for the partial privatization process started in 2018 with the setting up of a Technical Committee to spearhead the process. I am happy to report that the Bank has made significant progress in procuring the Transaction Advisory Services Consultants. At the time of reporting, the Bank was involved in contract negotiations with the identified Consultants, KPMG Advisory Services (Private) Limited. The negotiated contract was planned to be signed in Q2, 2020.

RISK MANAGEMENT

The Bank methodically analyses and addresses all risks perceived to have a significant bearing on its operations with the ultimate goal of achieving sustainable benefits to the shareholders. To this end, the bank has embraced the Enterprise Risk Management approach to ensure risks are holistically managed.

As the financial systems become more dependent on information technology for the delivery of services both at local and international level, cybersecurity is recognized as a major risk type that banks are fully integrating into their enterprise risk management strategies. While the increase in use of plastic money and other digital payment platforms in Zimbabwe is acknowledged as a positive development due to the cash crisis prevailing in the economy, we continue to urge our customers to protect their personal data and financial resources in the face of cyber threats and risks. At POSB we remain committed to delivering secure digital platforms and have instituted the necessary steps to be EMV compliant by December 2020.

CHAIRPERSON'S STATEMENT (cont.)

CORPORATE GOVERNANCE

The success of the Bank rides on good corporate governance structures and mechanisms that have been in place since the inception of the Bank. These structures and mechanisms are regularly reviewed and adapted to accommodate internal corporate developments, and to reflect regulatory and international best practices. As such, POSB is committed to achieving high standards of business integrity and ethics across all its activities. The Board recognizes and subscribes to the principles of good corporate governance and strict adherence thereof as enshrined in the Public Entities Corporate Governance Act [Chapter 10:31]. In this regard, the Bank is also committed to the principles of openness, integrity and accountability as required by the good corporate governance guidelines. I am happy to report that during the year under review, the Bank complied with all regulatory and central bank directives in all material respects.

Mrs Matilda Dzumbunu, who served POSB as the Chairperson of the Board, resigned with effect from the 1st of September 2019, following her appointment to the position of Non-Executive Board member of the Reserve Bank of Zimbabwe. Under her leadership, the Bank grew from strength to strength and emerged as one of the best brands in Zimbabwe. We would like to thank Matilda for her commitment to the values and business of POSB. It was a great pleasure working with Matilda for the past five years and on behalf of the Board, management and staff I wish her well for the future.

CORPORATE SOCIAL RESPONSIBILITY

In order to alleviate poverty and enhance the well-being of the society at large, the People's Own Savings Bank will continue to make a contribution to society through its core business activities, and social investment in the communities in which the Bank operates. During the year under review, the social investment thrust of the Bank was directed towards the areas of financial literacy, education and health as articulated in the CEO's report below.

OUTLOOK

In light of the galloping inflation and foreign currency shortages, fiscal prudence and aggressive mopping up of the excess liquidity by the monetary authorities should be prioritized in order to stabilize the economy and the value of the Zimbabwe dollar. We are still confident that the economy will stabilize in the medium term and that the ongoing policy reforms will promote local and foreign investment, creation of jobs, growth of savings and disposable income for households at a time real wages have been eroded by inflation. The People's Own Savings Bank maintains a positive view of its future in particular and that of the economy at large. Going forward, we intend to continue growing the business of the Bank profitably in order to contribute to the development of Zimbabwe. We will continue to implement the Bank's strategies resulting in increasing brand presence throughout the country as we innovate and progress the digitalization of our business. We remain cognizant that getting to a leadership position in the banking sector means working harder, continuously innovating to enhance our value proposition and achieving lower costs by serving our customers through the use of technology.

APPRECIATION

I am grateful to our valued customers who have continued to support us over time. My sincere appreciation also goes to the shareholder and regulatory authorities who have stood with the Bank and continued to guide us in this turbulent operating environment. I would also like to thank my fellow board members, management and staff for their dedication and consistent efforts that have contributed positively to the satisfactory performance of the Bank.

I.P. NDLOVU (MR)
ACTING BOARD CHAIRPERSON

CHIEF EXECUTIVE OFFICER'S REPORT

A. KANDLELA (MR)
CHIEF EXECUTIVE OFFICER

GENERAL OVERVIEW

During the year under review the financial markets in Zimbabwe experienced a number of changes and currency reforms culminating in the floating of the exchange rate through the interbank market, the abolishment of the multi-currency regime, and the re-introduction of the Zimbabwe dollar. These reforms and other interventions, however, did little to contribute to the accessibility of the much needed foreign currency resulting in significant pressure on local businesses especially importers. The Zimbabwe dollar (ZWL) having started at par with the United States dollar, rapidly lost value against the United States dollar (USD) to close the year at ZWL16: USD1 on the official interbank market. With critically low levels of official foreign currency reserves and constrained access to external financing, the local currency continues to depreciate in 2020.

Driven by realization of the efficiencies in non-cash channels, the banking sector has had to shift from traditional banking to digital banking as the latter has become more pronounced and relevant in the face of persistent cash shortages. As such, the banking sector witnessed an increase in both volume and value of transactions processed through the RTGS system. Values increased by 493% from ZWL8.36 billion in December 2018 to ZWL49.58 billion in December 2019, whilst volume of RTGS transactions registered an increase of 110% from 478,952 transactions in December 2018 to 1,003,806 transactions in December 2019. Value of mobile and internet based transactions rose by 373% whilst value of card based transactions grew by 531% from ZWL917 million in December 2018 to ZWL5.79 billion in December 2019. Banks continued to introduce more innovative products within the e-banking and mobile banking space that add convenience to the customer as well as increase non-funded income.

CORPORATE DEVELOPMENTS

In the year under review, the People's Own Savings Bank held celebrations to commemorate 115 years of existence. Reaching this milestone bears testimony to the fact that the Bank is solid and focused on creating value for its stakeholders.

The following highlights summarize the Bank's corporate developments in the year under review:

New products, services and delivery channels

- **"Towards paperless " Thrust**

The Bank made significant strides towards paperless banking and by so doing improved service delivery, process efficiencies and enhanced the overall customer experience. The Bank rolled out the following;

- **Launch of the Upgraded Mobile App**

On the 26th of April 2019, POSB launched an upgraded 'On the Go' app. The revamped app with its world class look and feel is more user friendly than its predecessor and boasts a bouquet of new features and transaction sets for the convenience of the Bank's clients.

- **Introduction of Paperless Banking on selected transactions**

POSB successfully migrated to paperless banking on Withdrawals, Deposits, Balance enquiries, Mini Statements and RTGS on the 1st of August 2019 following the extensive upgrade of the Bank's digital channels in 2018 and 2019.

CHIEF EXECUTIVE OFFICER'S REPORT (cont.)

- **SMS Alerts optimization**

In the 3rd quarter of the year under review, the Bank optimized its SMS alerts platform for the real time delivery of notifications to customers' mobile numbers registered with the Bank for every transaction made above ZWL10.00. Resultantly, customers can effectively keep track of their transactional history as well as quickly detect and stop any suspicious or unauthorized account activity.

- **Opening of a Nostro Account with the African Export Import Bank**

In July 2019, the Bank opened a Nostro account with Afreximbank through which pre-approved clients commenced making and receiving their international payments with ease.

- **Introduction of the POSB Trust Account**

This account was created to enable wealth preservation by individuals, groups of individuals and corporate clients and facilitate funds transfer to dependents or other vested parties. The POSB Trust account further allows holders to either make investments for future generations or hold properties for the benefit of other people, groups or organizations.

- **Launch of the POSB Student Account**

The POSB Student Account offers accessible and low cost banking services to students aged 18 years and above who are currently enrolled in the country's tertiary institutions.

- **Introduction of the Export Development Loan Facility**

The addition of a highly subsidized Export Development Loan Facility was one of the Bank's initiatives aimed at promoting export business in the country. This facility is a low cost one which allows companies to settle local payments for inputs used in the production of goods and services destined for overseas markets which will in turn generate foreign currency for the economy.

- **Introduction of Individual Farmer's Nostro Account**

The Bank introduced the Individual Farmer's account which enables all individual farmers such as tobacco and cotton farmers who sell their produce in foreign currency to conveniently receive their funds in hard currency.

- **Relocation of Kadoma Branch**

The Bank relocated its Kadoma branch from a leasehold property to a wholly-owned and more spacious premises in a bid to improve service delivery and convenience to customers.

- **Beitbridge Branch**

POSB opened a branch in the border town of Beitbridge to increase geographical coverage and ease access to services for our clients. The branch was unveiled on the 13th of December 2019 and the development was gracefully welcomed by the locals and business community alike.

- **Partnering with Travelex Banknotes Limited**

Towards the end of the year, POSB successfully concluded a contract with Travelex Banknotes Limited which enabled the Bank to import United States Dollar bills. Cash imports sourced under this arrangement were mainly channeled towards Money Transfer pay-outs to meet increased demand for foreign currency during the 2019 festive season.

BRANCH NETWORK

The Bank operated through its 36 branches country wide as well as 343 agency outlets which largely cover rural communities nationwide and other urban areas in various parts of the country as we continue pursuing our financial inclusion mandate.

LEGAL STATUS

The Bank's operations are governed by the People's Own Savings Bank of Zimbabwe Act [Chapter 24:22] of 1999, the Banking Act of Zimbabwe [Chapter 24:20] and is also under the supervision of the Reserve Bank of Zimbabwe.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Guided by its Corporate Social Responsibility Policy, the People's Own Savings Bank implemented transformational programmes aimed at improving the lives of the socially and economically vulnerable segments of our society during the year under review. To this end, 5% of the annual marketing budget is set aside for the execution of these programmes.

In the year 2019, the Bank undertook the following CSR initiatives:

1. Financial Literacy Programmes

From the 28th to the 31st of March 2019, the People's Own Savings Bank joined the world in celebrating Global Money Week (GMW), an annual youth financial literacy campaign thus providing the Bank with an opportunity to further its CSR objective of promoting Education and Financial Literacy in Zimbabwe. As part of its 2019 GMW initiatives, the Bank hosted students from 16 local universities and tertiary institutions in the 3rd edition of the POSB Global Money Week Inter-university Debate Tournament. During the same week, POSB branches hosted 66 schools in their respective banking halls where students witnessed banking operations first hand in addition to visiting 66 schools in their localities to impart financial knowledge.

2. Education

In 2019, the Bank continued to provide support in the form of tuition, boarding fees, transport, uniforms and groceries to financially excluded students under the POSB Scholarship programme. Additionally, the Bank also sponsored prizes at 11 university graduation ceremonies for students who graduated top of their classes in Banking and Finance or related degree programs.

3. Health

In the immediate aftermath of Cyclone Idai, POSB donated several tonnes of groceries and blankets towards the Disaster Relief efforts instituted to assist the affected communities.

During the year, the Bank also supported several worthwhile charitable initiatives at various organizations with the most notable being; sponsorship of the National AIDS Council's Golf Tournament which was aimed at raising funds to procure 5 cancer screening machines as well as partnering with the Kidney Association of Zimbabwe (KAZ) in commemorating World Kidney Day in order to raise awareness of the importance of kidneys and pro-kidney health lifestyles.

POSB also participated in the National Environment Cleaning Day every first Friday of each month. This noble campaign was initiated by His Excellency, Cde. E.D. Mnangagwa, the President of the Republic of Zimbabwe to both inspire and mobilize all stakeholders to take up active roles towards a cleaner Zimbabwe.

ACCOLADES TO THE BANK

The following accolades were received in the year under review:

1. Banks and Banking Survey 2019

POSB was presented with the "1st Runner up – Overall Bank of the Year Award" for 2019.

2. Marketers Association of Zimbabwe Awards

The Bank scooped the "2nd Runner up in the Banking Sector category" and "18th Position in the Business to Business category" of the Superbrand 2019 Awards.

3. Megafest Local Government and Public Sector Awards 2019

The Bank was named the Customer Service Award of the Year 2019 – Platinum Winner.

4. Corporate Social Responsibility Network Zimbabwe Awards

POSB received a Certificate of Appreciation for 2019 SDGs and Community Impact Award.

5. Matabeleland South Agricultural Show 2019.

The Bank came in 3rd place in the Financial Institutions category.

6. Mashonaland West Agricultural Show 2019.

The Bank came in 3rd place in the Financial Institutions category.

OUTLOOK

Despite the persistent economic challenges, the People's Own Savings Bank is positive about the outlook of the Zimbabwe's economy which is expected to grow by 2.7%. In this regard we continue to urge the authorities to prioritize the availability of electrical power and consideration of alternative sources of energy in order to guarantee electricity supply and improved productivity in the economy. The country should endeavor to allocate foreign currency to critical areas as opposed to product lines which can be produced locally. As we look into the future of our business, we are clear that what has driven our success in the past will not guarantee the same level of success going forward. No wonder why we are continuing to invest significantly in our digital platforms across all our businesses to increase customer satisfaction, gain market share and deliver more value to our customers. We will continue to play our part in the generation of foreign currency by providing credit to export oriented businesses at low cost. The POSB client onboarding processes will be more personalized and streamlined by creation of self-service portals and taking pain points out of our processes and workflows.

APPRECIATION

I take this opportunity to extend my sincere appreciation to the shareholder, board, management and staff of the People's Own Savings Bank for their dedication towards the achievement of these satisfactory results. I would also like to thank other stakeholders, especially our customers who have exhibited their confidence by continuing to conduct business with us, thus positively contributing to the success of the Bank in the year 2019.

A. KANDLELA
CHIEF EXECUTIVE OFFICER

DIRECTORS' REPORT

The People's Own Savings Bank Board has pleasure in presenting the Annual Report and the Audited Financial Statements for the year ended December 31, 2019.

Legal form

The People's Own Savings Bank is a corporate body established in terms of the People's Own Savings Bank of Zimbabwe Act {Chapter 24:22} of 1999. It is broadly mandated to conduct the business of a Savings Bank, as well as offering banking and financial services to the people of Zimbabwe.

2019 Financial results

The financial results of the Bank have been inflation adjusted in order to comply with the requirements of IAS 29. This commentary is based on the inflation adjusted financial result and historical financial statements have been disclosed as supplementary information. In complying with IAS 29, the directors used judgement and assumptions where necessary, therefore users of the financial statements are advised to exercise caution as some inherent economic distortions tend to influence the out turn of financial results in hyperinflationary environments.

Total revenue decreased by 14% whilst operating expenses decreased by 16%, thus resulting in a 10.66% decrease in operating profit. Due to the hyperinflation, the monetary loss increased by 1308% resulting in overall profit decreasing by 342%.

The Balance sheet size of the Bank declined by 63% from $1.797 billion in 2018 to $678.14 million in 2019. This was mainly attributed to a decline in deposits by 71% after taking into account the effects of inflation.

The table below summarises the Bank's financial performance;

INFLATION ADJUSTED			
	2019	**2018**	**% change**
Operating income	314,381,701	366,219,368	-14.15%
Operating expenses	(187,359,948)	(224,041,358)	-16.37%
Operating profit	**127,021,753**	**142,178,010**	**-10.66%**
Monetary loss	(392,426,021)	(32,497,606)	1308%
Profit/(Loss) for the year	**(265,404,268)**	**109,680,404**	**-342%**
Customer deposits	334,767,157	1,152,137,380	-70.94%
Total assets	678,137,979	1,797,017,754	-62.26%

HISTORICAL			
	2019	**2018**	**% change**
Operating income	145,291,815	44,505,670	226.46%
Operating expenses	(73,734,273)	(27,616,835)	166.99%
Net profit	**71,557,542**	**16,888,835**	**323.7%**
Customer deposits	334,767,157	185,489,042	80.48%
Total assets	641,814,551	288,345,969	122.58%

Board members responsibility statement

The responsibility for the preparation and integrity of the financial statements that would fairly present the state of affairs of the Bank at the end of the financial year lies with the Board. The reports include the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash flows for the period, together with notes and other information contained in these reports. The financial statements were prepared according to International Financial Reporting Standards.

In order to ensure integrity of the financial statements, the Board maintains adequate accounting records and has put in place adequate internal controls and a robust risk management framework in order to safeguard the assets of the Bank and to prevent and detect fraudulent activities.

The Board has reassessed the operations of the Bank and is confident that the Bank continues to be a going concern. Accordingly the financial statements continue to be prepared on a going concern basis. The financial statements on pages 25-71 were approved by the Board of Directors on 28 May 2020.

Auditors

The Auditor General is the statutory auditor of the Bank as provided for in section 34 of the People's Own Savings Bank Act {Chapter 24:22} of 1999 and the Public Finance Management Act [Chapter 22:19].

By order of the Board

D. MAPIMHIDZE
COMPANY SECRETARY

CORPORATE GOVERNANCE REPORT

As a parastatal, POSB is legally obliged to comply with the corporate governance principles and practices as rooted in the Zimbabwean Constitution and prescribed under People's Owns Savings Bank (Act Cap 24:22), the Banking Act, (Cap 24:20), the Public Entities Corporate Governance (PECG)Act (Cap 10:31) and the Reserve Bank of Zimbabwe regulatory directives.

In line with its commitment to build the correct corporate governance culture, POSB embarked on aligning its practices a few months following the PECG Act's coming into force, in the 4th Quarter of 2018. The initiated realignment process is still ongoing in line with the gradual issue of policy guidelines and directives by the Corporate Governance Unit (CGU) as envisaged in the implementation of corporate governance practices under the PECG Act. The realignment process is also in tandem with the bank's strategic objectives.

The Bank held its Annual General Meeting on the 17th of June 2019 and declared a dividend of ZWL4 222 209,00.

The Bank is one of those state entities targeted for partial privatization. The groundwork for the partial privatization was commenced in 2018 with the setting up of a Technical Committee to spearhead the process. After following the due procurement processes, the Bank selected KPMG Zimbabwe as its Transaction Advisory Consultants. The contract negotiation is in progress and is to be implemented once relevant approvals have been obtained. The privatisation project will be implemented over a period of seven to twelve months.

The Bank conducts its business through the governance structures that were reviewed in the course of 2019 for compliance with the PECG Act as detailed below:

The Board

From the 1st of January to 30 September 2019, the Board comprised of seven (7) non-executive directors and two (2) executive directors, the Chief Executive Officer and the Chief Accounting Officer. It ended the year with 6 Non-Executive Directors following the resignation of Mrs M. Dzumbunu in September 2019 as she had been appointed to the RBZ Board.

The detailed responsibilities of the Bank's Board include the following;

- to set the Bank's strategic direction/objectives,
- to approve the Bank's policies,
- to protect the interests of depositors and other stakeholders,
- to align activities and behaviour to ensure that the Bank operates in a safe and sound manner, in compliance with applicable laws and regulations,
- to articulate the strategy against which the success of the overall Bank and the contribution of individuals is measured,
- to assign responsibilities and decision making authorities, incorporating a hierarchy of required approvals from Management to the Board, and
- to ensure good return to the shareholder's investment.

Board Meetings

The Board as a whole is responsible for the oversight of Management on behalf of the shareholder, the Government of Zimbabwe. To exercise its duties, the Board meets quarterly through scheduled meetings and additionally as and when the need arises.

To assist the Board in its oversight function, a number of Board Committees were established in accordance with section 14(i) of the People's Own Savings Bank Act {Chapter 24:22} and the Public Entities & Corporate Governance Act (PECG) as read with the General Regulations, SI 168 of 2018.

In addition, the Board has scheduled report back meetings with the Minister of Finance and Economic Development. The meetings provide an important feedback window where critical issues are discussed and guidance given. It is obliged to meet the Ministry of Finance and Economic Development twice annually.

Details of the Board Committees as at 30 June 2019 are outlined in the following paragraphs:

1. Board Audit Committee (Restructured from being Board Audit & Finance Committee in May 2019)

The Board Audit Committee role is to assist the Board in its oversight of:

(i) the integrity of the Bank's financial statements,
(ii) the Bank's external auditor's qualifications and independence,
(iii) the performance of the Bank's External Auditors and the Internal Audit function,
(iv) the Bank's systems of disclosures controls and procedures and internal controls over financial reporting,
(v) review and assess recommendations on financial controls of the Bank and the internal audit function and make appropriate recommendations of its own to the Board regarding the foregoing,
(vii) ensure the Bank's compliance with applicable laws, regulatory requirements and financial reporting and accounting standards, and where appropriate, make recommendations of its own to the Board regarding the financial administration of the Bank.

Composition

I. P. Ndlovu	(Non- Executive Committee Chairman)
I. Mvere	(Non- Executive Member)
M. Mureriwa	(Non- Executive Member)

The Board Chairperson, the Chief Executive Officer, the Chief Accounting Officer and Head Internal Audit are not members of the Board Audit Committee but attend the meetings by invitation. External Auditors are invited to attend all meetings.

Following changes to the Board I. P. Ndlovu stepped down as Chair of the Committee having been appointed Acting Board Chair. Monica Mureriwa was appointed Acting Chair until the appointment of additional Board Members.

2. Board Finance Committee (Established in May 2019)
The Board Finance Committee is authorized by the Board to guide, oversee and support the financial and tax practices of the Bank including the approval, conformance of financial policies and procedures and the development of the annual strategy, budget and procurement plan, monitor adherence to the strategy, budget and procurement plan and ensuring accurate tracking and analysis of financial highlights and also ensure conformance to relevant financial and tax rules, regulations and where appropriate, make recommendations of its own to the Board regarding the financial administration of the Bank.

Composition

I. Mvere	(Non- Executive Committee Chairman)
I. P. Ndlovu	(Non- Executive Member)
M. Dzumbunu●	(Non- Executive Member)
A. Kandlela	(Executive Member)
G. Changunda	(Executive Member)

The Head Procurement Management Unit attends the meetings by invitation. Mrs M. Dzumbunu ceased to be a member of the Board in September 2019.

3. Board Credit and Investments Committee
The fundamental function of the Committee is to oversee the Bank's operations relating to credit, market and liquidity risk, and in particular to ensure that the Bank has adequate funds to meet its obligations. The Committee also approves all lending and investment policies. Furthermore, the Committee ensures that the approved policies are adequate and that lending and investment activities are conducted in accordance with the established policies and regulations.

The Committee has the mandate over risks underwritten by the Bank in as far as they affect its overall performance including particularly market risks and credit risks. The Committee is also responsible for approval of loans to customers within its limit.

Composition

M. Mureriwa	(Non-Executive Committee Chairperson)
I. Mvere	(Non- Executive Member)
A. Kandlela	(Executive Member)
G. Changunda	(Executive Member)

The General Manager Banking Operations, the Corporate & Investment Banking Executive, the Information Technology Executive, the Marketing Manager and the Head of Mortgages and Property Development attend the meetings by invitation.

4. Board Human Resources and Governance Committee
The Board Human Resources Committee is tasked with looking into issues relating to the formulation and approval of strategies and policies relating to the remuneration and terms and conditions of services of all Bank staff. The Committee is also mandated to consider and approve Management recommendations on succession planning, management and development of human resources as well as reviewing the Bank's organisational structure.

It additionally has oversight on governance and in that regard assists the Board to accomplish the objectives of good governance through the evaluation and development of the Bank's governance practices, addressing transparency, independence, accountability, fiduciary responsibilities and management oversight. The Governance mandate was added with effect from the 1st of June 2017.

Composition

O. Jambwa	(Non- Executive Committee Chairman)
N. C. Chindomu	(Non- Executive Member)
C. Nyamutswa	(Non- Executive Member)
M. Dzumbunu●	(Non- Executive Member)
I. P. Ndlovu	(Non- Executive Member)
A. Kandlela	(Executive Member)
G. Changunda	(Executive Member)

The Human Resources Executive attends its meetings by invitation. Mrs Dzumbunu ceased to be a member of the Board in September 2019. I. P. Ndlovu was appointed to the Committee in his capacity as Acting Board Chair in her place.

5. Board Risk Committee
The Committee is responsible for overall identification, measurement, management and monitoring of all risks facing the Bank. In the main, the Risk Management Committee is responsible for the formulation of high level risk management policies and for inculcating a risk management culture throughout the Bank. The Committee is also responsible for overseeing the harmonization and integration of IT processes; for ensuring that the Disaster Recovery Plan is in place and to ensure that other issues relating to IT requirements of the Bank are timeously addressed.

The Committee is also tasked with the primary responsibility of monitoring the performance of the loan book and ensuring that it is proficiently managed and appropriately diversified to manage concentration risk. It also has the broad responsibility of ensuring that the Bank's potential and specific bad debts are adequately provided for and that the total loan book is in compliance with the lending guidelines and the Bank's Credit policy.

The Board reviewed this Committee in line with the changes to the Banking Act (Chapter 22:24) resulting in its split. With effect from the 1st of June, 2017, the Board now had a Risk Committee and Credit Review Committee as separate Committees.

Composition

N. C. Chindomu	(Non- Executive Committee Chairperson)
I. P. Ndlovu	(Non- Executive Member)
C. Nyamutswa	(Non- Executive Member)

The Chief Executive Officer, the Chief Accounting Officer, the General Manager Risk, Security and Investigations, the Information Technology Executive and the Compliance Officer attend its meetings by invitation.

6. Board Credit Review Committee
The Board Credit Review Committee was established as a separate Committee in line with changes to the Banking Act with effect from the 1st of June, 2017.

CORPORATE GOVERNANCE REPORT (cont.)

The primary responsibility of the Committee is to assist the Board in discharging its oversight responsibility on the overall lending policies and lending activities of the Bank. The Committee reviews all lending by the Bank enabling it to monitor performance of the Bank's loan book and that it is proficiently managed and appropriately diversified to manage concentration risk. It is also broadly responsible for ensuring that the Bank's potential and specific bad debts are adequately provided for and that the total loan book is in compliance with the lending guidelines and the Bank's Credit Policy.

Composition

C. Nyamutswa (Non-Executive Committee Chairperson)
I. P. Ndlovu (Non- Executive Member)
O. Jambwa (Non-Executive Member)

The Chief Executive Officer and the General Manager Risk, Security & Investigations attend its meetings by invitation.

7. Statement of Compliance

The Bank held its Annual General Meeting on the 17th of June 2019. The tenure of the Board was reviewed in September 2019 resulting in the following positions:

N. C. Chindomu, C. Nyamutswa, M. Mureriwa and I. Mvere were reappointed for another term whilst the tenures of O. Jambwa and I. P. Ndlovu were extended initially to the 3[1st] of December 2019 but later indefinitely until the appointment of additional members to the Board. I. P. Ndlovu was appointed the Acting Chairman. M. Dzumbunu's term was not renewed as she had been appointed to the Reserve Bank of Zimbabwe Board. A. Kandlela and G. Changunda remained members of the Board by virtue of office. The appointment of additional Board members as undertaken is thus still awaited. The Bank complied with all statutes regulating its operations, but there are still some gaps relating to compliance with the PECG Act. The Board thus continues to engage the shareholder on the operational modalities. The Bank also complied with RBZ directives on IFRS 9 implementation, liquidity management, capital adequacy as well as prudential lending guidelines.

Shareholder Engagement: The Board met the MOF&ED once during the year.

Board Evaluation: The Board subjects itself to evaluation annually and submits the evaluation report to the Regulator by the 31st of March each year. The feedback from the Regulator is also used to improve the Bank's governance practices annually where areas of concern have been raised as well as in the capacity development of the directors for the year.

Board Remuneration Review: An interim remuneration framework for the Board was issued in September 2019 and implemented.

Directors Attendance at Board and Committee Meetings for the Year Ended 31st December 2019

	Total No. of meetings	M DZUMBUNU***	I P NDLOVU****	O JAMBWA	N C CHINDOMU	I MVERE	M MURERIWA	C NYAMUTSWA	A KANDLELA*	G CHANGUNDA*
STRATEGIC PLANNING WORKSHOP: 28/1/2019, 29/1/2019, 2/12/2019	**3**	2	3	3	3	3	3	3	3	3
BOARD MEETINGS: 7/3/2019, 14/3/2019, 30/5/2019, 3/6/2019, 21/8/2019,13/12/2019	**6**	5	5	6	6	6	6	6	5	6
HUMAN RESOURCES & GOVERNANCE COMMITTEE: 26/2/2019, 14/5/2019, 26/7/2019, 21/11/2019	**4**	4	N/A	4	4	N/A	N/A	4	4	4
RISK COMMITTEE: 28/2/2019, 8/5/2019, 25/7/2019, 19/11/2019	**4**	N/A	4	N/A	4	N/A	N/A	4	4	4
AUDIT AND FINANCE COMMITTEE: / AUDIT COMMITTEE: 7/3/2019, 11/3/2019, 16/5/2019, 2/8/2019, 12/12/2019	**5**	4	5	N/A	N/A	5	5	N/A	5	5
CREDIT & INVESTMENTS COMMITTEE: 22/2/2019, 6/5/2019, 24 /7/2019, 25/11/2019	**4**	N/A	N/A	N/A	N/A	4	4	N/A	4	4
CREDIT REVIEW COMMITTEE: 27/2/2019, 7/5/2019, 25/7/2019, 19/11/2019	**4**	N/A	3	4	N/A	N/A	N/A	4	4	N/A
FINANCE COMMITTEE: 2/8/2019,12/12/2019	**2**	1	2	N/A	N/A	1	N/A	N/A	2	2
INTERVIEWS GM BANKING OPERATIONS: 16/4/2019	**1**	N/A	1	1	N/A	N/A	1	N/A	1	N/A
INTERVIEWS CIB EXECUTIVE: 6/8/2019	**1**	N/A	1	1	N/A	N/A	1	N/A	1	N/A
CEO EVALUATION: 21/8/2019	**1**	1	1	1	1	1	1	1	-	-
MINISTRY OF FINANCE: 3/6/2019	**1**	1	-	1	1	1	1	1	1	1
ANNUAL GENERAL MEETING: 17/6/2019	**1**	1	1	1	1	1	1	-**	1	1
TOTAL NUMBER OF SITTINGS	**37**	**19**	**26**	**22**	**20**	**22**	**23**	**23**	**35**	**30**

Key:
N/A – Not a Member; - Did not attend; *Executive Director; **Leave of Absence granted; * Retired from the Board in Sept 2019; ****Appointed as Acting Board Chairperson in Sept 2019.**

AUDITOR'S REPORT

All communications should be addressed to
"The Auditor-General"

P.O. Box CY 143, Causeway, Harare
Telephone No.: 793611/3-4/762817/8/20-23
Telegrams: "AUDITOR"
706070/796312
E-mail: ocag@auditgen.gov.zw

We assure accountability
OAG ZIMBABWE
Office of the Auditor-General

Reference: I/69/960
OFFICE OF THE AUDITOR-GENERAL
5th Floor, Burroughs House
48 George Silundika
Cnr. Fourth Street/George Silundika Avenue
Harare

REPORT OF THE AUDITOR –GENERAL

TO

THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE

PEOPLE'S OWN SAVINGS BANK

FOR THE YEAR ENDED DECEMBER 31, 2019

Report on the Audit of the Financial Statements

Adverse Opinion

I have audited the accompanying financial statements of the People's Own Savings Bank (POSB) set out on pages 25 to 71, which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph of my report, the accompanying financial statements do not present fairly, the financial position of the People's Own Savings Bank as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Accounting Standard (IAS) 21" The effects of changes in foreign exchange rates"

The Bank translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. The Bank used October 01, 2018 as the date of change in functional currency and translated its foreign denominated balances to ZWL using the February 22, 2019 interbank rate. The Bank has not been able to assess the appropriateness of use of the interbank rate in achieving fair presentation primarily due to the need to comply with SI 33 and also the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. Additionally, the introduction of the interbank rate occurred after a period of foreign currency scarcity and constrained exchangeability of bond notes, coins and electronic money to other foreign currencies. In substance, the immediate delivery of foreign currency could not be guaranteed which impinged on the underlying concept of closing rates and definition of spot rates. This therefore impacts the basis for measuring transactions between October 2018 and February 2019, valuation of assets and liabilities as well as the accounting for exchange differences. The Bank applied the prevailing interbank rate in revaluing its property, plant and equipment as at December 31, 2019. In that regard, The Bank has not been able to comply with the requirements of IAS 21.

Due to the fundamental nature of the issues raised and interplay of variables within the existing economic environment, I have not been able to determine the extent of misstatements and any adjustments that would have been necessary to correct the historical cost financial statements. The effects on the historical financial statements have an impact on the IAS 29 inflation adjusted financial statements. These effects are considered material and pervasive.

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the People's Own Savings Bank in accordance with the ethical requirements that are relevant to my audit of the financial statements in Zimbabwe, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. In addition to the matter described in the basis for adverse opinion section, I have determined the matters described below to be the key audit matters to be communicated in my report.

Matter	Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Impairment of loans and advances	The Bank is required to carry out impairment tests in compliance with the regulatory requirements and financial reporting standards. The disclosures related to the impairment of loans and advances are contained in notes 3.7 and 10.6. The Bank exercises significant judgement using subjective assumptions over valuation of loan and advances and estimation of the expected credit losses. Loans and advances form a major portion of the Bank's assets, and due to the significance of the judgements used in classifying loans and advances into various stages stipulated in IFRS 9 and determining related provision requirements, this audit area is considered a key audit risk. It is on the basis above that I considered impairment of loans and receivables as a key audit matter.	My audit procedures focused on situations where clients defaulted or were at risk of defaulting, and I considered whether the level of loan loss allowance was sufficient to cover probable losses associated with the total loan portfolio and whether specific allowances were sufficient to cover all ascertained and expected losses inherent in individual loans. I gained an understanding of the Bank's key credit processes comprising granting, booking, monitoring and provisioning and tested the operating effectiveness of key controls over these processes. I confirmed with management the Bank's review for impairment procedures and matched them to the evidence obtained as to whether the procedures for determining impairment were consistent with established regulatory guidelines. I assessed the quality of security pledged by the borrowers and matched it against loaned amounts. I reviewed the Bank's IFRS 9 impairment and provisioning policy to assess compliance with the requirements of IFRS 9. Based on the outcome of the procedures described above, I considered the reasonability of management's conclusions in determination of expected credit losses and impairment of loans and advances.

AUDITOR'S REPORT (cont.)

Matter	Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Revenue recognition	The Bank has various products that cut across retail banking, corporate banking, micro financing, treasury and international banking from which the Bank generates revenue. The delivery channels of the bank include use of its branch network countrywide, cellphone banking and Zimswitch services among others. Key drivers of revenue are fees, commission and interest income. To support these services, there is a complex IT based banking system that caters for among other deliverables savings needs, deposits, withdrawals, financing arrangements and transfer of funds. The accounting policies for revenue are disclosed in notes 3.4 and 3.5 whilst the related disclosures are contained in the statement of profit or loss and other comprehensive income, note 5 and note 7. The amount of revenue recognised depends on the ability of the core banking system to process changes in business terms and conditions appropriately. The changes to the business conditions can be regulatory or strategic for the growth of the Bank. The huge volume of transactions from numerous revenue streams and the high level of regulation in the banking industry results in revenue recognition being a complex area. The level of complexity and the presumed risk in revenue recognition were considered to be of most significance to the audit.	The audit procedures to address the risk of material misstatement relating to revenue recognition included: ● Tested controls, assisted by IT specialists. The controls tested included those over input of data on terms and charges agreed, authorization of exposure limits, computation of interest, cut off, and determination of whether transfer of data and general ledger balances was accurately and completely performed and; ● Detailed analysis of revenue and the timing of its recognition based on services rendered. ● Tested the validity, accuracy and completeness of revenue in line with the changes to the business conditions and terms. I found no material errors in the computation and recognition of revenue.
Leases	Recognition, measurement and disclosure for leases. Refer to note 3.11 and 14 of the financial statements. As at December 31, 2019, POSB recognized a right of use asset and lease liability amounting to $14 530 841 and $15 614 688 respectively. POSB operates on leased properties in all its branches countrywide. IFRS 16 requires management evaluation and assessment on a lease by lease basis of each lease contract for accounting purposes. The determination of lease liabilities and right of use assets requires significant management judgement and assumptions in determining the enforceability of lease contracts, discount rate and lease period. As a result, the accounting for leases was considered a key audit matter.	My audit procedures in relation to accounting for leases included the following: ● Reviewed controls over accounting for leases implemented by POSB. Assessed contracts between POSB and third parties to identify if they were or contain leases per IFRS 16 ● Reviewed management schedules for computation of right of use asset (ROUA), lease liabilities and finance costs for the following: - Reasonableness and accuracy of inputs - Completeness of inputs - Accuracy of computations ● Reviewed POSB's policy on initial adoption of IFRS 16 Leases and assess if it is in line with IFRS 16 principles ● Reviewed financial statements for appropriate disclosures as per policy and IFRS 16 requirements Based on the outcome of the procedures performed, there were no material misstatements identified on accounting for leases per IFRS 16.

Other information in the Annual Report

The directors are responsible for the other information. The other information comprises the Chairperson's statement, Chief Executive Officer's report, Directors' report and Corporate Governance report, as required by the Public Finance Management Act [Chapter 22:19] which I obtained prior to the date of this auditor's report.

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

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

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

The Bank's management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs) and in a manner required by the People's Own Savings Bank Act [Chapter 24:22] and the Public Finance Management Act [Chapter 22:19], and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I provide those charged with governance with a statement that I have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these

AUDITOR'S REPORT (cont.)

matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In my opinion, the financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the People's Own Savings Bank Act [Chapter 24:22], the Public Finance Management Act [Chapter 22:19] and relevant Statutory Instruments.

10 June 2020.

M. CHIRI (MRS),
AUDITOR – GENERAL.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

		INFLATION ADJUSTED		HISTORICAL	
	Notes	Dec 19 ZWL	Dec 18 ZWL	Dec 19 ZWL	Dec 18 ZWL
Interest income	5	75,648,069	148,650,129	27,360,778	18,061,552
Interest expense	6	(10,721,755)	(25,912,319)	(3,576,536)	(3,151,920)
Net interest income		**64,926,314**	**122,737,810**	**23,784,242**	**14,909,632**
Decrease/(Increase) in impairment losses on financial assets	10.6	938,453	(3,867,168)	938,453	(564,240)
Net interest income after impairment losses		**65,864,767**	**118,870,642**	**24,722,695**	**14,345,392**
Fees and commission income	7	148,417,407	222,989,636	62,619,454	27,042,620
Dividend income		13,424	602,056	2,679	76,659
Fair value gain on investment properties		38,832,800	635,890	38,832,801	102,375
Other operating income	8	61,253,303	23,121,144	19,114,186	2,938,624
Net operating income		**314,381,701**	**366,219,368**	**145,291,815**	**44,505,670**
Operating expenses	9	(187,359,948)	(224,041,358)	(73,734,273)	(27,616,835)
Operating profit for the year		**127,021,753**	**142,178,010**	**71,557,542**	**16,888,835**
Monetary Loss		(392,426,021)	(32,497,606)	-	-
Net Profit/ (Loss) for the year		**(265,404,268)**	**109,680,404**	**71,557,542**	**16,888,835**
Other comprehensive income					
Items that will not be reclassified to profit or loss		-			
Fair value gain on financial assets at fair value through other comprehensive income	12.1	-	-	258,577	3,623,480
Gain on revaluation of non-current assets		-	-	98,161,049	-
Items that will be reclassified to profit or loss		-	-	-	-
Total comprehensive income/loss for the year		**(265,404,268)**	**109,608,404**	**169,977,168**	**20,512,315**

STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

		INFLATION ADJUSTED		HISTORICAL	
	Notes	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
ASSETS					
Cash and balances with banks		30,832,948	24,035,664	30,832,948	3,869,636
Balances with the Central Bank		154,510,782	326,653,087	154,510,782	52,589,708
Financial assets at amortised cost	10	236,758,608	1,175,023,577	236,758,608	189,173,621
Other assets	11	56,590,189	61,968,839	32,014,874	9,976,710
Financial assets at fair value through other comprehensive income	12.1	5,895,703	39,299,824	5,895,703	6,327,098
Investment properties	12.2	47,524,575	41,569,462	47,524,575	6,692,500
Property, plant and equipment	13	80,445,887	96,802,971	80,445,887	15,584,852
Right- of- Use Assets	14	14,530,841	-	2,782,728	-
Intangible assets	15	51,048,446	25,664,330	51,048,446	4,131,844
TOTAL ASSETS		**678,137,979**	**1,791,017,754**	**641,814,551**	**288,345,969**
LIABILITIES					
Customer deposits	16	334,767,157	1,152,137,380	334,767,157	185,489,042
Other liabilities	17	67,429,057	93,312,131	54,932,856	15,022,843
TOTAL LIABILITIES		**402,196,214**	**1,245,449,511**	**389,700,013**	**200,511,885**
CAPITAL AND RESERVES					
Share capital	18.1	145,033,447	145,033,447	23,349,746	23,349,746
Mark-to-market reserves	18.2	-	-	4,600,349	5,045,828
Revaluation reserve	18.3	-	-	98,567,881	406,832
Functional currency translation reserve	18.4	-	-	16,584,225	18,058,730
Revenue reserves	18.5	130,908,318	400,534,796	109,012,337	40,972,948
TOTAL CAPITAL AND RESERVES		**275,941,765**	**545,568,243**	**252,114,538**	**87,834,084**
TOTAL EQUITY AND LIABILITIES		**678,137,979**	**1,791,017,754**	**641,814,551**	**288,345,969**

Chief Accounting Officer
[G. Changunda – CA (Z)] P.A.A.B. Reg. # 0766
28 May 2020

Chief Executive Officer
[A. Kandlela]
28 May 2020

Acting Board Chairperson
[I.P. Ndlovu]
28 May 2020

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

	INFLATION ADJUSTED					
	Share capital	Mark-to-market reserve	Revaluation reserves	Functional currency translation reserve	Revenue reserves	Total
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Balance at January 01, 2018	**145,033,447**	**-**	**-**	**-**	**334,979,506**	**480,012,953**
Impact of adopting IFRS 9 **(Note 10.6)**					(32,193,260)	(32,193,260)
Profit for the year	-	-	-	-	109,680,404	109,680,404
Other comprehensive income						
Fair value gain of financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Change in functional currency	-	-	-	-	-	-
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Subtotal	**145,033,447**	**-**	**-**	**-**	**412,466,650**	**557,500,097**
Dividend	-	-	-	-	(11,931,854)	(11,931,854)
Increase in capital	-	-	-	-	-	-
Transfer to distributable reserves	-	-	-	-	-	-
Transfer to share capital	-	-	-	-	-	-
Balance at December 31, 2018	**145,033,447**	**-**	**-**	**-**	**400,534,796**	**545,568,243**
Impact of adopting IFRS 9 **(Note 10.6)**	-	-	-	-	-	-
Loss for the year	-	-	-	-	(265,404,269)	(265,404,269)
Other comprehensive income	-	-	-	-	-	-
Fair value gain of financial assets at fair value through other comprehensive income	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Subtotal	**145,033,447**	**-**	**-**	**-**	**135,130,527**	**280,163,974**
Dividend	-	-	-	-	(4,222,209)	(4,222,209)
Balance at December 31, 2019	**145,033,447**	**-**	**-**	**-**	**130,908,318**	**275,941,765**

	HISTORICAL					
	Share capital	Mark-to-market reserve	Revaluation reserves	Functional currency translation reserve	Revenue reserves	Total
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Balance at January 01, 2018	**21,428,770**	**1,422,348**	**406,832**	**-**	**31,188,062**	**54,446,012**
Impact of adopting IFRS 9 **(Note 10.6)**					(5,182,973)	(5,182,973)
Profit for the year	-	-	-	-	16,888,835	16,888,835
Other comprehensive income						
Fair value gain of financial assets at fair value through other comprehensive income	-	3,623,480	-	-	-	3,623,480
Change in functional currency	-	-	-	18,058,730	-	18,058,730
Total other comprehensive income	**-**	**3,623,480**	**-**	**-**	**-**	**3,623,480**
Subtotal	**21,428,770**	**5,045,828**	**406,832**	**18,058,730**	**42,893,924**	**87,834,084**
Dividend	-	-	-	-	(1,920,976)	(1,920,976)
Increase in capital	1,920,976	-	-	-	-	1,920,976
Transfer to distributable reserves	-	-	-	-	-	-
Transfer to share capital	-	-	-	-	-	-
Balance at December 31, 2018	**23,349,746**	**5,045,828**	**406,832**	**18,058,730**	**40,972,948**	**87,834,084**
Impact of adopting IFRS 9 **(Note 10.6)**	-	-	-	-	-	-
Profit for the year	-	-	-	-	71,557,542	71,557,542
Other comprehensive income	-	-	-	-	-	-
Fair value gain of financial assets at fair value through other comprehensive income	-	258,577	-	-	-	258,577
Revaluation gain	-	-	98,161,049	-	-	98,161,049
Adjustment to change in functional currency	-	-	-	(1,474,505)	-	(1,474,505)
Total other comprehensive income	**-**	**258,577**	**98,161,049**	**(1,474,505)**	**71,557,542**	**168,502,663**
Subtotal	**23,349,746**	**5,304,405**	**98,567,881**	**16,584,225**	**112,530,490**	**256,336,747**
Dividend	-	-	-	-	(4,222,209)	(4,222,209)
Increase in capital	-	-	-	-	-	-
Transfer to distributable reserves	-	(704,056)	-	-	704,056	-
Balance at December 31, 2019	**23,349,746**	**4,600,349**	**98,567,881**	**16,584,225**	**109,012,337**	**252,114,538**

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	Notes	INFLATION ADJUSTED Dec 19 ZWL	INFLATION ADJUSTED Dec 18 ZWL	HISTORICAL Dec 19 ZWL	HISTORICAL Dec 18 ZWL
Cash flows from operating activities					
Profit for the year		127,021,753	142,178,010	71,557,542	16,888,835
Net monetary loss		(392,426,021)	(32,497,606)	-	-
Adjustments for non-cash items					
Increase in Impairment loss on financial assets at amortised cost		(938,453)	3,867,168	(938,453)	561,990
Decrease in provision for impairment of other receivables		-	-	-	-
(Profit)/ loss on disposal of property, plant and equipment		(119,395)	39,253	(36,401)	4,508
(Profit)/ loss on disposal of financial assets at fair value through other comprehensive income		396,285	-	120,819	-
Increase in fair value of investment properties	12.2	(38,832,801)	(635,890)	(38,832,801)	(102,375)
Foreign exchange gain		(56,353,150)	(295,573)	(16,611,058)	(20,860)
Depreciation of property, plant and equipment	13	13,487,370	7,427,161	4,112,003	1,195,740
Amortisation of intangible assets	15	2,772,784	3,118,893	845,361	502,128
Operating cash flow before changes in operating assets and liabilities		**(344,991,628)**	**123,201,416**	**20,217,012**	**19,029,966**
Changes in operating assets and liabilities		**245,085,045**	**(174,824,792)**	**131,553,068**	**(7,374,441)**
Decrease/(Increase) in financial assets at amortised cost and other assets		1,088,338,340	(446,699,582)	(54,852,334)	(34,652,417)
Increase/(Decrease) in deposits and other liabilities		(843,253,295)	271,874,790	186,405,402	27,277,976
Net cash flows from operating activities		**(99,906,583)**	**(51,623,376)**	**151,770,080**	**11,655,525**
Cash flows from investing activities		**(61,216,228)**	**(18,238,042)**	**(18,663,485)**	**(2,936,245)**
Proceeds from sale of property, plant and equipment		99,542	70,698	30,348	11,382
Proceeds from sale of financial assets at fair value through other comprehensive income		3,467,019	-	1,057,018	-
Purchase of financial assets at fair value through other comprehensive income		(344,981)	-	(105,177)	-
Purchase of investment properties		(6,557,622)	(5,141,526)	(1,999,275)	(827,763)
Purchase of property, plant and equipment	13	(57,852,634)	(11,896,092)	(17,637,999)	(1,915,219)
Purchase of intangible asset	15	(27,552)	(1,271,122)	(8,400)	(204,645)
Cash flows from financing activities		**(4,222,209)**	**-**	**(4,222,209)**	**-**
Issue of shares		-	(11,931,857)	-	1,920,976
Dividend paid		(4,222,209)	11,931,857	(4,222,209)	(1,920,976)
Net increase/(decrease) in cash and cash equivalents		**(165,345,020)**	**(69,861,418)**	**128,884,386**	**8,719,280**
Cash and cash equivalents at the beginning of the year		**350,688,750**	**420,550,168**	**56,459,344**	**47,740,064**
Cash and cash equivalents at the end of the year		**185,343,730**	**350,688,750**	**185,343,730**	**56,459,344**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. REPORTING ENTITY AND ITS NATURE OF BUSINESS

The People's Own Savings Bank is a corporate body established in terms of section 3 of the People's Own Savings Bank of Zimbabwe Act, [Chapter 24:22] of 1999, to provide savings, banking and financial services in Zimbabwe. The Bank accepts deposits that will accumulate interest for the benefit of the depositors and all deposits are government guaranteed. The Bank is also a member of the Deposit Protection Board. The major risks which the Bank is exposed to include credit risk, interest rate risk, operational risk and compliance risk.

The Bank's head office is at Causeway Building, Corner 3rd Street/Central Avenue, Harare, Zimbabwe.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

The financial statements for the year ended December 31, 2019 have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) interpretations promulgated by International Accounting Standards Board (IASB) which include standards and interpretations approved by the IASB, International Accounting Standards (IAS) as well as Standing Interpretations Committee (SIC) and in the manner required by relevant statutes, except for the non compliance with IAS 21 - The Effects of changes in foreign exchange rates.

The Bank's financial statements for the year ended December 31, 2019 were authorized for issue in accordance with a resolution of the directors on 28 May 2020.

2.2 BASIS OF MEASUREMENT

In accordance with the accounting policies of POSB and in compliance with the disclosure requirements of the POSB Act chapter 24:22, the financial statements are based on the historical cost records which are restated to take account of inflation. In preparing the inflation adjusted accounts, the following considerations have been taken into account:

2.2.1 In October 2019, the Public Accountants and Auditors Board classified Zimbabwe as a hyperinflationary economy in accordance with the provisions of IAS 29 Financial reporting in Hyperinflationary economies ('IAS 29'), applicable to entities operating in Zimbabwe with financial periods ending on or after 1 July 2019. Hyperinflationary accounting has therefore been applied by the Bank for the year ended 31 December 2019.

The Bank concurs with this classification because of the following factors:

- Zimbabwe's inflation accelerated substantially as the local currency continued to devalue against the major currencies.
- There was significant deterioration in the interbank Zimbabwe dollar (ZWL) exchange rate during the year. Trading commenced at an interbank rate of ZWL2.50 to US$1 during February 2019 and weakened to a rate of ZWL16.73 to US$1 at 31 December 2019
- Access to foreign currency to settle foreign currency denominated liabilities remains constrained.

2.2.2 Hyperinflationary accounting requires transactions and balances of each reporting period to be presented in terms of the measuring unit current at the end of the reporting period in order to account for the effect of loss of purchasing power during the period. The Bank has elected to use the Zimbabwe Consumer Price Index (CPI) as the general price index to restate amounts as it provides an official indication of the change in the prices of goods and services.

The carrying amounts of non-monetary assets and liabilities carried at historic cost have been stated to reflect the change in the general price index from the date of acquisition to the end of the reporting period. No adjustment has been made for those non-monetary assets and liabilities measured at fair value. An impairment is recognised in profit or loss if the re-measured amount of a non-monetary asset exceeds the recoverable amount.

All items recognised in the statement of profit or loss and other comprehensive income are restated by applying the change in the monthly general price index when the items of income and expenses were initially earned or incurred.

Gains or losses on the net monetary position have been recognised as part of profit or loss in the statement of profit or loss and other comprehensive income.

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

Comparative amounts in the financial results are expressed in terms of the general price index at the end of the reporting period.

2.2.3 The following general price indices and conversion factors have been used:

DATE	GENERAL PRICE INDEX	CONVERSION FACTOR
31 December 2019	551.63	1.00
31 December 2018	88.81	6.21
Average for 12 months to:		
31 December 2019	240.27	
31 December 2018	74.57	

Source: RBZ website

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Zimbabwean dollars (ZWL) being the currency of the primary economic environment in which the Bank operates. Assets and liabilities denominated in other currencies are translated at the rate ruling at the Statement of financial position date. Transactions in other currencies are recorded at the exchange rate ruling at the date of the transaction. All exchange gains and/ or losses are taken to the Statement of profit or loss and other comprehensive income.

In February 2019, The Government of Zimbabwe issued Statutory instrument 33 of 2019, which directed that all assets and liabilities that were in United States dollars immediately before 20 February 2019 are deemed to have been in ZWL at a rate of 1:1 to the US$. The government went on to issue Statutory Instrument 142 of 2009 which removed the multi-currency regime and re-introduced the Zimbabwe dollar. The Bank has reported the Statement of Profit or Loss and Other Comprehensive income on the basis of the 1:1 in compliance with S.I. 33 and in recognition of the multi exchange rates that were imputed in commercial transactions.

2.3.1 ASSESSMENT OF THE BANK'S FUNCTIONAL AND PRESENTATION CURRENCY

Directors made an assessment of whether the use of the United States Dollar as the Bank's functional and presentation currency was still appropriate. In this regard, the following aspects were considered as articulated in IAS 21;

- The currency of country whose economy determines sale prices of goods and services;
- The currency that influences the price for Bank's products;
- The currency that influences labour, material, and other costs of running the Bank;
- The currency in which operating receipts are retained;
- The currency in which funds for financing activities of the Bank are generated.

It was the considered view of the directors that the United States dollar was no longer the Bank's functional and presentation currency for the following reasons;

- In February 2018, The Reserve Bank of Zimbabwe instructed banks to ring fence foreign currency deposits by foreign currency earners, signifying the existence of another currency which was not at par with the United States dollar;
- In October 2018, The Reserve Bank of Zimbabwe instructed banks to separate and create distinct bank accounts for depositors namely RTGS FCA and Nostro FCA accounts. Although the regulator continued to maintain the exchange rate at 1:1 between the bond/ RTGS balances and the United States Dollar, this showed the existence of different exchange rates.
- The requirement by the Zimbabwe Revenue Authority through Statutory Instrument 252A of 23 November 2018 stipulating that business should remit taxes in the specific currencies in which they collected them without any conversion to RTGS or bond notes.
- Serious foreign currency shortages which resulted in some entities leaving obligations unsettled for long periods of time, despite having adequate RTGS balances on their balance sheets.
- Increasing inflation which had no link with the perceived value of the United States dollar balances in the economy.

Notwithstanding that the regulator was more supportive of an foreign exchange rate of 1;1 between the United States dollar and the RTGS/ Bond note, the directors of the Bank believed that there was significant divergence in the perceived values of the currencies in question. The fact that the interbank foreign market established by the Reserve Bank of Zimbabwe in February 2019 opened at the exchange rate of US$1:ZWL2.5 was an indicator of the difference in value between RTGS balances and United States dollars during 2018.

Management determined that the 1st of October 2018 was the date when the functional currency changed from US$ to ZWL which is consistent with the Public Accountants and Auditors' Board (PAAB) guidance. In order to comply with local laws and regulations, the exchange rate used on the date of change in functional currency was ZWL1: USD1 as the RBZ continued to maintain this rate as at 1 October 2018.

2.3.2 IMPACT OF CHANGE IN FUNCTIONAL CURRENCY

The impact of change in functional currency was as follows:

	Total assets	Total liabilities	Total equity
As previously stated as at 31 December 2018	269,297,131	199,521,777	69,775,354
Change in functional currency	19,048,838	990,108	18,058,730
Restated balance as at 31 December 2018	**288,345,969**	**200,511,885**	**87,834,084**

Restatement of prior year Statement of financial position was necessitated by monetary policy changes brought about by SI 33 of 22 February 2019 which introduced a new RTGS dollar as a legal tender in Zimbabwe and the establishment of an interbank foreign market by the Reserve Bank of Zimbabwe in the same month which opened at an exchange rate of ZWL2.50: US$1. Furthermore the Reserve Bank of Zimbabwe issued SI 142 of 24 June 2019 which introduced the Zimbabwe dollar as the sole legal tender in the country.

In order to comply with IAS 21 and achieve fair presentation of the financial affairs of the Bank, the Statement of Financial Position as at 31 December 2018 was restated. All foreign currency denominated balances as at 31 December 2018 were restated at the exchange rate of US$1:ZWL2.50 for reasons disclosed in note 2.3.1 above. Except for the effects of the above, the Statement of profit or loss and other comprehensive income was not restated as foreign denominated transactions were not material.

Transactions between 1 January 2019 to 21 February 2019, before the interbank market was introduced were translated using a rate of US$1: ZWL1 in compliance with statutory instrument (SI) 33 of 2019.

2.4 USE OF SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset and liability affected in future periods.

In the process of applying the Bank's accounting policies, management has made the following judgements, estimates and assumptions which have the most significant effect on the amounts recognized in the financial statements:

2.4.1 FAIR VALUE MEASUREMENT PRINCIPLES

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market or most advantageous market at the statement of financial position date before deduction of transaction costs.

If a market price is not available, the fair value of a financial instrument is estimated using the discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is market related at the statement of financial position date for an instrument with similar terms and conditions.

Financial assets at fair value through other comprehensive income are carried at fair value based on their market price at the statement of financial position date. The fair value adjustment is adjusted for through the statement of profit or loss and other comprehensive income.

2.4.2 USEFUL LIVES AND RESIDUAL VALUES OF PROPERTY, PLANT AND EQUIPMENT

The Bank assesses useful lives and residual values of property, plant and equipment each year taking into account past experience and technology changes. The estimated economic lives of assets are set out in note 3.7.2 and no changes to these useful lives have been considered necessary during the year.

2.4.3 MEASUREMENT OF THE EXPECTED CREDIT LOSS ALLOWANCE

The measurement of the expected credit loss allowance for financial instruments measured at amortised cost is an area that requires the use of complex models and significant assumptions about the future economic conditions and credit behaviour. Explanations of the inputs, assumptions and estimation techniques used in measuring ECL is further explained in the credit risk note 22.5.1.

A number of significant judgements are also required in applying the accounting requirements for measuring the expected credit loss, as such:

i. Establishing groups of similar financial assets for the purpose of measuring expected credit losses

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances and investment securities measured at amortised cost with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individually impaired items cannot yet be identified.

ii. Determining the criteria for the determination of significant increase in credit risk (SICR)

Different approaches can be used for different financial instruments when assessing significant increase in credit risk. An approach that does not include probability of default as an explicit input can be consistent with the impairment requirements as long as the Bank is able to separate the changes in the risk of a default occurring from changes in other drivers of expected credit losses and considers the following when making the assessment:

- The change in the risk of a default occurring since initial recognition

The Bank is required at each reporting date, to assess significant increases in credit risk based on the change in the risk of a default occurring over the expected life of the financial instrument rather than the change in the amount of ECLs.

In order to make the assessment of whether there has been significant credit deterioration, the Bank considers reasonable and supportable information that is available without undue cost or effort and compare

- The risk of a default occurring on the financial instruments as at the reporting date; and
- The risk of a default occurring on the financial instrument as at the date of initial recognition.

For loan commitments, the Bank considers changes in the risk of a default occurring on the "potential" loan to which a loan commitment relates.

- The expected life of the financial instrument
- Reasonable and supportable information that is available without undue cost or effort that may affect credit risk.

In addition, because of the relationship between the expected life and the risk of default occurring, the change in credit risk cannot be assessed simply by comparing the change in the absolute risk of default over time, because the risk of default usually decreases as time passes if the credit risk is unchanged.

IFRS 9 prescribes a "more than 30 days past due rebuttable presumption" which states that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. This is the most suitable approach in the determination of 'SICR" for the Bank.

A decision tree based approach is adopted by the Bank in determining whether or not there has been a significant increase in credit risk at the reporting date relative to the origination date as follows;

- Check if the credit facility is not credit impaired at reporting date;
- Check if credit facility has a low credit risk at reporting date;
- Apply the 30 days past due rebuttable presumption to measure "SICR".

iii. Choosing models and assumptions used for the measurement of expected credit losses

iv. Establishing the number and weightings of forward-looking information for each type product and associated expected credit loss

Management considers factors such as credit quality, portfolio size, concentrations and economic factors to assess the need for collective loss allowances. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modeled and to determine the required input parameters, based on historical experience, current economic conditions, macroeconomic factors and forward looking information. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

2.5 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations adopted in 2019:

2.5.1 IFRS 16 LEASES

The IASB issued the new standard for accounting for leases – IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their Statement of Financial position as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short term' leases and leases of 'low value' assets (e.g. personal computers)

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right of use asset. Lessee will also be required to re-measure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and the Bank adopted the standard as issued.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are consistent with those applied in the financial statements for the year ended December 31, 2018 except as detailed in Note 2.5

3.1 GOING CONCERN

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.2 INVENTORY

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

3.3 TAXATION

The Bank is exempt from income tax in terms of the Third Schedule 1(e) of the Income Tax Act, Chapter 23:06.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

3.4 INTEREST INCOME AND INTEREST EXPENSE

3.4.1 EFFECTIVE INTEREST RATE

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

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

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

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

3.4.2 AMORTISED COST AND GROSS CARRYING AMOUNT

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance or impairment allowance before 01 January 2018

3.4.3 CALCULATION OF INTEREST INCOME AND EXPENSE

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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

3.5 FEES AND COMMISSION INCOME AND EXPENSE

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

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

Loan commitment fees for loans that are likely to be drawn down and other credit related fees, for example loan establishment fees, are deferred and recognized over the duration of the loan. When it is unlikely that the loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight line basis. Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

3.6 DIVIDENDS

Dividend income is recognized when the Bank's right to receive income is established. Usually this is the ex-dividend date for equity securities. The Bank also recognises a liability to make cash or non-cash dividend distributions to equity holders when the distribution is authorized and approved by the shareholders. A corresponding amount is recognized directly in equity.

3.7 FINANCIAL INSTRUMENTS: FINANCIAL ASSETS AND LIABILITIES

3.7.1 DATE OF RECOGNITION

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e. the date that the bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customer's accounts. The bank recognises balances due to customers, when funds are transferred to the bank.

3.7.2 INITIAL MEASUREMENT OF FINANCIAL INSTRUMENTS

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments as described in notes 3.6.4.1. Financial instruments are initially measured at their fair value (as defined in note 3.6.3), except in the case of financial assets and financial liabilities recorded at fair value through profit and loss, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

the fair value of financial instruments at initial recognition differs from the transaction price the bank accounts for the day one profit or loss as described below.

When the transaction price of the financial instrument differs from fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable or when the instrument is de-recognised.

3.7.3 CLASSIFICATION

The Bank has classified its financial assets in the following categories:

- Cash and cash equivalents,
- Financial assets measured at amortised cost and,
- Financial assets at fair value through other comprehensive income.

3.7.3.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and balances with banks, unrestricted balances held with the Central Bank, unrestricted balances held with other banks and any highly liquid financial asset used by the Bank in the management of its short term commitments.

3.7.3.2 FINANCIAL ASSETS AT AMORTISED COST

Financial assets at amortised cost include, loans and advances as well as money market assets.

Loans and advances

Loans and advances include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank upon initial recognition designates as at fair value through profit or loss;
- Those that the Bank, upon initial recognition, designates as at fair value through other comprehensive income and;
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, loans and advances are subsequently measured at amortised cost using the effective interest rate less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of effective interest rate. The amortization is included in 'Interest income'.

The Bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the statement of comprehensive income.

Treasury bills and other money market assets

Treasury bills and other money market assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, money market assets are subsequently measured at amortised cost using effective interest rate, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The losses arising from impairment of such investments are recognized in the statement of profit or loss and other comprehensive income.

3.7.3.3 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity investments classified as financial assets at fair value through other comprehensive income are those which are neither classified as held for trading nor designated at fair value through profit or loss.

At initial recognition, the Bank made an irrevocable election to present changes in fair value in "Other Comprehensive Income" rather than "Profit or loss." All fair value changes, excluding dividends that are a return on investment were included in "Other comprehensive income". There is no recycling of amount from "Other comprehensive income" to "Profit or loss" (e.g. on sale of an equity investment) nor are there any impairment requirements. However the entity might transfer the cumulative gain/loss within equity.

3.7.4 MEASUREMENT

From 1 January 2018, the Bank classified all its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either

- Amortized cost,
- FVOCI, and
- FVPL

From 1 January 2018 the Bank only measures loans and advances to customers, amounts due from banks, treasury bills, and other money market investments at amortized cost if both of the following conditions are met;

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below;

3.7.4.1 BUSINESS MODEL ASSESSMENT

The bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives.

The banks business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and in particular, the way those risks are managed.
- How managers of the business are compensated e.g., whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected.
- The expected frequency, value and timing of sales are also important aspects of the bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking worst case or stress case scenarios into account. If cash flows after initial recognition are realised in a way that is different from the banks 'original expectations ,the bank does not change the classification of the remaining financial assets held in that business mode, but incorporates such information in assessing newly originated or newly purchased financial assets going forward.

3.7.4.2 THE SPPI TEST

As a second step of its classification process the bank assesses the contractual terms of financial instruments to identify whether they meet the SPPI test. Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

3.7.4.3 RECLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

From I January 2018, the bank does not reclassify its financial assets subsequent to their initial recognition apart from the exceptional circumstances in which the bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The bank did not reclassify any of its financial assets or liabilities in 2019.

3.7.4.4 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES DUE TO SUBSTANTIAL MODIFICATION OF TERMS AND CONDITIONS

The bank derecognizes a financial asset, such as a loan to a customer when the terms and conditions have been renegotiated to the extent that, substantially it becomes a new loan, with the difference recognised as a de-recognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as stage 1 for ECL measurement purposes unless the new loan is deemed Purchased or Originated Credit Impaired. When assessing whether or not to de-recognise a loan to a customer amongst others, the Bank considers the following factors;

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterpart

If the modification does not result in cash flows that are substantially different, the modification does not result in de-recognition. Based on the change in cash flows discounted at the original EIR the bank records a modification gain/loss to the extent that an impairment loss has not already been recorded.

3.7.4.5 DERECOGNITION OTHER THAN FOR SUBSTANTIAL MODIFICATION

Financial assets

A financial asset is derecognised when the rights to receive cash flows from the financial assets have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition. The bank will have transferred the financial assets if and only if either the Bank has transferred its contractual rights to receive cash flows from the financial assets, or it retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement. Pass through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial assets (the original assets) but assumes a contractual obligation to pay those cash flows to one or more entities.

Financial Liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

3.7.5 MEASURING AND DETERMINING FAIR VALUES

IFRS 13 defines fair value as "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 definition provides more clarity on the following:

- Fair value is an exit price rather than a transaction price (entry price). However, there is a presumption that the transaction price equal fair value unless there are exceptions like the transaction is distressed, forced sale or transactions are between related parties.
- Fair value is determined at measurement date and it is therefore a current price based on prevailing market conditions at that date.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1:** Quoted market prices (unadjusted) in an active market for an identical instrument.
- **Level 2:** Valuation techniques based on observable inputs, either directly or indirectly. This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3**: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobserved inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For other financial instruments, the Bank determines fair values using valuation techniques depending on availability of market information.

3.7.6 IMPAIRMENT OF FINANCIAL ASSETS

The Bank applies a three stage approach to measuring expected credit losses (ECLs) for the following categories of financial assets that are not measured at fair value through profit or loss:

- Debt instruments measured at amortised cost; and
- Loan commitments;
- Financial guarantee contracts; and
- Treasury investments held at amortised cost

No ECL is recognised on equity investments.

Financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL – Not credit impaired
For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial assets) is recognised.

Stage 3: Lifetime ECL – Credit impaired
Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Determining the stage for impairment
At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of recognition. The Bank considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward looking analysis. Refer to Note 22 – Risk Management policies and procedures.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Bank's investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for doubtful debts for these financial assets is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the Statement of Profit or loss.

The Bank assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristic, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other factors.

Measurement of ECLs
ECLs are derived from unbiased and probability-weighted estimates of expected loss and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows /due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive.
- Financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the Credit- adjusted effective interest rate.
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.
- Financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.
- For further details on how the Bank calculates ECLs, including the use of forward looking information, refer to note 22.5.1. For details on the effect of modifications of loans on the measurement of ECL refer to 22.5.1.
- ECLs are recognised using a provision for doubtful debts account in profit or loss. The Bank recognises the provision charge in the Statement of profit and loss, with the corresponding amount recognised in the Statement of financial position, with a reduction in the carrying amount of the asset in the Statement of financial position.

Impairment charges on loans and advances
Judgement is required by management in the estimation of the amount and timing of future cash flows when determining an impairment loss for loans and advances. In estimating these cash flows, the Bank makes judgements about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future change to the impairment allowances.

A collective assessment of impairment takes into account data from the loan portfolio (such as credit quality, levels of arrears, credit utilization, loan to collateral ratios etc.), and concentrations of risk and economic data (including levels of unemployment, real estate price indices, country risk and the performance of different individual groups). The impairment loss on loans and advances is disclosed in more detail in Note 10.6 – Provision for impairment allowances on loans and advances.

3.7.7 OFF-SETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.7.8 WRITE-OFFS

Financial assets are written off either partially or in their entirety only when the bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the credit loss expense.

3.8 PROPERTY, PLANT AND EQUIPMENT

3.8.1 RECOGNITION AND MEASUREMENT

An item of property, plant and equipment is initially recorded at cost and this includes all costs necessary to bring the asset to working condition for its intended use. This includes not only its original purchase price, but also cost of site preparation, delivery and handling, installation, related professional fees for architects and engineers and the estimated cost of dismantling and removing the asset and restoring the site.

Subsequent to initial recognition, IAS 16 provides entities with the option of accounting for its property, plant and equipment using the cost model or the revaluation model. Using the cost model, the asset is carried at cost less accumulated depreciation and impairment whereas using the revaluation model, the asset is carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment, provided that fair value can be measured reliably.

When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the accumulated depreciation of the asset is eliminated against its gross carrying amount. The revaluation model is a fair value based model within the scope of IFRS 13. IAS 16, paragraph 34 still allows an entity to continue with the policy of determining revalued amounts at regular intervals even after adoption of IFRS 13.

The Bank is only required to apply IFRS 13 if the fair value of a revalued asset differs materially from its carrying amount. Frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. As such, the Bank's items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land and buildings is measured at its revalued amounts regularly.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognized in the statement of profit or loss and other comprehensive income.

3.8.2 DEPRECIATION

Depreciation is recognized in the statement of profit or loss and other comprehensive income on a straight line basis over the estimated useful lives of each part of item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives are as follows:

Motor Vehicles	5 years
Computer Equipment	3 years
Furniture, Fittings and Fixtures	10 years
Office Equipment	4 years
Buildings	40 years

Land is not depreciated. Depreciation methods, useful lives and residual values are re-assessed at each reporting date and adjusted if appropriate.

3.8.3 RECLASSIFICATION TO INVESTMENT PROPERTY

When the use of property changes from owner-occupied to investment property, the property is re-measured to fair value and re-classified as investment property. Any gain arising on re-measurement is recognized in the statement of profit or loss and other comprehensive income to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income and presented in revaluation reserve in equity. Any loss is recognized immediately in the statement of profit or loss and other comprehensive income.

3.8.4 DERECOGNITION

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in the Statement of Comprehensive income in the year the asset is derecognised.

3.8.5 SUBSEQUENT COSTS

The cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day to day servicing of property, plant and equipment are recognized in the statement of profit or loss and other comprehensive income.

3.9 INVESTMENT PROPERTIES

Investment properties are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains and losses arising from changes in the fair values of investment properties are included in the statement of profit or loss and other comprehensive income in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International valuation standards committee.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of profit or loss and other comprehensive income in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Bank accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.10 INTANGIBLE ASSETS - COMPUTER SOFTWARE

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. Software acquired separately is measured on initial recognition at cost. Following initial recognition, it is carried at cost less any accumulated amortization and accumulated impairment losses.

The nature of intangible assets is such that, in many cases, there are no additions to such an asset or replacement of part of it. Accordingly, most subsequent expenditures are likely to maintain the expected future economic benefits embodied in an existing intangible asset rather than meet the definition of an intangible asset and the recognition criteria in IAS 38. However in the case where a subsequent expenditure can be attributed directly to a particular intangible asset i.e. upgrade or enhancement of the core banking system, such expenditure is recognised in the carrying amount of the intangible asset.

The useful lives of intangible assets are assessed as either finite or infinite. The Bank only has intangible assets with finite useful lives. These assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income.

Amortisation is recognized in the statement of profit or loss and other comprehensive income on a straight line basis over the useful life of the software, from the date it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Amortisation methods, useful lives and residual lives are reviewed at each financial year-end and adjusted if appropriate. The estimated economic useful life applied is as follows:

Ethix core banking system	10 years
Risk and Treasury systems	10 years
Other software	3 years

3.11 LEASE ACCOUNTING

With effect from 1 January 2019, IFRS 16 replaced IAS 17 and the core principle of IFRS 16 is that the lessee and lessor are required to recognise all rights and obligations arising from leasing arrangements on the statement of financial position. IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases and introduces a single lessee accounting model where a right of use asset together with a lease liability for future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 did not introduce significant changes for lessors, thus the account policies applicable to the Bank as a lessor are still the same as those under IAS 17.

The Bank adopted IFRS 16 on 1 January 2019 as permitted by IFRS 16 and did not restate the comparative financial statements, thus the Bank's financial statements up to 31 December 2018 are presented in accordance with the requirements of IAS 17. On adoption of IFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as "operating leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. Right of use assets were measured at the amount equal to the lease liability, adjusted by any prepaid or accrued lease payments relating to that lease.

3.12 PROVISIONS

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. The expenses relating to any provision is presented in the statement of profit or loss and other comprehensive income.

3.13 EMPLOYEE BENEFITS

3.13.1 DEFINED BENEFIT PLANS

The Bank contributes to a defined benefit plan which is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for the service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted.

When sufficient information is not available to use defined benefit accounting for a multi-employer defined benefit plan, an entity accounts for the plan as if it were a defined contribution plan and discloses the following additional information:

- The fact that the plan is a defined benefit plan;
- The reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan;
- The expected contributions to the plan for the next annual reporting period;
- Information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any and
- An indication of the level of participation of the entity in the plan compared with other participating entities. Examples of measures that might provide such an indication include the entity's proportion of the total contributions to the plan or the entity's proportion of the total number of active members, retired members and former members entitled to benefits, if that information is available.

The Bank has accounted for the plan as if it were a defined contribution plan because of non-availability of sufficient information to use for defined benefit accounting.

3.13.2 TERMINATION BENEFITS

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

3.13.3 SHORT TERM EMPLOYEE BENEFITS

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the 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.

3.14 SHARE CAPITAL AND RESERVES

3.14.1 SHARE CAPITAL

The Bank's authorized share capital is determined by the board which can increase or decrease the number of shares authorized with the approval of the Minister of Finance and Economic Development. Where the board has fixed or increased the authorized share capital, it is published in the Government gazette with the approval of the Minister.

3.14.2 OTHER EQUITY RESERVES

Other equity reserves of the Bank comprise changes in fair value of financial assets at fair value through other comprehensive income and revaluation of non-current assets.

4. SEGMENT REPORTING

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

4.1 SEGMENT INFORMATION

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

Retail Banking
Individual customers' deposits, consumer loans, overdrafts, debit card facilities and funds transfer facilities.

Corporate Banking
Loans, other credit facilities, deposits and current accounts for corporate and institutional customers.

Treasury
Treasury Banking services including money market and equities market investments. Products include certificates of deposits and call accounts for individuals and corporate clients.

Head office function
This is predominantly a central service function to the entire Bank and has departments such as finance and administration, risk management, internal audit, human resources, information technology and other central functions. All executive management are based at head office.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements.

4.2 SEGMENT STATISTICS

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2019 or 2018. The following table presents income and profit and certain asset and liability information regarding the Bank`s operating segments.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

4.2 SEGMENT REPORTING (cont.)

The following table presents income and profit and certain asset and liability information regarding the Bank`s operating segments.

INFLATION ADJUSTED					
Income	**HEAD OFFICE 2019 ZWL**	**TREASURY 2019 ZWL**	**CORPORATE BANKING 2019 ZWL**	**RETAIL BANKING 2019 ZWL**	**TOTAL 2019 ZWL**
Third party	103,166,902	13,996,757	1,129,464	195,150,125	313,443,248
Inter-segment	-	-	(35,394)	35,394	-
Provision for impairment loss	522,696	(141,193)	(57,695)	614,645	938,453
Net operating income	**103,689,598**	**13,855,564**	**1,036,375**	**195,800,164**	**314,381,701**
Results					
Interest income	802,604	11,945,023	1,051,214	61,849,228	75,648,069
Interest expense	-	(7,074,844)	(705,868)	(2,941,043)	(10,721,755)
Net interest income	**802,604**	**4,870,179**	**346,346**	**58,908,185**	**64,926,314**
Provision for impairment loss	522,696	(141,193)	(57,695)	614,645	938,453
Fees and commission	100,121,065	8,634,113	509,135	139,252,621	248,516,934
Total income	**101,446,365**	**13,363,099**	**796,786**	**198,775,451**	**314,381,701**
Expenses					
Staff costs	39,996,565	1,173,588	293,397	23,504,725	64,968,275
Depreciation of property, plant and equipment	11,380,567	8,811	9,238	2,088,754	13,487,370
Amortisation of intangible assets	2,190,666	55,594	-	526,524	2,772,784
Other operating costs	87,924,238	1,236,001	85,292	16,885,988	106,131,519
Total operating costs	**141,492,036**	**2,473,994**	**387,927**	**43,005,991**	**187,359,948**
Operating profit/(loss)	**(40,045,671)**	**10,889,105**	**408,859**	**155,769,460**	**127,021,753**
Monetary loss	(286,746,781)	(5,631,119)	(884,981)	(99,163,140)	(392,426,021)
Profit/(loss) before inter-segment cost	(326,792,452)	5,257,986	(476,122)	56,606,320	(265,404,268)
Inter-segment cost	102,336,643	(1,216,387)	(432,006)	(100,688,249)	-
Profit/(loss) after inter-segment cost	**(224,455,809)**	**4,041,599**	**(908,129)**	**(44,081,929)**	**(265,404,268)**
Assets					
Additions to property, plant and equipment	47,086,714	87,664	-	10,678,256	57,852,634
Additions to intangible assets	27,552	-	-	-	27,552
Total assets	**250,125,604**	**271,652,963**	**1,393,586**	**154,965,826**	**678,137,979**
Total liabilities	**69,953,501**	**51,169,883**	**59,501,111**	**221,571,719**	**402,196,214**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

4.2 SEGMENT REPORTING (cont.)

	INFLATION ADJUSTED				
	HEAD OFFICE	TREASURY	CORPORATE BANKING	RETAIL BANKING	TOTAL
Income	2018 ZWL	2018 ZWL	2018 ZWL	2018 ZWL	2018 ZWL
Third party	9,186,448	39,935,670	1,725,910	319,238,508	370,086,536
Inter-segment	-	-	1,780,578	(1,780,578)	-
	9,186,448	**39,935,670**	**3,506,488**	**317,457,930**	**370,086,536**
Provision for impairment loss	(2,532,524)	295,120	286,864	(1,916,628)	(3,867,168)
Net operating income	**6,653,924**	**40,230,790**	**3,793,352**	**315,541,302**	**366,219,368**
Results					
Interest income	2,334,559	28,608,481	1,784,474	115,922,615	148,650,129
Interest expense	-	(16,539,798)	(1,293,582)	(8,078,939)	(25,912,319)
Net interest income	**2,334,559**	**12,068,683**	**490,892**	**107,843,676**	**122,737,810**
Provision for impairment loss	(2,532,524)	295,120	286,864	(1,916,628)	(3,867,168)
Fees and commission	6,848,667	27,877,958	1,236,020	211,386,081	247,348,726
Total income	**6,650,702**	**40,241,761**	**2,013,776**	**317,313,129**	**366,219,368**
Expenses					
Staff costs	42,157,888	3,285,660	1,095,220	46,471,034	93,009,802
Depreciation of property, plant and equipment	3,017,588	37,170	41,231	4,331,172	7,427,161
Amortisation of intangible assets	1,259,206	223,250	-	1,636,437	3,118,893
Other operating costs	74,341,174	2,492,361	283,154	43,368,814	120,485,502
Total operating costs	**120,775,856**	**6,038,440**	**1,419,605**	**95,807,457**	**224,041,358**
Operating profit/(loss)	**(114,125,154)**	**34,203,321**	**594,171**	**221,505,672**	**142,178,010**
Monetary loss	(19,146,107)	(779,509)	(181,998)	(12,389,992)	(32,497,606)
Profit/(loss) before inter-segment cost	**(133,271,261)**	**33,423,812**	**412,173**	**209,115,680**	**109,680,404**
Inter-segment cost	-	-	-	-	-
Profit/(loss) after inter-segment cost	**(133,271,261)**	**33,423,812**	**412,173**	**209,115,680**	**109,680,404**
Assets					
Additions to property, plant and equipment	6,715,714	87,664	-	5,180,378	11,896,092
Additions to intangible assets	181,380	-	-	1,089,742	1,271,122
Total assets	**254,891,470**	**798,526,498**	**667,779**	**736,932,007**	**1,791,017,756**
Total liabilities	**83,974,600**	**318,111,858**	**113,669,468**	**729,693,585**	**1,245,449,511**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

4.2 SEGMENT REPORTING (cont.)

	HISTORICAL				
	HEAD OFFICE 2019 ZWL	TREASURY 2019 ZWL	CORPORATE BANKING 2019 ZWL	RETAIL BANKING 2019 ZWL	TOTAL 2019 ZWL
Income					
Third party	48,899,404	6,144,176	391,460	88,918,322	144,353,362
Inter-segment	-	-	380,067	(380,067)	-
	48,899,404	**6,144,176**	**771,527**	**88,538,255**	**144,353,362**
Provision for impairment loss	(936,600)	252,999	103,381	1,518,673	938,453
Net operating income	**47,962,804**	**6,397,175**	**874,908**	**90,056,928**	**145,291,815**
Results					
Interest income	290,290	4,320,336	380,209	22,369,943	27,360,778
Interest expense	-	(2,360,009)	(235,462)	(981,065)	(3,576,536)
Net interest income	**290,290**	**1,960,327**	**144,747**	**21,388,878**	**23,784,242**
Provision for impairment loss	(936,600)	252,999	103,381	1,518,673	938,453
Fees and commission	48,609,114	4,183,848	246,713	67,529,445	120,569,120
Total income	**47,962,804**	**6,397,174**	**494,841**	**90,436,996**	**145,291,815**
Expenses					
Staff costs	16,180,273	474,765	118,691	9,508,638	26,282,367
Depreciation of property, plant and equipment	2,005,200	8,811	9,238	2,088,754	4,112,003
Amortisation of intangible assets	263,243	55,594	-	526,524	845,361
Other operating costs	38,174,576	542,769	41,223	3,735,974	42,494,542
Total operating costs	**56,623,292**	**1,081,939**	**169,152**	**15,859,890**	**73,734,273**
Profit/(loss) before intersegment cost	**(8,660,488)**	**5,315,235**	**325,689**	**74,577,106**	**71,557,542**
Inter-segment cost	43,215,272	(513,662)	(182,430)	(42,519,180)	-
Profit after inter-segment cost	**34,554,784**	**4,801,573**	**143,259**	**32,057,926**	**71,557,542**
Assets					
Additions to property, plant and equipment	6,872,079	87,664	-	10,678,256	17,637,999
Additions to intangible assets	8,400	-	-	-	8,400
Total assets	**229,652,727**	**261,592,859**	**1,341,977**	**149,226,988**	**641,814,551**
Total liabilities	**54,457,300**	**54,169,883**	**59,501,111**	**221,571,719**	**389,700,013**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

4.2 SEGMENT REPORTING (cont.)

	HISTORICAL				
	HEAD OFFICE	TREASURY	CORPORATE BANKING	RETAIL BANKING	TOTAL
	2018 ZWL	2018 ZWL	2018 ZWL	2018 ZWL	2018 ZWL
Income					
Third party	1,118,745	4,863,449	210,185	38,877,531	45,069,910
Inter-segment	-	-	216,843	(216,843)	-
	1,118,745	**4,863,449**	**427,028**	**38,660,688**	**45,069,910**
Provision for impairment loss	(369,509)	43,060	41,855	(279,646)	(564,240)
Net operating income	**749,236**	**4,906,509**	**468,883**	**38,381,042**	**44,505,670**
Results					
Interest income	283,658	3,476,039	216,820	14,085,035	18,061,552
Interest expense	-	(2,011,867)	(157,348)	(982,705)	(3,151,920)
Net interest income	**283,658**	**1,464,172**	**59,472**	**13,102,330**	**14,909,632**
Provision for impairment loss	(369,509)	43,060	41,855	(279,646)	(564,240)
Fees and commission	835,087	3,399,277	150,713	25,775,201	30,160,278
Total income	**749,236**	**4,906,509**	**252,040**	**38,597,885**	**44,505,670**
Expenses					
Staff costs	5,105,116	397,877	132,626	5,627,417	11,263,036
Depreciation of property, plant and equipment	485,818	5,984	6,638	697,300	1,195,740
Amortisation of intangible assets	202,727	35,942	-	263,459	502,128
Other operating costs	9,123,614	301,643	33,848	5,196,826	14,655,931
Total operating costs	**14,917,275**	**741,446**	**173,112**	**11,785,002**	**27,616,835**
Profit/(loss) before intersegment cost	**(14,168,039)**	**4,165,063**	**78,928**	**26,812,883**	**16,888,835**
Inter-segment cost	**14,919,526**	**(194,475)**	**(66,374)**	**(14,658,677)**	**-**
Profit after inter-segment cost	**751,487**	**3,970,588**	**12,554**	**12,154,206**	**16,888,835**
Assets					
Additions to property, plant and equipment	1,081,200	-	-	834,019	1,915,219
Additions to intangible assets	29,201	-	-	175,444	204,645
Total assets	**38,325,439**	**120,066,311**	**100,408**	**129,853,811**	**288,345,969**
Total liabilities	**13,452,782**	**50,961,715**	**18,209,919**	**117,887,469**	**200,511,885**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

5. INTEREST INCOME

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Money market assets	12,775,578	28,723,364	4,320,336	3,476,033
Corporate loans	1,943,595	1,665,657	380,441	214,704
Individual loans	51,300,471	96,055,841	19,146,669	11,698,472
Mortgage loans	1,389,292	2,286,352	532,599	279,806
SME loans	93,645	285,980	31,242	34,395
Microfinance loans	6,166,821	13,977,357	2,358,869	1,678,247
Other Interest	1,978,667	5,655,578	590,622	679,895
	75,648,069	**148,650,129**	**27,360,778**	**18,061,552**

6. INTEREST EXPENSE

Individual accounts	2,961,487	7,513,740	953,950	912,629
Corporate accounts	553,607	1,254,536	219,872	152,332
Term deposits	7,169,667	17,103,837	2,387,124	2,081,943
SME deposits	36,994	40,206	15,590	5,016
	10,721,755	**25,912,319**	**3,576,536**	**3,151,920**

7. FEES AND COMMISSION INCOME

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Retail banking fees and commission	135,582,705	198,067,306	57,919,440	24,011,726
Credit related fees	10,257,092	23,349,149	3,257,092	2,843,840
Money Transfer Agency commission	2,577,610	1,573,181	1,442,922	187,054
	148,417,407	**222,989,636**	**62,619,454**	**27,042,620**

8. OTHER OPERATING INCOME

Foreign exchange gain	56,353,150	295,574	16,611,058	20,860
Profit/ (Loss) on disposal of property, plant and equipment	119,395	(39,253)	36,401	(4,508)
Profit/ (Loss) on disposal of financial assets at fair value through other comprehensive income	(396,285)	-	(120,819)	-
Discount income on treasury bills	4,505,228	22,169,259	2,343,534	2,834,951
Miscellaneous income	671,815	695,564	244,012	87,321
	61,253,303	**23,121,144**	**19,114,186**	**2,938,624**

9. OPERATING EXPENSES

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Staff costs	64,968,275	93,009,802	26,282,367	11,263,036
Agency fees	4,433,816	11,160,881	1,730,318	1,359,043
Administration expenses	98,466,512	109,058,673	39,533,756	13,250,077
Audit fees	864,531	265,948	428,763	46,811
Depreciation of property, plant and equipment	13,487,370	7,427,161	4,112,003	1,195,740
Depreciation of right of use assets	2,366,660	-	801,705	-
Amortisation of intangible assets	2,772,784	3,118,893	845,361	502,128
	187,359,948	**224,041,358**	**73,734,273**	**27,616,835**

10. FINANCIAL ASSETS MEASURED AT AMORTISED COST

10.1 LOANS AND ADVANCES

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Individual loans	137,866,499	704,192,156	137,866,499	113,371,835
Corporate loans	2,846,426	15,798,171	2,846,426	2,543,436
Mortgage loans	4,114,027	18,312,728	4,114,027	2,948,269
Microfinance loans	5,107,230	18,050,328	5,107,230	2,906,023
SME and agribusiness loans	169,150	1,810,426	169,150	291,471
	150,103,332	**758,163,809**	**150,103,332**	**122,061,034**
Interest accrued	931,631	7,225,841	931,631	1,163,329
Gross total	**151,034,963**	**765,389,650**	**151,034,963**	**123,224,363**
Provision for impairment losses	(12,283,940)	(67,426,432)	(12,283,940)	(10,855,358)
	138,751,023	**697,963,218**	**138,751,023**	**112,369,005**

10.2 MONEY MARKET ASSETS

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Treasury bills	44,657,384	256,775,997	44,657,384	41,339,804
Debentures	41,878	260,119	41,878	41,878
Interbank placements	27,886,930	30,792,909	27,886,930	4,957,523
Government bonds	4,000,000	74,536,201	4,000,000	12,000,000
	76,586,192	**362,365,226**	**76,586,192**	**58,339,205**
Interest accrued	2,564,591	11,691,919	2,564,591	1,882,347
Gross total	**79,150,783**	**374,057,145**	**79,150,783**	**60,221,552**
Provision for impairment losses	(1,910,432)	(10,294,901)	(1,910,432)	(1,657,434)
	77,240,351	**363,762,244**	**77,240,351**	**58,564,118**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

10.3 CAPITALISATION TREASURY BILLS

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Treasury bills	14,920,000	88,325,398	14,920,000	14,220,000
Interest accrued	780,556	3,588,780	780,556	577,778
Gross total	**15,700,556**	**91,914,178**	**15,700,556**	**14,797,778**
Provision for impairment losses	-	-	-	-
	15,700,556	**91,914,178**	**15,700,556**	**14,797,778**

10.4 AGENCY OUTSTANDING SETTLEMENTS

Outstanding net settlements	5,066,678	38,253,755	5,066,678	6,158,686
Provision for impairment losses	-	(16,869,818)	-	(2,715,966)
	5,066,678	**21,383,937**	**5,066,678**	**3,442,720**
Total financial assets measured at amortised cost	**236,758,608**	**1,175,023,577**	**236,758,608**	**189,173,621**

10.5 MATURITY ANALYSIS

10.5.1 LOANS AND ADVANCES

Maturing within 1 year	23,288,800	489,699,355	23,288,800	78,839,439
Maturing after 1 year but within 5 years	122,527,757	244,684,577	122,527,757	39,393,139
Maturing after 5 years	5,218,405	31,005,722	5,218,405	4,991,785
	151,034,962	**765,389,654**	**151,034,962**	**123,224,363**

10.5.2 MONEY MARKET ASSETS

Maturing within 1 year	75,516,850	190,807,295	75,516,850	30,719,134
Maturing after 1 year but within 5 years	2,606,133	176,865,821	2,606,133	28,474,618
Maturing after 5 years	1,027,800	6,384,023	1,027,800	1,027,800
	79,150,783	**374,057,140**	**79,150,783**	**60,221,552**

10.5.3 CAPITALISATION TREASURY BILLS

Maturing after 5 years	15,700,556	91,914,178	15,700,556	14,797,778
	15,700,556	**91,914,178**	**15,700,556**	**14,797,778**

10.5.4 OTHER RECEIVABLES (AGENCY OUTSTANDING SETTLEMENTS)

Maturing within 1 year	1,200,000	7,453,620	1,200,000	1,200,000
Maturing after 1 year but within 5 years	3,866,678	30,800,135	3,866,678	4,958,686
	5,066,678	**38,253,755**	**5,066,678**	**6,158,686**

The maturity analysis is based on the remaining periods to contractual maturity from year-end.

10.6 PROVISION FOR IMPAIRMENT ALLOWANCES FOR FINANCIAL ASSETS AT AMORTISED COST

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
At January 1	94,591,147	49,183,246	15,228,758	7,918,286
IAS 29 Adjustment	(79,362,389)	-	-	-
Impairment allowance of other receivables	-	10,500,070	-	1,690,465
Impact of adopting IFRS 9	-	32,193,260	-	5,182,973
Increase/ (Decrease) in impairment losses	(938,453)	3,867,168	(938,453)	564,240
Corporate Lending	(5,818,060)	41,970,099	(5,818,060)	6,698,644
Individual Lending	7,342,575	(17,335,735)	7,342,575	(2,790,977)
Money market assets	252,998	(1,362,130)	252,998	(219,297)
Other receivables	(2,715,966)	(19,405,065)	(2,715,966)	(3,124,130)
Bad debts written off	(95,933)	(1,152,597)	(95,933)	(127,206)
As at December 31	**14,194,372**	**94,591,147**	**14,194,372**	**15,228,758**
Specific provisions	14,194,372	94,591,147	14,194,372	15,228,758
General provisions	-	-	-	-
	14,194,372	**94,591,147**	**14,194,372**	**15,228,758**

10.6.1 PROVISION FOR IMPAIRMENT ALLOWANCES ON LOANS AND ADVANCES

	INFLATION ADJUSTED		
Dec-19	Corporate lending ZWL	Individual Lending ZWL	Total ZWL
At January 1, 2019	49,407,323	18,019,109	67,426,432
IAS 29 Adjustment	(41,452,962)	(15,118,112)	(56,571,074)
Charge for the year	(5,818,060)	7,342,575	1,524,515
Bad debts written off	(95,933)	-	(95,933)
As at December 31, 2019	**2,040,368**	**10,243,572**	**12,283,940**
Specific provisions	2,040,368	10,243,572	12,283,940
	2,040,368	**10,243,572**	**12,283,940**
Dec-18			
At January 1, 2018	17,409,116	25,566,165	42,975,281
Impact of adopting IFRS 9	(8,819,295)	9,788,679	969,384
Adjusted balance as at 1 January 2018	**8,589,821**	**35,354,844**	**43,944,665**
Charge for the year	41,970,099	(17,335,735)	24,634,364
Bad debts written off	(1,152,597)	-	(1,152,597)
As at December 31, 2018	**49,407,323**	**18,019,109**	**67,426,432**
Specific provisions	49,407,323	18,019,109	67,426,432
	49,407,323	**18,019,109**	**67,426,432**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

10.6.1 PROVISION FOR IMPAIRMENT ALLOWANCES ON LOANS AND ADVANCES (cont.)

	HISTORICAL		
Dec-19	**Corporate lending ZWL**	**Individual Lending ZWL**	**Total ZWL**
At January 1, 2019	7,954,361	2,900,997	10,855,358
Charge for the year	(5,818,060)	7,342,575	1,524,515
Bad debts written off	(95,933)	-	(95,933)
As at December 31, 2019	**2,040,368**	**10,243,572**	**12,283,940**
Specific provisions	2,040,368	10,243,572	12,283,940
	2,040,368	**10,243,572**	**12,283,940**
Dec-18			
At January 1, 2018	2,802,791	4,116,040	6,918,831
Impact of adopting IFRS 9	(1,419,868)	1,575,934	156,066
Adjusted balance as at 1 January 2018	**1,382,923**	**5,691,974**	**7,074,897**
Charge for the year	6,698,644	(2,790,977)	3,907,667
Bad debts written off	(127,206)	-	(127,206)
As at December 31, 2018	**7,954,361**	**2,900,997**	**10,855,358**
Specific provisions	7,954,361	2,900,997	10,855,358
	7,954,361	**2,900,997**	**10,855,358**

10.6.2 PROVISION FOR IMPAIRMENT ALLOWANCES ON MONEY MARKET ASSET

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	**Dec-18 ZWL**	**Dec-19 ZWL**	**Dec-18 ZWL**
At January 1	10,294,901	6,207,964	1,657,434	999,455
IAS 29 Adjustment	(8,637,467)	-	-	-
Impact of adopting IFRS 9	-	5,449,067	-	877,27
Adjusted balance as at 1 Jan	**1,657,434**	**11,657,031**	**1,657,434**	**1,876,731**
Charge for the year	252,998	(1,362,130)	252,998	(219,297)
As at December 31	**1,910,432**	**10,294,901**	**1,910,432**	**1,657,434**
Specific provisions	1,910,432	10,294,901	1,910,432	1,657,434
	1,910,432	**10,294,901**	**1,910,432**	**1,657,434**

10.6.3 PROVISION FOR IMPAIRMENT ALLOWANCES ON OTHER RECEIVABLES

At January 1	16,869,818	10,500,071	2,715,966	1,690,465
IAS 29 Adjustment	(14,153,852)	-	-	-
Impact of adopting IFRS 9	-	25,774,812	-	4,149,631
Adjusted balance as at 1 Jan 2018	**2,715,966**	**10,500,071**	**2,715,966**	**5,840,096**
Charge for the year	(2,715,966)	(19,405,065)	(2,715,966)	(3,124,130)
As at December 31	**-**	**16,869,818**	**-**	**2,715,966**
Specific provisions	-	16,869,818	-	2,715,966
	-	**16,869,818**	**-**	**2,715,966**

11. OTHER ASSETS

Accounts receivable	21,962,201	45,650,311	21,962,201	7,349,499
Prepayments	15,344,060	2,103,518	2,551,682	338,658
Inventory	19,283,928	14,215,010	7,500,991	2,288,553
	56,590,189	**61,968,839**	**32,014,874**	**9,976,710**

12. ASSETS MEASURED AT FAIR VALUE

	INFLATION ADJUSTED			
	Fair value measurements at the end of the reporting period using			
Dec-19	**Quoted prices in active markets for identical assets (Level 1) ZWL**	**Significant other observable inputs (Level 2) ZWL**	**Significant unobservable inputs (Level 3) ZWL**	**Total ZWL**
Recurring fair value measurements				
Equity securities:				
Communication	4,616,837	-	-	4,616,837
Financial services industry	-	-	556,456	556,456
Manufacturing industry	412,540	-	-	412,540
Other	309,871	-	-	309,871
Total equity securities	**5,339,248**	**-**	**556,456**	**5,895,704**
Investment properties:				
Residential - Bulawayo	-	1,496,000	-	1,496,000
Residential - Harare	-	4,312,000	-	4,312,000
Commercial - Kwekwe	-	1,795,200		1,795,200
Commercial - Harare	-	37,967,775		37,967,775
Commercial Masvingo	-	1,953,600	-	1,953,600
Total investment properties		**47,524,575**		**47,524,575**
Total recurring fair value measurement	**5,339,248**	**47,524,575**	**556,456**	**53,420,279**

	INFLATION ADJUSTED			
	Fair value measurements at the end of the reporting period using			
Dec-18	**Quoted prices in active markets for identical assets (Level 1) ZWL**	**Significant other observable inputs (Level 2) ZWL**	**Significant unobservable inputs (Level 3) ZWL**	**Total ZWL**
Recurring fair value measurements				
Equity securities:				
Communication	29,328,206	-	-	29,328,206
Financial services industry	-	-	426,037	426,037
Manufacturing industry	2,775,560	-	-	2,775,560
Other	6,770,018	-	-	6,770,018
Total equity securities	**38,873,784**	**-**	**426,037**	**39,299,821**
Investment properties:				
Residential - Bulawayo	-	1,397,554	-	1,397,554
Residential - Harare	-	3,726,810	-	3,726,810
Commercial - Kwekwe	-	1,397,554		1,397,554
Commercial - Harare	-	32,174,795		32,174,795
Commercial Masvingo	-	2,872,749	-	2,872,749
Total investment properties		**41,569,462**		**41,569,462**
Total recurring fair value measurement	**38,873,784**	**41,569,462**	**426,037**	**80,869,283**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

12. ASSETS MEASURED AT FAIR VALUE (cont.)

HISTORICAL

Fair value measurements at the end of the reporting period using

Dec-19	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	ZWL	ZWL	ZWL	ZWL
Recurring fair value measurements				
Equity securities:				
Communication	4,616,837	-	-	4,616,837
Financial services industry	-	-	556,455	556,455
Manufacturing industry	412,540	-	-	412,540
Other	309,871	-	-	309,871
Total equity securities	**5,339,248**	**-**	**556,455**	**5,895,703**
Investment properties:				
Residential - Bulawayo	-	1,496,000	-	1,496,000
Residential - Harare	-	4,312,000	-	4,312,000
Commercial - Kwekwe	-	1,795,200		1,795,200
Commercial - Harare	-	37,967,776		37,967,776
Commercial Masvingo	-	1,953,600	-	1,953,600
Total investment properties		**47,524,576**		**47,524,576**
Total recurring fair value measurement	**5,339,248**	**47,524,576**	**556,455**	**53,420,279**

HISTORICAL

Fair value measurements at the end of the reporting period using

Dec-18	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	ZWL	ZWL	ZWL	ZWL
Recurring fair value measurements				
Equity securities:				
Communication	4,721,712	-	-	4,721,712
Financial services industry	-	-	68,590	68,590
Manufacturing industry	446,853	-	-	446,853
Other	1,089,943	-	-	1,089,943
Total equity securities	**6,258,508**	**-**	**68,590**	**6,327,098**
Investment properties:				
Residential - Bulawayo	-	225,000	-	225,000
Residential - Harare	-	600,000	-	600,000
Commercial - Kwekwe	-	225,000		225,000
Commercial - Harare	-	5,180,000		5,180,000
Commercial Masvingo	-	462,500	-	462,500
Total investment properties		**6,692,500**		**6,692,500**
Total recurring fair value measurement	**6,258,508**	**6,692,500**	**68,590**	**13,019,598**

12.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Opening balance	39,299,824	16,545,223	6,327,098	2,663,708
Additions	344,981	-	105,177	-
Disposals	(3,863,307)	-	(1,177,837)	-
Fair value gain/ (loss)	258,577	22,506,703	258,577	3,623,480
IAS 29 Adjustment	(31,399,584)	-	-	-
Foreign exchange gain/(loss) on foreign shares	1,255,212	247,898	382,688	39,910
Closing balance	**5,895,703**	**39,299,824**	**5,895,703**	**6,327,098**

All quoted financial assets at fair value through other comprehensive income are recorded at fair value as at the reporting period. Unquoted financial assets at fair value through other comprehensive income are recorded at fair value using a valuation technique based on unobservable inputs and/or assumptions.

12.2 INVESTMENT PROPERTIES

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Opening balance	41,569,462	2,670,882	6,692,500	430,000
Additions	6,557,622	5,141,526	1,999,275	827,763
Fair value gain	38,832,801	33,757,054	38,832,801	5,434,737
IAS 29 Adjustment	(39,435,310)	-	-	-
Closing balance	**47,524,575**	**41,569,462**	**47,524,575**	**6,692,500**

Investment properties were accounted for using the fair value model. In respect of the closing balances, valuations were carried out as at December 31, 2019 by Sworn appraisers, Southbay Real Estate and these were based on market values.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

13. PROPERTY, PLANT AND EQUIPMENT

INFLATION ADJUSTED

	Land & Buildings	Motor Vehicles	Computer Equipment	Furniture and Fittings	Office Equipment	Dec-19	Dec-18
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Opening carrying amount	**39,658,930**	**16,567,886**	**26,567,777**	**11,258,590**	**2,749,789**	**96,802,971**	**34,824,991**
Gross carrying amount	39,658,930	16,567,886	26,567,777	11,258,590	2,749,789	96,802,971	70,349,944
Accumulated depreciation	-	-	-	-	-	-	(35,524,953)
Revaluation gain/ (loss)	(2,286,307)	(13,530,815)	(40,400,927)	(3,595,903)	(903,908)	(60,717,860)	57,607,744
Disposals	-	-	(4,488)	-	-	(4,488)	(98,695)
Additions at cost	-	22,822,961	31,085,822	1,366,952	2,576,899	57,852,634	11,896,092
Depreciation	(786,073)	(4,201,158)	(6,979,661)	(844,058)	(676,420)	(13,487,370)	(7,427,161)
Closing carrying amount	**36,586,550**	**21,658,874**	**10,268,523**	**8,185,581**	**3,746,359**	**80,445,887**	**96,802,971**
Gross carrying amount	36,586,550	21,658,874	10,268,523	8,185,581	3,746,359	80,445,887	96,802,971
Accumulated depreciation	-	-	-	-	-	-	-

HISTORICAL

	Land & Buildings	Motor Vehicles	Computer Equipment	Furniture and Fittings	Office Equipment	Dec-19	Dec-18
	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL	ZWL
Opening carrying amount	**6,384,913**	**2,667,357**	**4,277,295**	**1,812,583**	**442,704**	**15,584,852**	**5,606,670**
Gross carrying amount	6,384,913	2,667,357	4,277,295	1,812,583	442,704	15,584,852	11,326,031
Accumulated depreciation	-	-	-	-	-	-	(5,719,361)
Revaluation gain	30,441,293	13,314,138	(1,356,844)	6,213,579	2,724,241	51,336,407	9,274,593
Disposals	-	-	(1,368)	-	-	(1,368)	(15,890)
Additions at cost	-	6,958,220	9,477,385	416,754	785,640	17,637,999	1,915,219
Depreciation	(239,656)	(1,280,841)	(2,127,945)	(257,335)	(206,226)	(4,112,003)	(1,195,740)
Closing carrying amount	**36,586,550**	**21,658,874**	**10,268,523**	**8,185,581**	**3,746,359**	**80,445,887**	**15,584,852**
Gross carrying amount	36,586,550	21,658,874	10,268,523	8,185,581	3,746,359	80,445,887	15,584,852
Accumulated depreciation	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

14. RIGHT OF USE ASSETS

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Carrying amount at 1 January 2019	16,897,501	-	3,584,433	-
Additions	-	-	-	-
Depreciation	(2,366,660)	-	(801,705)	-
Closing balance	**14,530,841**	**-**	**2,782,728**	**-**

With effect from 1 January 2019, IFRS 16 replaced IAS 17 and the core principle of IFRS 16 is that the lessee and lessor are required to recognise all rights and obligations arising from leasing arrangements on the statement of financial position. IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases and introduces a single lessee accounting model where a right of use asset together with a lease liability for future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 did not introduce significant changes for lessors, thus the account policies applicable to the Bank as a lessor are still the same as those under IAS 17.

The Bank adopted IFRS 16 retrospectively on I January 2019 as permitted by IFRS 16 and did not restate the comparative financial statements, thus the Bank's financial statements up to 31 December 2018 are presented in accordance with the requirements of IAS 17. On adoption of IFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as "operating leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. Right of use assets were measured at the amount equal to the lease liability, adjusted by any prepaid or accrued lease payments relating to that lease.

15. INTANGIBLE ASSETS

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Opening carrying amount	**25,664,330**	**15,230,585**	**4,131,844**	**2,452,057**
Gross carrying amount	25,664,330	31,223,662	4,131,844	5,026,872
Accumulated amortisation	-	(15,993,077)	-	(2,574,815)
Foreign exchange gain	-	-	989,421	
Revaluation gain	28,129,348	12,281,516	46,764,142	1,977,270
Additions	27,552	1,271,122	8,400	204,645
Amortisation charge during the year	(2,772,784)	(3,118,893)	(845,361)	(502,128)
Closing carrying amount	**51,048,446**	**25,664,330**	**51,048,446**	**4,131,844**
Gross carrying amount	51,048,446	25,664,330	51,048,446	4,131,844
Accumulated amortisation	-	-	-	-

16. CUSTOMER DEPOSITS

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Individual accounts	172,618,820	566,380,478	172,618,820	91,184,762
Corporate accounts	101,536,851	258,309,474	101,536,851	41,586,687
Term deposits	60,611,486	327,447,428	60,611,486	52,717,593
	334,767,157	**1,152,137,380**	**334,767,157**	**185,489,042**

17. OTHER LIABILITIES

		INFLATION ADJUSTED		HISTORICAL	
	Note	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Interest payable on deposits	16.1	682,162	4,358,262	682,162	706,661
Accounts payable		47,221,833	73,281,713	47,221,833	11,798,033
Provisions		1,576,338	2,808,633	1,576,338	452,178
Deferred fee income		2,334,036	12,863,523	2,334,036	2,070,971
Lease Liability		15,614,688	-	3,118,487	-
		67,429,057	**93,312,131**	**54,932,856**	**15,022,843**

17.1 INTEREST PAYABLE ON DEPOSITS

Individual accounts	216,077	1,141,757	216,077	183,818
Corporate accounts	51,211	127,982	51,211	20,604
Term deposits	414,874	3,088,523	414,874	497,239
	682,162	**4,358,262**	**682,162**	**701,661**

18. SHARE CAPITAL AND RESERVES

18.1 SHARE CAPITAL

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Authorised 50 million Ordinary shares at ZWL1 each	50,000,000	50,000,000	50,000,000	50,000,000
Issued and fully paid Ordinary shares at ZWL1 each	**145,033,447**	**145,033,447**	**23,349,746**	**23,349,746**

Issued and fully paid share capital comprised of 23,349,746 (2018: 23,349,746) ordinary shares at ZWL1 each.

18.2 MARK-TO-MARKET RESERVE

The mark to market reserve includes the cumulative net change in the fair value of equity investments classified as financial assets at fair value through other comprehensive income. When such equity instruments are de-recognized, the related cumulative amount in the mark- to- market reserve is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

18.3 REVALUATION RESERVE

The revaluation reserve arose from the net change in the value of properties and equipment as a result of a revaluation exercise carried out in 2019.

18.4 FUNCTIONAL CURRENCY TRANSLATION RESERVE

This arose from the change in functional currency from the United States dollar to the Zimbabwe dollar in 2018.

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Opening balance	-	-	18,058,730	-
Adjustment	-	-	(1,474,505)	-
Change in functional currency	-	-	-	18,058,730
Closing balance	**-**	**-**	**16,584,225**	**18,058,730**

18.5 REVENUE RESERVE

Revenue reserves are created from retained earnings or accumulated profits of the Bank. Any dividend paid has the effect of reducing revenue reserves.

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Opening balance	400,534,796	334,979,506	40,972,948	31,188,062
Impact of adopting IFRS 9	-	(32,193,260)	-	(5,182,973)
Loss/ (Profit) for the year	(265,404,269)	109,680,404	71,557,542	16,888,835
Dividend paid	(4,222,209)	(11,931,854)	(4,222,209)	(1,920,976)
Transfer from Mark-to-market reserve	-	-	704,056	-
Closing balance	**130,908,318**	**400,534,796**	**109,012,337**	**40,972,948**

18.6 DIVIDEND

The Board of Directors approved a dividend of 18.08246 cents per share in year 2019 (2018: 8.22697 cents per share).

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Opening balance	-	-	-	-
Dividend declared	4,222,209	11,929,261	4,222,209	1,920,976
Dividend paid	(4,222,209)	(11,929,261)	(4,222,209)	(1,920,976)
Dividend payable as at December 31	**-**	**-**	**-**	**-**

19. PENSION ARRANGEMENTS

19.1 DEFINED BENEFIT PENSION PLAN

The Bank contributes to a defined benefit plan which is administered by the Communication and Allied Industry Pension Fund (CAIPF). The fund is run collectively for the former Posts and Telecommunications companies.

Employees' benefits are determined by the length of their service and the participating entities have no realistic means of withdrawing from the plan without paying a contribution for the benefits earned by employees up to the date of withdrawal. Such a plan creates actuarial risk for the entity; if the ultimate cost of benefits already earned at the end of the reporting period is more than expected, the entity will have either to increase its contributions or to persuade employees to accept a reduction in benefits.

The Bank has accounted for the defined benefit plan as if it were a defined contribution plan because sufficient information is not available to use defined benefit accounting in line with the requirements of IAS 19, as it is not possible for the pension fund to allocate the plan assets to each of the contributing companies separately. The latest Actuarial report provided to the Bank is as at 31 December 2018. The report does not show the following information which is critical for Defined Benefit accounting purposes:

- Reconciliation of the present value of the defined benefit obligation and plan assets;
- The past and current service costs, gains and losses arising from settlements, as well as net interest on the net defined benefit obligation;
- Re-measurements of the net defined benefit liability or asset comprising actuarial gains and/or losses to be recognised in other comprehensive income;
- Disaggregation of plan assets by nature and risk of those assets i.e. those with a quoted market price in an active market and those which do not have;
- Disclosure of fair value of the transferable financial instruments held as plan assets and plan assets that are property occupied and
- The key risks to which the fund is exposed as well as the sensitivity of defined benefit obligation to changes in actuarial assumptions.

In the current year the Bank made contributions amounting to ZWL2,319,053 (2018: ZWL976,316).
The expected contributions to the plan for the next annual reporting period are ZWL6,098,256.
The Actuarial Valuation report prepared as at 31 December 2018 shows that the Bank had a funding deficit of ZWL1,841,220 resulting from a past service liability of ZWL15,834,878 whilst share of assets was ZWL13,993,658.
It was not possible for the Pension Fund to allocate the plan assets to each of the companies separately thus, the share of assets was determined using each entity's proportion of past service liability which may not be a realistic assumption.

The level of participation of the Bank in the plan measured by the Bank's proportion of the total number of active members entitled to benefits was 13%.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

19.2 NSSA PENSION

The National Social Security Authority which is a defined contribution fund was introduced on October 1, 1994 and with effect from that date all employees are members of the National Pension Scheme, to which both the Bank and its employees contribute as follows:

Employees: 3.5% of the monthly basic salary to a maximum of $24.50
Bank: 3.5% of the monthly basic salary to a maximum of $24.50

The Bank also contributes 1.25% towards Workers' Compensation Insurance Fund (WCIF) on behalf of its employees.

Total amount charged through the statement of profit or loss and other comprehensive income during the year under review amounted to ZWL122,938 (2018: ZWL126,940).

20. EMPLOYEES

The average number of permanent persons employed by the Bank during the reporting period was 337 (December 2018: 337).

21. RELATED PARTY DISCLOSURES

21.1.1 COMPENSATION TO KEY MANAGEMENT PERSONNEL

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Short term employee benefits	9,853,388	7,851,178	2,807,233	1,264,005
Termination benefits	9,593	-	2,733	-
Post-employment benefit	1,266,843	865,576	360,924	139,354
	11,129,824	**8,716,754**	**3,170,890**	**1,403,359**

21.1.2 LOANS TO KEY MANAGEMENT PERSONNEL OF THE BANK

Mortgage loans	818,127	4,963,670	818,127	799,129
Personal loans	528,701	839,373	528,701	135,135
	1,346,828	**5,803,043**	**1,346,828**	**934,264**

Key management personnel refers to the Bank's executive management team which consists of the Chief Executive Officer, the General Manager Finance and Administration, the General Manager Banking Operations, the General Manager Risk, Security and Investigations, the General Manager Corporate and Investments Banking, the Human Resources Executive, the Information Technology Executive, the Head of Internal Audit, the Marketing Manager, the Compliance Officer, the Company Secretary and Legal advisor and Head of the Procurement Management Unit.

Mortgage and personal loans are contractual and their repayments are up to date.

21.2 NON-EXECUTIVE DIRECTORS' FEES

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Fees and other emoluments	791,878	1,129,556	225,606	135,820
	791,878	**1,129,556**	**225,606**	**135,820**

Board fees relate to retainer and sitting fees paid to the following seven non-executive directors:

- M. Dzumbunu* (Board chairperson)
- I. P. Ndlovu** (Board deputy chairperson)
- O. Jambwa (Board member)
- I. Mvere (Board member)
- M. Murerіwa (Board member)
- C. Nyamutswa (Board member)
- N. C. Chindomu (Board member)

Key: * Resigned with effect from 1 September 2019
** Appointed acting Board chairperson with effect from 1 September 2019

21.3 LOANS TO NON-EXECUTIVE DIRECTORS

The Bank had no outstanding loans due from non-executive directors (2018: Nil).

21.4 TERMS AND CONDITIONS OF RELATED PARTY TRANSACTIONS

The above mentioned outstanding balances arose from the ordinary course of business. Outstanding balances at year end were secured. The Bank had no outstanding loans due from non-executive directors as at December 31, 2019 (2018:Nil).

22. RISK MANAGEMENT AND CONTROL

22.1 OVERVIEW OF THE BANK'S RISK PHILOSOPHY

OVERVIEW OF THE BANK'S RISK PHILOSOPHY

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

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

OVERVIEW OF THE BANK'S RISK PHILOSOPHY (cont.)

In line with the anti-money laundering and counter financing of terrorism (AML/CFT) standards, the bank is mandated to carry out periodic risk assessments. In this regard, the bank carries out AML/CFT risk assessments to identify and assess the risks it is exposed to with the view of determining the appropriate risk based control measures. The bank also conducts periodic risk management campaigns to continuously remind and equip staff on money laundering and other risk issues.

The bank successfully migrated from IAS 39 provisioning standard to IFRS 9 in 2018. As a result of this development, there was a huge knock on profitability levels but the bank remained adequately capitalized to cushion itself against the risks it is exposed to.

While increase in use of plastic money and other digital payment platforms is a positive development due to the cash crisis prevailing in the economy, this has been exploited by fraudsters resulting in an upward trajectory in the rate of cybercrime. To curtail this risk, the bank has taken great strides to be EMV compliant which project is expected to be completed by December 2020.

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

The bank has independent compliance and audit functions to ensure compliance with regulatory and statutory requirements. Through relevant Committees, the Board plays an important oversight role in ensuring a robust risk management philosophy.

22.2 RISK MEASUREMENT AND REPORTING SYSTEMS

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

The bank's risk management process encompasses the following dimensions:

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

22.3 COMPLIANCE

The Bank has an independent compliance function that ensures the bank complies with regulatory and statutory requirements. To this end, a comprehensive compliance template has been put in place to ensure all compliance issues are closely monitored and enforced. Through periodic risk management campaigns, the Bank continuously reminds and equips staff on anti-money laundering and other risky issues.

22.4 EXCESSIVE RISK CONCENTRATION

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

22.5 CREDIT RISK

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

22.5.1 GOVERNANCE AND IFRS 9 PROJECT MANAGEMENT

The adoption of IFRS 9 is a significant initiative for the Bank, involving substantial finance, risk management and technology resources. The project was managed through a strong governance structure across risk management, finance, technology, and the business units. The Bank's existing system of internal controls will continue to be refined and revised when it is required to meet all the requirements of IFRS 9. The Bank has applied many components of its existing governance framework to ensure that appropriate validations and controls are in place over new key processes and significant areas of judgment. Adoption of IFRS 9 in 2018 has resulted in revisions to accounting policies and procedures, changes and amendments to internal control documents, applicable credit risk manuals, development of new risk models and associated methodologies and new processes within risk management. Periodic reporting on the progress against plan and results of parallel run was provided to Bank senior management throughout the year ended 31 December 2018. Notes 2, 3 and 22 show more significant items affected by the implementation of IFRS 9:

Impacts on Governance and Controls

As part of the implementation of IFRS 9, we have designed and implemented new controls and governance procedures in several areas that contribute to the calculation of expected credit losses. These include controls over credit risk data and systems, expected credit loss models and calculation engine, forecasts of future macroeconomic variables, design and probability-weighting of future macroeconomic scenarios, and the determination of significant increases in credit risk.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

Impacts on Governance and Controls (cont.)

In addition to the existing risk management framework, we have established an IFRS 9 implementation Committee to provide oversight to the IFRS 9 impairment process. The IFRS 9 implementation Committee is comprised of senior representatives from Finance, Risk Management and Economics and is responsible for reviewing and approving key inputs and assumptions used in our expected credit loss estimates. It also assesses the appropriateness of the overall allowance results to be included in our financial statements. The IFRS 9 committee structure, with underlying key controls, went into operation in 2018.

After the adoption of IFRS 9, expected loss models have been used for both regulatory capital and accounting purposes. Under both models, expected losses are calculated as the product of PD, LGD and EAD. However, there are several key differences under current Basel rules which could lead to significantly different expected loss estimates:

- Basel PDs are based on long-run averages over an entire economic cycle. IFRS 9 PDs are based on current conditions, adjusted for estimates of future conditions that will impact PD under several probability-weighted macroeconomic scenarios.
- Basel PDs consider the probability of default over the next 12 months. IFRS 9 PDs consider the probability of default over the next 12 months only for instruments in Stage 1. Expected credit losses for instruments in Stage 2 are calculated using lifetime PDs.
- Basel LGDs are based on severe but plausible downturn economic conditions. IFRS 9 LGDs are based on current conditions, adjusted for estimates of future conditions that will impact LGD under several probability-weighted macroeconomic scenarios.

Impacts on Capital Planning

IFRS 9 will impact the Bank's reported capital as a result of the adjustment recorded in shareholders' equity on adoption of the standard. The bank's regulator, Reserve Bank of Zimbabwe, did not establish a transitional arrangement for regulatory capital purposes.

22.5.2 EXPOSURE TO CREDIT RISK

The bank's total exposure to credit risk as of December 31, 2019 was ZWL235 million (Dec 2018: ZWL235 million) before taking account of collateral of ZWL39.50 million (Dec 2018: ZWL10.94 million) net of such protection.

22.5.2.1 CONCENTRATIONS OF CREDIT RISK

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk by class of financial assets is shown in the table below:

	INFLATION ADUSTED		
Dec 2019	**Loans and advances ZWL**	**Treasury investments ZWL**	**Other receivables ZWL**
Carrying amount	151,034,962	79,150,783	5,066,678
Amount committed	151,034,962	79,150,783	5,066,678
Concentration by sector			
Corporate	3,264,318	45,095	5,066,678
Individual	139,709,992	-	-
Mortgage	4,536,805	-	-
Microfinance	3,208,253	-	-
SME and Agribusiness	315,594	-	-
Government	-	4,042,403	
Central Bank	-	46,954,619	-
Other Banks	-	28,108,666	-
Total	**151,034,962**	**79,150,783**	**5,066,678**

Dec 2018	**Loans and advances ZWL**	**Treasury investments ZWL**	**Other receivables ZWL**
Carrying amount	765,389,650	374,057,145	38,253,755
Amount committed	765,389,650	374,057,145	38,253,755
Concentration by sector			
Corporate	18,508,562	266,023	38,253,755
Individual	708,695,434	-	-
Mortgage	18,321,483	-	-
Microfinance	18,053,730	-	-
SME and Agribusiness	1,810,441	-	-
Government	-	75,589,230	
Central Bank	-	267,218,137	-
Other Banks	-	30,983,755	-
Total	**765,389,650**	**374,057,145**	**38,253,755**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.5.2.1 CONCENTRATIONS OF CREDIT RISK (cont.)

	HISTORICAL		
Dec 2019	**Loans and advances ZWL**	**Treasury investments ZWL**	**Other receivables ZWL**
Carrying amount	151,034,962	79,150,783	5,066,678
Amount committed	151,034,962	79,150,783	5,066,678
Concentration by sector			
Corporate	3,264,318	45,095	5,066,678
Individual	139,709,992	-	-
Mortgage	4,536,805	-	-
Microfinance	3,208,253	-	-
SME and Agribusiness	315,594	-	-
Government	-	4,042,403	
Central Bank	-	46,954,619	-
Other Banks	-	28,108,666	-
Total	**151,034,962**	**79,150,783**	**5,066,678**

Dec 2018	**Loans and advances ZWL**	**Treasury investment ZWL**	**Other receivable ZWL**
Carrying amount	123,224,363	60,221,552	6,158,686
Amount committed	123,224,363	60,221,552	6,158,686
Concentration by sector			
Corporate	2,979,798	42,828	6,158,686
Individual	114,096,843	-	-
Mortgage	2,949,678	-	-
Microfinance	2,906,571	-	-
SME and Agribusiness	291,473	-	-
Government	-	12,169,533	
Central Bank	-	43,020,943	-
Other Banks	-	4,988,248	-
Total	**123,224,363**	**60,221,552**	**6,158,686**

Treasury investments excludes Capitalisation treasury bills.

22.5.2.2 SIGNIFICANT INCREASE IN CREDIT RISK

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and credit assessment and including forward-looking information.

The objective is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The risk of default occurring at origination of the financial asset, with
- The risk of default occurring at the reporting date.

22.5.2.2 SIGNIFICANT INCREASE IN CREDIT RISK (cont.)

The Bank applies the 30 days past due rebuttable presumption to measure significant increase in credit risk, thus credit risk on a financial asset is assumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due.

Using its credit judgment and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

The Bank has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2019.

22.5.2.3 CREDIT RISK GRADES

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring of the respective exposures involves the following:

- Client audited financial statements, management accounts and budgets.
- Client's past performance of other previously availed facilities to determine repayment behaviour
- Client's source of income to assess ability to repay loan.
- Client's trade reference checks.
- Client's credit rating using credit rating score card.
- Client's employment status, duration of employment and position.

22.5.2.4 MODIFIED FINANCIAL ASSETS

The contractual terms of a loan may be modified for a number of reasons, some of which are;

- Re-financing of an existing impaired loan as means of rehabilitating the obligor where it is concluded that there is strong evidence the obligor requires more funding for operations to break even, make positive cash flows and enable repayment of the loan. This is mostly performed in instances where additional collateral from the borrower has been identified and is pledged on the loan.

22.5.2.4 MODIFIED FINANCIAL ASSETS (cont.)

- Issuing of a new loan to a known delinquent obligor based on the fact that the new loan has adequate collateral although there is strong evidence the obligor may default based on past performance.

An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- the risk of default occurring at origination based on the original contractual terms, with
- the risk of default occurring at the reporting date based on the modified terms.

At the reporting date, the Bank recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit impaired financial assets. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank shall measure the loss allowance for that financial instrument at an amount equal to 12 month expected credit losses.

If the credit risk on that financial instrument has increased significantly since initial recognition, the Bank shall measure the loss allowance for such a financial instrument at an amount equal to the lifetime expected credit losses.

A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

22.5.2.5 DEFINITION OF DEFAULT

In line with regulatory requirement, the Bank considers a financial asset to be in default when the obligor is past due more than 90 days on any material credit obligation to the Bank. In assessing whether a borrower is in default, the Bank considers the following elements:

- The credit obligation has been put on a non-accrued interest status;
- The Bank has recognised a specific credit adjustment resulting from a significant perceived decline in credit quality subsequent to the Bank taking on the exposure;

22.5.2.5 DEFINITION OF DEFAULT (cont.)

- The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness or postponement of principal, interest or relevant fees;
- The Bank has filed for the obligor's bankruptcy or a similar order in respect of an obligor's credit obligation to the Bank and
- The obligor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of a credit obligation to the Bank.

22.5.2.6 INCORPORATION OF FORWARD LOOKING INFORMATION

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Forward looking information in the form of macroeconomic forecasts was not considered in the determination of ECL and in the determination of significant increase in credit risk as the forward looking information failed to pass the statistical tests that would enable the Bank to accurately determine the correlations between probability of default changes and changes in macro-economic conditions.

The following macro variables were taken into consideration, but failed to pass the statistical test;

- Inflation
- Gross domestic product
- Unemployment
- Corporate tax
- Personal income tax

22.5.2.7 MEASUREMENT OF ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

- **Stage 1:** A 12 month expected loss provision is held by the Bank for all performing book assets which have not deteriorated significantly in quality since origination.
- **Stage 2:** A lifetime expected loss provision is held by the Bank against assets that have experienced significant increase in credit risk but for which there is not yet objective evidence of impairment

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.5.2.7.1 BASIS OF INPUTS AND ASSUMPTIONS AND THE ESTIMATION TECHNIQUES USED TO MEASURE ECL (cont.)

- **Stage 3:** A lifetime expected loss provision is held by the Bank for assets for which there is objective evidence of impairment, similar to the provision under the incurred loss model.

PD is an estimate of the likelihood of default over a given time horizon. PD estimates are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings 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.

The table below shows the PD percentages which were applied to each internal credit risk grade as at 31 December 2019.

Internal credit rating table

Internal Credit Rating	Description	Average 12 Months PDs	
		Dec 2019	**Dec 2018**
1	Pass- Prime Grade	0.05	0.04
2	Pass - Strong	0.17	0.08
3	Pass - Satisfactory	0.37	0.07
4	Special Mention - Moderate	0.52	0.07
5	Special Mention - Fair	0.30	0.71
6	Special Mention - Speculative	0.88	0.54
7	Special Mention - Speculative	1.00	0.90
8	Substandard	1.00	0.95
9	Doubtful	1.00	0.48
10	Loss	0.88	0.049

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. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.
EAD represents the expected exposure in the event of a default.

22.5.2.7.1 BASIS OF INPUTS AND ASSUMPTIONS AND THE ESTIMATION TECHNIQUES USED TO MEASURE ECL (cont.)

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.

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

However, for overdrafts that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where ECL assessments are carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include instrument type and risk grading. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

22.5.2.8 RECONCILIATION OF LOSS ALLOWANCE RELATING TO FINANCIAL ASSETS SUBSEQUENTLY MEASURED AT AMORTISED COST

The following table presents a reconciliation from the opening balance to the closing balance of the loss allowance for loans and advances at amortised cost and how significant changes in gross carrying amount contributed to changes in the loss allowance:

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.5.2.8.1 EXPECTED CREDIT LOSS ALLOWANCES FOR LOANS AND ADVANCES MEASURED AT AMORTISED COST

INFLATION ADJUSTED								
Dec 2019	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
LOANS AND ADVANCES	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
At 1 January 2019	**698,036,511**	**29,443,731**	**10,544,236**	**1,336,841**	**56,808,903**	**36,645,860**	**765,389,650**	**67,426,432**
IAS 29 Adjustment	(585,655,707)	(24,703,421)	(8,846,660)	(1,121,615)	(47,662,920)	(30,746,038)	(642,165,287)	(56,571,074)
Transfer to Lifetime ECL (Not Credit- Impaired)	(5,868,403)	(274,091)	-	-	(161,412)	(96)	(6,029,815)	(274,187)
Transfer to Lifetime ECL (Credit-Impaired)	(3,076,111)	(136,536)	(213,829)	(28,875)	-	-	(3,289,940)	(165,411)
Changes due to Modifications that did not result in Derecognition	(21,164,680)	437,984	5,360,496	664,405	218,171	685,989	(15,586,013)	1,788,378
Changes in Models or Risk Parameters	(233,422)	(2,099,627)	(1,765,479)	(471,243)	1,998,901	2,115,720	-	(455,150)
New Financial Assets or originated purchase	87,012,206	2,394,141	3,269,084	207,703	2,037,147	963,763	92,318,437	3,565,607
Derecognition	(37,522,710)	(1,487,822)	(249,814)	(25,485)	(1,829,546)	(1,517,348)	(39,602,070)	(3,030,655)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	(178,289)	(178,289)	(38,904)	(38,904)	(106,252)	(106,252)	(323,445)	(323,445)
Recoveries of amounts previously written off	178,289	178,289	38,904	38,904	106,252	106,252	323,445	323,445
At 31 December 2019	**131,527,684**	**3,574,359**	**8,098,034**	**561,731**	**9,145,983**	**8,147,850**	**151,034,962**	**12,283,940**

Dec 2018	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
LOANS AND ADVANCES	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
At 1 January 2018	**52,450,203**	**15,086,529**	**6,268,306**	**183,916**	**55,540,209**	**28,674,207**	**584,258,718**	**43,944,652**
Transfer to Lifetime ECL (Not Credit- Impaired)	(2,172,637)	(193,831)	-	-	(338,363)	(15,100)	(2,511,000)	(208,931)
Transfer to Lifetime ECL (Credit-Impaired)	(7,689,018)	(2,937,782)	(669,292)	(40,256)	-	-	(8,358,310)	(2,978,038)
Changes due to Modifications that did not result in Derecognition	(96,037,472)	(2,051,702)	(1,070,619)	(263,399)	12,705,702	6,593,187	(84,402,389)	4,278,086
Changes in Models or Risk Parameters	(22,491,392)	5,381,806	(79,288)	491,181	(9,012,998)	8,825,521	(31,583,678)	14,698,508
New Financial Assets or originated purchase	504,576,868	21,809,510	7,892,806	1,113,049	11,642,120	4,759,459	524,111,794	27,682,018
Derecognition	(200,600,041)	(7,650,799)	(1,797,677)	(147,650)	(13,727,767)	(12,191,414)	(216,125,485)	(19,989,863)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2018	**698,036,511**	**29,443,731**	**10,544,236**	**1,336,841**	**56,808,903**	**36,645,860**	**765,389,650**	**67,426,432**

HISTORICAL								
Dec 2019	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
LOANS AND ADVANCES	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
At 1 January 2019	**112,380,804**	**4,740,310**	**1,697,576**	**215,226**	**9,145,983**	**5,899,822**	**123,224,363**	**10,855,358**
Transfer to Lifetime ECL (Not Credit- Impaired)	(5,868,403)	(274,091)	-	-	(161,412)	(96)	(6,029,815)	(274,187)
Transfer to Lifetime ECL (Credit-Impaired)	(3,076,111)	(136,536)	(213,829)	(28,875)	-	-	(3,289,940)	(165,411)
Changes due to Modifications that did not result in Derecognition	(21,164,680)	437,984	5,360,496	664,405	218,171	685,989	(15,586,013)	1,788,378
Changes in Models or Risk Parameters	(233,422)	(2,099,627)	(1,765,479)	(471,243)	1,998,901	2,115,720	-	(455,150)
New Financial Assets or originated purchase	87,012,206	2,394,141	3,269,084	207,703	2,037,147	963,763	92,318,437	3,565,607
Derecognition	(37,522,710)	(1,487,822)	(249,814)	(25,485)	(1,829,546)	(1,517,348)	(39,602,070)	(3,030,655)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	(178,289)	(178,289)	(38,904)	(38,904)	(106,252)	(106,252)	(323,445)	(323,445)
Recoveries of amounts previously written off	178,289	178,289	38,904	38,904	106,252	106,252	323,445	323,445
At 31 December 2019	**131,527,684**	**3,574,359**	**8,098,034**	**561,731**	**9,145,983**	**8,147,850**	**151,034,962**	**12,283,940**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.5.2.8.1 EXPECTED CREDIT LOSS ALLOWANCES FOR LOANS AND ADVANCES MEASURED AT AMORTISED COST (cont.)

HISTORICAL								
Dec 2018	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
LOANS AND ADVANCES	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
At 1 January 2018	**84,112,182**	**2,428,864**	**1,009,170**	**29,610**	**8,941,729**	**4,616,421**	**94,063,081**	**7,074,895**
Transfer to Lifetime ECL (Not Credit-Impaired)	(349,785)	(31,206)	-	-	(54,475)	(2,431)	(404,260)	(33,637)
Transfer to Lifetime ECL (Credit-Impaired)	(1,237,898)	(472,970)	(107,735)	(6,481)	-	-	(1,345,651)	(479,451)
Changes due to Modifications that did not result in Derecognition	(15,461,610)	(330,315)	(172,365)	(42,406)	2,045,562	1,061,474	(13,588,413)	688,753
Changes in Models or Risk Parameters	(3,621,015)	866,447	(12,765)	79,078	(1,451,053)	1,420,870	(5,084,833)	2,366,395
New Financial Assets or originated purchase	81,234,653	3,511,235	1,270,707	179,196	1,874,330	766,252	84,379,690	4,456,683
Derecognition	(32,295,723)	(1,235,745)	(289,418)	(23,771)	(2,210,110)	(1,962,764)	(34,795,251)	(3,218,280)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2018	**112,380,804**	**4,740,310**	**1,697,576**	**215,226**	**9,145,983**	**5,899,822**	**123,224,363**	**10,855,358**

22.5.2.8.2 EXPECTED CREDIT LOSS ALLOWANCES FOR TREASURY INVESTMENTS MEASURED AT AMORTISED COST

INFLATION ADJUSTED								
Dec 2019	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
At 1 January 2019	**368,109,636**	**4,347,392**	**-**	**-**	**5,947,509**	**5,947,509**	**374,057,145**	**10,294,901**
IAS 29 Adjustment	**(308,845,607)**	**(3,647,481)**	**-**	**-**	**(4,989,986)**	**(4,989,986)**	**(313,835,593)**	**(8,637,467)**
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	2,141,462	26,768	-	-	-	-	2,141,462	26,768
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	50,907,819	636,348	-	-	-	-	50,907,819	636,348
Derecognition	(34,120,050)	(410,118)	-	-	-	-	(34,120,050)	(410,118)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2019	**78,193,260**	**952,909**	**-**	**-**	**957,523**	**957,523**	**79,150,783**	**1,910,432**

Dec 2018	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
At 1 January 2018	**330,655,061**	**5,449,064**	**-**	**-**	**6,207,965**	**6,207,965**	**336,863,026**	**11,657,029**
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	(9,651,958)	(1,436,530)			(260,456)	(260,456)	(9,912,414)	(1,696,986)
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	352,184,024	4,148,327	-	-	-	-	352,184,024	4,148,327
Derecognition	(305,077,491)	(3,813,469)	-	-	-	-	(305,077,491)	(3,813,469)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2018	**368,109,636**	**4,347,392**	**-**	**-**	**5,947,509**	**5,947,509**	**374,057,145**	**10,294,901**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.5.2.8.2 EXPECTED CREDIT LOSS ALLOWANCES FOR TREASURY INVESTMENTS MEASURED AT AMORTISED COST (cont.)

HISTORICAL								
Dec 2019	**12 month ECL**		**Lifetime ECL Not credit impaired**		**Lifetime ECL Credit Impaired**		**Total**	
	Gross carrying amount ZWL	**ECL Allowance ZWL**	**Gross carrying amount ZWL**	**ECL Allowance ZWL**	**Gross arrying amount ZWL**	**ECL Allowance ZWL**	**Gross carrying amount ZWL**	**ECL Allowance ZWL**
At 1 January 2019	**59,264,029**	**699,911**	**-**	**-**	**957,523**	**957,523**	**60,221,552**	**1,657,434**
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	2,141,462	26,768	-	-	-	-	2,141,462	26,768
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	50,907,819	636,348	-	-	-	-	50,907,819	636,348
Derecognition	(34,120,050)	(410,118)	-	-	-	-	(34,120,050)	(410,118)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2019	**78,193,260**	**952,909**	**-**	**-**	**957,523**	**957,523**	**79,150,783**	**1,910,432**

Dec 2018	**12 month ECL**		**Lifetime ECL Not credit impaired**		**Lifetime ECL Credit Impaired**		**Total**	
	Gross carrying amount ZWL	**ECL Allowance ZWL**	**Gross carrying amount ZWL**	**ECL Allowance ZWL**	**Gross carrying amount ZWL**	**ECL Allowance ZWL**	**Gross carrying amount ZWL**	**ECL Allowance ZWL**
At 1 January 2018	**53,234,008**	**877,276**	**-**	**-**	**999,455**	**999,455**	**54,233,463**	**1,876,731**
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	(1,553,923)	(231,275)			(41,935)	(41,935)	(1,595,855)	(273,207)
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	56,700,076	667,862	-	-	-	-	56,700,076	667,862
Derecognition	(49,116,132)	(613,952)	-	-	-	-	(49,116,132)	(613,952)
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2018	**59,264,029**	**699,911**	**-**	**-**	**957,523**	**957,523**	**60,221,552**	**1,657,434**

Capitalisation treasury bills were not subjected to the ECL allowance calculation.

The following table presents a reconciliation from the opening balance to the closing balance of the loss allowance for other receivables (Agency outstanding net deposits) measured at amortised cost and how significant changes in gross carrying amount contributed to changes in the loss allowance:

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.5.2.8.3 EXPECTED CREDIT LOSS ALLOWANCES FOR OTHER RECEIVABLES MEASURED AT AMORTISED COST

INFLATION ADJUSTED

Dec 2019	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
At 1 January 2019	**-**	**-**	**-**	**-**	**38,253,755**	**16,869,818**	**38,253,755**	**16,869,818**
IAS 29 Adjustment	-	-	-	-	(32,095,069)	(14,153,851)	(32,095,069)	(14,153,851)
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	(2,434,900)	-	(2,434,900)
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	-	-			(1,092,008)	(281,067)	(1,092,008)	(281,067)
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	-	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-	-
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2019	**-**	**-**	**-**	**-**	**5,066,678**	**-**	**5,066,678**	**-**

Dec 2018	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
At 1 January 2018	**-**	**-**	**-**	**-**	**42,000,280**	**36,274,877**	**42,000,280**	**36,274,877**
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	-	-			(3,746,525)	(7,154,649)	(3,746,525)	(7,154,649)
Changes in Models or Risk Parameters	-	-	-	-	-	(12,250,410)	-	(12,250,410)
New Financial Assets or originated purchase	-	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-	-
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2018	**-**	**-**	**-**	**-**	**38,253,755**	**16,869,818**	**38,253,755**	**16,869,818**

HISTORICAL

Dec 2019	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
At 1 January 2019	**-**	**-**	**-**	**-**	**6,158,686**	**2,715,967**	**6,158,686**	**2,715,967**
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	(2,434,900)	-	(2,434,900)
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	-	-			(1,092,008)	(281,067)	(1,092,008)	(281,067)
Changes in Models or Risk Parameters	-	-	-	-	-	-	-	-
New Financial Assets or originated purchase	-	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-	-
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2019	**-**	**-**	**-**	**-**	**5,066,678**	**-**	**5,066,678**	**-**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.5.2.8.3 EXPECTED CREDIT LOSS ALLOWANCES FOR OTHER RECEIVABLES MEASURED AT AMORTISED COST (cont.)

			HISTORICAL					
Dec 2018	12 month ECL		Lifetime ECL Not credit impaired		Lifetime ECL Credit Impaired		Total	
	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL	Gross carrying amount ZWL	ECL Allowance ZWL
At 1 January 2018	**-**	**-**	**-**	**-**	**6,761,860**	**5,840,096**	**6,761,860**	**5,840,096**
Transfer to Lifetime ECL (Not Credit- Impaired)	-	-	-	-	-	-	-	-
Transfer to Lifetime ECL (Credit-Impaired)	-	-	-	-	-	-	-	-
Changes due to Modifications that did not result in Derecognition	-	-			(603,174)	(1,151,867)	(603,174))	(1,151,867)
Changes in Models or Risk Parameters	-	-	-	-	-	(1,972,262)	-	(1,972,262)
New Financial Assets or originated purchase	-	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-	-
Unwinding discount	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
At 31 December 2018	**-**	**-**	**-**	**-**	**6,158,686**	**2,715,967**	**6,158,686**	**2,715,967**

22.5.2.8.4 ALLOWANCES FOR CREDIT LOSSES ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The following loss allowances have been accumulated in other comprehensive income for financial assets measured at fair value through other comprehensive income

Category	2019	2018
Loss allowance for financial assets measured at fair value through other comprehensive income	Nil	Nil

22.5.3 CREDIT QUALITY ANALYSIS

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amount represented is gross of impairment allowances.

22.5.3.1 CREDIT QUALITY BY INTERNAL GRADES

			INFLATION ADJUSTED			
Dec-19	**Neither past due nor impaired**					
Type of financial asset	**High grade**	**Standard Grade**	**Substandard Grade**	**Past due but not impaired**	**Impaired**	**Total**
	ZWL	**ZWL**	**ZWL**	**ZWL**	**ZWL**	**ZWL**
Loans and advances	131,767,647	14,051,026	177,384	127,924	4,910,981	151,034,962
Interbank placements	27,221,737	-	-	-	886,930	28,108,667
Treasury bills	62,655,174	-	-	-	-	62,655,174
Government bonds	4,042,403					4,042,403
Debentures	45,095	-	-	-	-	45,095
Other receivables	-	5,066,678	-	-	6,158,686	5,066,678
Total Credit exposure	**225,732,056**	**19,117,704**	**177,384**	**127,924**	**5,797,911**	**250,952,979**

Dec-18	**Neither past due nor impaired**					
Type of financial asset	**High grade**	**Standard Grade**	**Substandard Grade**	**Past due but not impaired**	**Impaired**	**Total**
	ZWL	**ZWL**	**ZWL**	**ZWL**	**ZWL**	**ZWL**
Loans and advances	698,036,521	23,080,023	3,401,950	3,010,486	37,860,670	765,389,650
Interbank placements	25,036,244	-	-	-	5,947,511	30,983,755
Treasury bills	359,132,317	-	-	-	-	359,132,317
Government bonds	75,589,232					75,589,232
Debentures	266,020	-	-	-	-	266,020
Other receivables	-	-	-	-	38,253,755	38,253,755
Total Credit exposure	**1,158,060,334**	**23,080,023**	**3,401,950**	**3,010,486**	**82,061,936**	**1,269,614,729**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.5.3.1 CREDIT QUALITY BY INTERNAL GRADES (cont.)

	HISTORICAL					
Dec-19	**Neither past due nor impaired**					
Type of financial asset	**High grade**	**Standard Grade**	**Substandard Grade**	**Past due but not impaired**	**Impaired**	**Total**
	ZWL	**ZWL**	**ZWL**	**ZWL**	**ZWL**	**ZWL**
Loans and advances	131,767,647	14,051,026	177,384	127,924	4,910,981	151,034,962
Interbank placements	27,221,737	-	-	-	886,930	28,108,667
Treasury bills	62,655,174	-	-	-	-	62,655,174
Government bonds	4,042,403					4,042,403
Debentures	45,095	-	-	-	-	45,095
Other receivables	-	5,066,678	-	-	6,158,686	5,066,678
Total Credit exposure	**225,732,056**	**19,117,704**	**177,384**	**127,924**	**5,797,911**	**250,952,979**

Dec-18	**Neither past due nor impaired**					
Type of financial asset	**High grade**	**Standard Grade**	**Substandard Grade**	**Past due but not impaired**	**Impaired**	**Total**
	ZWL	**ZWL**	**ZWL**	**ZWL**	**ZWL**	**ZWL**
Loans and advances	112,380,805	3,715,782	547,699	484,675	6,095,402	123,224,363
Interbank placements	4,030,725	-	-	-	957,753	4,988,248
Treasury bills	57,818,721	-	-	-	-	57,818,721
Government bonds	12,169,533					12,169,533
Debentures	42,828	-	-	-	-	42,828
Other receivables	-	-	-	-	6,158,686	6,158,686
Total Credit exposure	**186,442,612**	**3,715,782**	**547,699**	**484,675**	**13,211,611**	**204,402,379**

The following tables set out information about the credit quality of financial assets measured at amortised cost (Loans and advances, treasury investments and other receivables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

22.5.3.2 CREDIT QUALITY OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	INFLATION ADJUSTED				
Dec 2019	**12- Month ECL ZWL**	**Lifetime ECL Not credit impaired ZWL**	**Lifetime ECL Credit impaired ZWL**	**Purchased/originated Credit impaired ZWL**	**Total ZWL**
Financial assets at amortised cost (loans and advances)					
Grades 1: Standard	131,767,647	-	-	-	131,767,647
Grades 2: Special mention	-	6,322,962	7,728,064	-	14,051,026
Grade 3: Substandard	-	-	177,384	-	177,384
Grade4: Doubtful	-	-	127,924		127,924
Grade 5: Loss	-	-	4,910,981	-	4,910,981
Carrying amount	**131,767,647**	**6,322,962**	**12,944,353**	**-**	**151,034,962**
Financial assets at amortised cost (Treasury investments)					
Grades 1: Standard	78,263,853	-	-	-	78,263,853
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	886,930	-	886,930
Carrying amount	**78,263,853**	**-**	**886,930**	**-**	**79,150,783**
Financial assets at amortised cost (Agency outstanding net deposits)					
Grades 1: Standard	-	-	-	-	-
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade 4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	5,066,678	-	5,066,678
Carrying amount		**-**	**5,066,678**	**-**	**5,066,678**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.5.3.1 CREDIT QUALITY OF FINANCIAL ASSETS MEASURED AT AMORTISED COST (cont.)

INFLATION ADJUSTED					
Dec 2018	12- Month ECL ZWL	Lifetime ECL Not credit impaired ZWL	Lifetime ECL Credit impaired ZWL	Purchased/ originated Credit impaired ZWL	Total ZWL
Financial assets at amortised cost (loans and advances)					
Grades 1: Standard	698,036,521	-	-	-	698,036,521
Grades 2: Special mention	-	10,386,010	12,694,013	-	23,080,023
Grade 3: Substandard	-	-	3,401,950	-	3,401,950
Grade4: Doubtful	-	-	3,010,486		3,010,486
Grade 5: Loss	-	-	37,860,670	-	37,860,670
Carrying amount	**698,036,521**	**10,386,010**	**56,967,119**	**-**	**765,389,650**
Financial assets at amortised cost (Treasury investments)					
Grades 1: Standard	85,966,667	-	-	-	85,966,667
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	5,947,511	-	5,947,511
Carrying amount	**85,966,667**	**-**	**5,947,511**	**-**	**91,914,178**
Financial assets at amortised cost (Agency outstanding net deposits)					
Grades 1: Standard	-	-	-	-	-
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	38,253,755	-	38,253,755
Carrying amount		**-**	**38,253,755**	**-**	**38,253,755**

HISTORICAL					
Dec 2019	12- Month ECL ZWL	Lifetime ECL Not credit impaired ZWL	Lifetime ECL Credit impaired ZWL	Purchased/ originated Credit impaired ZWL	Total ZWL
Financial assets at amortised cost (loans and advances)					
Grades 1: Standard	131,767,647	-	-	-	131,767,647
Grades 2: Special mention	-	6,322,962	7,728,064	-	14,051,026
Grade 3: Substandard	-	-	177,384	-	177,384
Grade4: Doubtful	-	-	127,924		127,924
Grade 5: Loss	-	-	4,910,981	-	4,910,981
Carrying amount	**131,767,647**	**6,322,962**	**12,944,353**	**-**	**151,034,962**
Financial assets at amortised cost (Treasury investments)					
Grades 1: Standard	78,263,853	-	-	-	78,263,853
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade 4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	886,930	-	886,930
Carrying amount	**78,263,853**	**-**	**886,930**	**-**	**79,150,783**
Financial assets at amortised cost (Agency outstanding net deposits)					
Grades 1: Standard	-	-	-	-	-
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade 4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	5,066,678	-	5,066,678
Carrying amount		**-**	**5,066,678**	**-**	**5,066,678**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.5.3.1 CREDIT QUALITY OF FINANCIAL ASSETS MEASURED AT AMORTISED COST (cont.

Dec 2018	12- Month ECL ZWL	Lifetime ECL Not credit impaired ZWL	Lifetime ECL Credit impaired ZWL	Purchased/ originated Credit impaired ZWL	Total ZWL
Financial assets at amortised cost (loans and advances)					
Grades 1: Standard	112,380,805	-	-	-	112,380,805
Grades 2: Special mention	-	1,697,576	2,018,206	-	3,715,782
Grade 3: Substandard	-	-	547,699	-	547,699
Grade4: Doubtful	-	-	484,675		484,675
Grade 5: Loss	-	-	6,095,402	-	6,095,402
Carrying amount	**112,380,805**	**1,697,576**	**9,145,982**	**-**	**123,224,363**
Financial assets at amortised cost (Treasury investments)					
Grades 1: Standard	59,264,029	-	-	-	59,264,029
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	957,523	-	957,523
Carrying amount	**59,264,029**	**-**	**957,523**	**-**	**60,221,552**
Financial assets at amortised cost (Agency outstanding net deposits)					
Grades 1: Standard	-	-	-	-	-
Grades 2: Special mention	-	-	-	-	-
Grade 3: Substandard	-	-	-	-	-
Grade4: Doubtful	-	-	-	-	-
Grade 5: Loss	-	-	6,158,686	-	6,158,686
Carrying amount		**-**	**6,158,686**	**-**	**6,158,686**

Treasury investments exclude Capitalisation treasury bills.

22.5.4 COLLATERAL HELD

The Bank holds collateral and other credit enhancements against its credit exposures.

The following table sets out the maximum exposure on financial instruments within the scope of IFRS 9's impairment model to credit risk as well as the impact of collateral and other credit enhancements on credit risk:

Dec 2019

Credit exposure per class of financial instrument	Maximum exposure to credit risk	Recognised loss allowance	Collateral held as security	Other credit enhance-ments	Principal type of collateral held
Loans and advances	151,034,962	12,283,940	17,514,625	-	Mortgage bond over immovable property
Treasury investments	94,851,339	1,910,,432	30,309,887	-	Treasury bills, Government bonds, Savings bonds
Other receivables	5,066,678	-	8,320,000	-	Mortgage bond over immovable property

Dec 2018

Credit exposure per class of financial instrument	Maximum exposure to credit risk	Recognised loss allowance	Collateral held as security	Other credit enhance-ments	Principal type of collateral held
Loans and advances	123,224,363	10,855,358	6,538,246	-	Mortgage bond over immovable property
Treasury investments	75,019,330	1,657,434	4,400,000	-	Treasury bills
Other receivables	6,158,686	2,715,966	8,320,000	-	Mortgage bond over immovable property

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For money market assets, treasury bills are held.
- For loans and advances, mortgage bonds over immovable properties, cash covers, treasury bills and notarial general covering bonds are held.
- For other receivables, mortgage bonds over immovable properties are held.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.5.4 COLLATERAL HELD (cont.)

The Bank held collateral as detailed below:

	Dec-19 ZWL	Dec-18 ZWL
Mortgage bonds over immovable property	17,514,625	6,538,246
Treasury bills	17,800,000	4,400,000
Government bonds	10,100,000	-
Savings bonds	2,409,887	-
	47,824,512	**10,938,246**

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

22.5.4.1 ASSETS OBTAINED BY TAKING POSSESSION OF COLLATERAL

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

Nature of collateral obtained	2019 (Carrying value)	2018 Carrying value)
Immovable property	NIL	39,379

It is the Bank's policy to dispose of repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The Bank did not take possession of collateral in the form of immovable property during the year (ZWL39,379: 2018).

22.5.5 CARRYING AMOUNT OF ASSETS WHOSE TERMS HAVE BEEN RENEGOTIATED

The Bank did not have any re-negotiated loans during the year (2018: Nil).

22.6 LIQUIDITY RISK

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

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

The Bank's management of liquid assets is designed to ensure adequate liquidity even in very highly stressed scenarios.

The Bank also manages this risk through adherence to assets and liability management processes and requirements which are driven by the relevant management and Board committees.

22.6.1 LIQUID ASSET RATIO

The Bank is required to keep a minimum regulatory liquidity ratio of 30%, according to the Reserve Bank of Zimbabwe guidelines. The liquid asset ratio was 76% as at 31 December 2019 (60%: December 2018). Capitalisation treasury bills are excluded from liquid assets.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.6.2 LIQUIDITY GAP ANALYSIS

The following liquidity gap analysis shows the extent to which the Bank was exposed to liquidity risk as at December 31, 2019;

INFLATION ADJUSTED

Dec - 19

ASSETS	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Total ZWL
Cash and cash equivalents	185,343,730	-	-	-	-	185,343,730
Advances	7,905,164	2,158,605	13,225,031	122,527,757	5,218,405	151,034,962
Money market Investments	33,712,247	41,804,604	-	2,606,133	16,728,355	94,851,339
	226,961,141	**43,963,209**	**13,225,031**	**125,133,890**	**21,946,760**	**431,230,031**
LIABILITIES						
Deposits	210,664,790	51,039,053	47,826,031	25,257,283	-	334,767,157
	210,664,790	**51,039,053**	**47,826,031**	**25,257,283**	**-**	**334,767,157**
Liquidity gap	16,316,351	(7,075,844)	(34,601,000)	99,876,607	21,946,760	96,462,874
Cumulative gap	16,316,351	9,240,507	(25,360,493)	74,516,114	96,462,874	96,462,874

Dec-18

ASSETS	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Total ZWL
Cash and cash equivalents	350,688,751	-	-	-	-	350,688,751
Advances	54,198,562	131,361,999	304,138,789	244,684,577	31,005,728	765,389,655
Money market Investments	18,465,000	12,518,717	159,823,585	176,865,821	98,298,202	465,971,325
	423,352,313	**143,880,716**	**463,962,374**	**421,550,398**	**129,303,930**	**1,582,049,731**
LIABILITIES						
Deposits	113,147,229	252,696,128	373,837,024	411,701,051	-	1,151,381,432
	113,147,229	**252,696,128**	**373,837,024**	**411,701,051**	**-**	**1,151,381,432**
Liquidity gap	310,205,084	(108,815,412)	90,125,350	9,849,347	129,303,930	430,668,299
Cumulative gap	310,205,084	201,389,672	291,515,022	301,364,369	430,668,299	430,668,299

HISTORICAL

Dec - 19

ASSETS	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Total ZWL
Cash and cash equivalents	185,343,730	-	-	-	-	185,343,730
Advances	7,905,164	2,158,605	13,225,031	122,527,757	5,218,405	151,034,962
Money market Investments	33,712,247	41,804,604	-	2,606,133	16,728,355	94,851,339
	226,961,141	**43,963,209**	**13,225,031**	**125,133,890**	**21,946,760**	**431,230,031**
LIABILITIES						
Deposits	210,664,790	51,039,053	47,826,031	25,257,283	-	334,767,157
	210,664,790	**51,039,053**	**47,826,031**	**25,257,283**	**-**	**334,767,157**
Liquidity gap	16,316,351	(7,075,844)	(34,601,000)	99,876,607	21,946,760	96,462,874
Cumulative gap	16,316,351	9,240,507	(25,360,493)	74,516,114	96,462,874	96,462,874

Dec-18

ASSETS	Up to 1 month ZWL	1 to 3 months ZWL	3 months to 1 year ZWL	1 year to 5 years ZWL	Above 5 years ZWL	Total ZWL
Cash and cash equivalents	56,459,344	-	-	-	-	56,459,344
Advances	8,725,730	21,148,703	48,965,005	39,393,139	4,991,786	123,224,363
Money market Investments	2,972,784	2,015,458	25,730,893	28,474,618	15,825,577	75,019,330
	68,157,858	**23,164,161**	**74,695,898**	**67,867,757**	**20,817,363**	**254,703,037**
LIABILITIES						
Deposits	18,228,165	40,709,674	60,225,630	66,325,573	-	185,489,042
	18,228,165	**40,709,674**	**60,225,630**	**66,325,573**	**-**	**185,489,042**
Liquidity gap	49,929,693	(17,545,513)	14,470,268	1,542,184	20,817,363	69,213,995
Cumulative gap	49,929,693	32,384,180	46,854,448	48,396,632	69,213,995	69,213,995

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.7 MARKET RISK

Market risk is the potential impact on earnings caused by unfavorable changes in market prices, interest rates and foreign exchange rates.

22.8 PRICE RISK

Equity price risk is the possibility of loss arising from adverse movements in equity prices due to market volatility. This has the effect of affecting the fair value of scrip investments and hence the size of the Bank's statement of financial position and shareholder's value.

Changes on the equity market would have effect on financial assets at fair value through other comprehensive income and mark-to-market reserves on the Statement of financial position through fluctuations in the fair values of the equities as shown in the information below:-

INFLATION ADJUSTED

Dec - 19	Fair value as at 31-12-2019 ZWL	10% increase in price ZWL	5% Decrease in price ZWL
Financial assets at fair value through other comprehensive income	5,895,703	6,485,273	5,600,916
Increase/(decrease)		589,570	(294,787)

Dec-18	Fair value as at 31-12-2018 ZWL	10% increase in price ZWL	5% Decrease in price ZWL
Financial assets at fair value through other comprehensive income	39,299,821	43,229,804	37,334,823
Increase/(decrease)		3,929,983	(1,964,998)

HISTORICAL

Dec - 19	Fair value as at 31-12-2019 ZWL	10% increase in price ZWL	5% Decrease in price ZWL
Financial assets at fair value through other comprehensive income	5,895,703	6,485,273	5,600,916
Increase/(decrease)		589,570	(294,787)

Dec-18	Fair value as at 31-12-2018 ZWL	10% increase in price ZWL	5% Decrease in price ZWL
Financial assets at fair value through other comprehensive income	6,327,098	6,959,808	6,010,743
Increase/(decrease)		632,710	(316,355)

22.9 INTEREST RATE RISK

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.9.1 INTEREST RATE RE-PRICING GAP ANALYSIS

The following interest rate re-pricing gap analysis shows the extent to which the Bank was exposed to interest rate risk as at December 31, 2019;

			INFLATION ADJUSTED				
Dec - 19	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Above 5 years**	**Non-interest bearing**	**Total**
ASSETS	**ZWL**	**ZWL**	**ZWL**	**ZWL**	**ZWL**	**ZWL**	**ZWL**
Cash and cash equivalents	-	-	-	-	-	185,343,730	185,343,730
Advances and Other assets	7,905,164	2,158,605	13,225,031	122,527,757	5,218,405	49,372,927	200,407,889
Investments	33,712,247	41,804,604	-	2,606,133	16,728,355	51,509,847	146,361,186
Property, plant and equipment	-	-	-	-	-	80,445,887	80,445,887
Right of use assets	-	-	-	-	-	14,530,841	14,530,841
Intangible assets	-	-	-	-	-	51,048,446	51,048,446
	41,617,411	**43,963,209**	**13,225,031**	**125,133,890**	**21,946,760**	**432,251,678**	**678,137,979**
EQUITY AND LIABILITIES							
Deposits and other liabilities	210,644,790	51,039,053	47,826,031	25,257,283	-	67,429,057	402,196,214
Reserves	-	-	-	-	-	275,941,765	275,941,765
	210,644,790	**51,039,053**	**47,826,031**	**25,257,283**	**-**	**343,370,822**	**678,137,979**
Interest rate re-pricing gap	(169,027,379)	(7,075,844)	(34,601,000)	99,876,607	21,946,760	88,880,856	-
Cumulative gap	(169,027,379)	(176,103,223)	(210,704,223)	(110,827,616)	(88,880,856)	-	-

Dec-18	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Above 5 years**	**Non-interest bearing**	**Total**
ASSETS	**ZWL**	**ZWL**	**ZWL**	**ZWL**	**ZWL**	**ZWL**	**ZWL**
Cash and cash equivalents	-	-	-	-	-	350,688,751	350,688,751
Advances and other assets	54,198,562	131,361,999	304,138,789	244,684,577	31,005,728	15,926,345	781,361,000
Investments	18,465,002	12,518,717	159,823,585	176,865,821	98,298,202	70,574,375	536,545,702
Property, plant and equipment	-	-	-	-	-	96,802,971	96,802,971
Intangible assets	-	-	-	-	-	25,664,330	25,664,330
	72,663,564	**143,880,716**	**463,962,374**	**421,550,398**	**129,303,930**	**559,656,772**	**1,791,017,754**
EQUITY AND LIABILITIES							
Deposits and other liabilities	113,221,514	252,862,037	374,082,471	411,971,353	-	93,312,136	1,245,449,511
Reserves	-	-	-	-	-	545,568,243	545,568,243
	113,221,514	**252,862,037**	**374,082,471**	**411,971,353**	**-**	**638,880,379**	**1,791,017,754**
Interest rate re-pricing gap	(40,557,950)	(108,981,321)	89,879,903	9,579,045	129,303,930	(79,223,607)	-
Cumulative gap	(40,557,950)	(149,539,270)	(59,659,369)	(50,080,323)	79,223,607	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.9.1 INTEREST RATE RE-PRICING GAP ANALYSIS (cont.)

	HISTORICAL						
Dec - 19	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Above 5 years**	**Non-interest bearing**	**Total**
ASSETS	**ZWL**	**ZWL**	**ZWL**	**ZWL**	**ZWL**	**ZWL**	**ZWL**
Cash and cash equivalents	-	-	-	-	-	185,343,730	185,343,730
Advances and Other assets	7,905,164	2,158,605	13,225,031	122,527,757	5,218,405	24,797,612	175,832,574
Investments	33,712,247	41,804,604	-	2,606,133	16,728,355	51,509,847	146,361,186
Property, plant and equipment	-	-	-	-	-	80,445,887	80,445,887
Right of use assets	-	-	-	-	-	2,782,728	2,782,728
Intangible assets	-	-	-	-	-	51,048,446	51,048,446
	41,617,411	**43,963,209**	**13,225,031**	**125,133,890**	**21,946,760**	**395,928,250**	**641,814,551**
EQUITY AND LIABILITIES							
Deposits and other liabilities	210,644,790	51,039,053	47,826,031	25,257,283	-	54,932,856	389,700,013
Reserves	-	-	-	-	-	252,114,538	252,114,538
	210,644,790	**51,039,053**	**47,826,031**	**25,257,283**	**-**	**307,047,394**	**641,814,551**
Interest rate re-pricing gap	(169,027,379)	(7,075,844)	(34,601,000)	99,876,607	21,946,760	88,880,856	-
Cumulative gap	(169,027,379)	(176,103,223)	(210,704,223)	(110,827,616)	(88,880,856)	-	-

Dec-18	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Above 5 years**	**Non-interest bearing**	**Total**
ASSETS	**ZWL**	**ZWL**	**ZWL**	**ZWL**	**ZWL**	**ZWL**	**ZWL**
Cash and cash equivalents	-	-	-	-	-	56,459,344	56,459,344
Advances and other assets	8,725,730	21,148,703	48,965,005	39,393,139	4,991,786	2,564,072	125,788,435
Investments	2,972,784	2,015,458	25,730,893	28,474,618	15,825,577	11,362,164	86,381,494
Property, plant and equipment	-	-	-	-	-	5,606,670	5,606,670
Intangible assets	-	-	-	-	-	2,452,057	2,452,057
	11,698,514	**23,164,161**	**74,695,898**	**67,867,757**	**20,817,363**	**90,102,276**	**288,345,969**
EQUITY AND LIABILITIES							
Deposits and other liabilities	18,228,165	40,709,674	60,225,630	66,325,573	-	15,022,843	200,511,885
Reserves	-	-	-	-	-	87,834,084	87,834,084
	18,228,165	**40,709,674**	**60,225,630**	**66,325,573**	**-**	**102,856,927**	**288,345,969**
Interest rate re-pricing gap	(6,529,651)	(17,545,513)	14,470,268	1,542,184	20,817,363	(12,745,651)	-
Cumulative gap	(6,629,651)	(24,075,164)	(9,604,896)	(8,062,712)	12,745,651	-	-

22.10 FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that arises from adverse changes or movements in foreign exchange rates and emanates from a mismatch between foreign currency inflows and outflows.

The foreign currency position of the Bank expressed in ZWL as at December 31, 2019 was as follows;

	INFLATION ADJUSTED							
Dec - 19	**TOTAL (ZWL)**	**ZWL**	**US$**	**ZAR**	**BWP**	**GBP**	**EURO**	**JPY**
Total assets	**678,137,979**	695,513,963	29,829,313	1,440,519	(12,196)	50,338	512,620	6,992
Total equity and liabilities	**678,137,979**	669,477,533	7,895,332	1,143,672	900	8,588	(388,046)	-
Dec - 18	**TOTAL (ZWL)**	**ZWL**	**US$**	**ZAR**	**BWP**	**GBP**	**EURO**	
Total assets	**1,791,017,754**	1,765,491,483	13,167,566	11,324,024	9,609	351,600	667,099	6,373
Total equity and liabilities	**1,791,017,754**	1,789,551,242	209,223	1,648,629	1,776	7,262	(400,378)	-

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.10 FOREIGN EXCHANGE RISK (cont.)

		HISTORICAL						
Dec - 19	**TOTAL (ZWL)**	**ZWL**	**US$**	**ZAR**	**BWP**	**GBP**	**EURO**	**JPY**
Total assets	**641,814,551**	609,986,965	29,829,313	1,440,519	(12,196)	50,338	512,620	6,992
Total equity and liabilities	**641,814,551**	633,154,105	7,895,332	1,143,672	900	8,588	(388,046)	-
Dec - 18	**TOTAL (ZWL)**	**ZWL**	**US$**	**ZAR**	**BWP**	**GBP**	**EURO**	**JPY**
Total assets	**288,345,969**	284,236,352	2,119,920	1,823,118	1,547	56,606	107,400	1,026
Total equity and liabilities	**288,345,969**	288,109,867	33,684	265,422	286	1,169	(64,459)	-

The exchange rates applicable during the financial period were as follows:

	Dec-19	**Dec-18**
US$	16.7734	2.5
ZAR	0.8421	5.7724
Pula	0.6359	4.2899
GBP	21.9975	3.1725
Euro	18.7954	2.8567
JPY	6.4810	44.1656

22.11 OPERATIONAL RISK

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

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

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

22.12 REPUTATIONAL RISK

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

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

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

22.13 CAPITAL RISK

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

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

22.14 COMPLIANCE AND LEGAL RISK

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

The Bank manages this risk by having a compliance policy framework, aligned to the Bank's business model. The policy is regularly reviewed by the Bank risk management department and any incident of non-compliance is reported to the Board for the requisite corrective action.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

For the year ended December 31, 2019

22.15 STRATEGIC RISK

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

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

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

23. CAPITAL MANAGEMENT

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

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

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

In 2015, the Bank received additional capital from the shareholder worth $12.28 million in the form of 10 year treasury bills with a maturity value of $20 million. In 2018, the shareholder recapitalized the Bank with capital equivalent to the dividend declared of $1.92 million.

23.1 CAPITAL ADEQUACY

The capital adequacy of the Bank as at 31 December 2019 was as follows:

	INFLATION ADJUSTED		HISTORICAL	
	Dec-19 ZWL	Dec-18 ZWL	Dec-19 ZWL	Dec-18 ZWL
Share capital	145,033,447	145,033,447	23,349,746	23,349,746
Mark- to-market reserves	-	-	4,600,349	5,045,828
Revenue reserves	130,908,318	400,534,796	109,012,337	40,972,948
Advances to insiders	-	-	-	-
Capital allocated to market and operational risk	-	-	-	-
Tier 1 Capital	**275,941,765**	**545,568,243**	**136,962,432**	**69,368,522**
Revaluation Reserves	-	-	98,567,881	406,832
Functional currency translation reserve	-	-	16,584,225	18,058,730
Tier 1 & 2 Capital	**275,941,765**	**545,568,243**	**252,114,538**	**87,834,084**
Tier 3 Capital allocated for market and operational risk	**-**	**-**	**-**	**-**
Risk weighted assets	**619,041,139**	**1,258,990,919**	**358,437,832**	**207,556,067**
Tier 1%	44.58%	43.33%	38.21%	33.42%
Tier 2%	0.00%	0.00%	32.13%	8.90%
Tier 3%	0.00%	0.00%	0.00%	0.00%
Capital adequacy ratio	**44.58%**	**43.33%**	**70.34%**	**42.32%**
RBZ Minimum required capital adequacy ratio	**12%**	**12%**	**12%**	**12%**

24. EVENTS AFTER REPORTING PERIOD

On 30 January 2020, the World Health Organisation (WHO) declared the COVID 19 pandemic a "Public Health Emergency of International Concern". This pandemic saw many countries implementing lock down measures in order to contain the spread of the disease. At national level, The Government of Zimbabwe declared COVID 19 a national disaster. On 27 March 2020, the Government ordered a 21 day national lockdown from the 30th of March 2020 which resulted in the total shut down of most businesses except essential services.

The Bank took various measures that were necessary to protect its employees, customers as well as the communities surrounding its operations, some of which were:

- Decongesting the work place by ensuring some employees work from their homes.
- Providing employees with suitable protective clothing.
- Sanitising all public areas.
- Rationalising branch network by temporarily closing some branches.
- Encouraging customers to utilize digital delivery channels.
- Revamping agency banking platforms.
- Suspending unnecessary capital and operating expenditure.

As at the date of approval of the financial statements, the Bank had not established any significant impact on its operations as a result of the pandemic, however active monitoring of the situation remains key so as to enable management to react swiftly to any possible outcome which may affect business continuity and sustainability.

NOTES

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