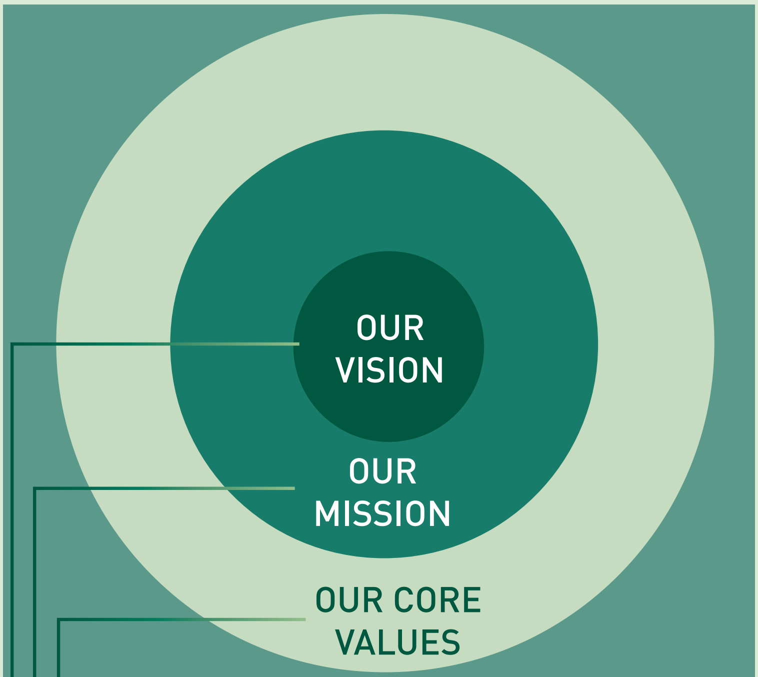
ZB FINANCIAL HOLDINGS

Annual Report 2019

CONTENTS

VISION, MISSION AND VALUES



To be a leading global financial services Group.

Passionate focus on creation of unparalleled value for our stakeholders.

- Accountability
- Empathy
- Excellence
- Innovation
- Integrity

CORPORATE INFORMATION

ZB FINANCIAL HOLDINGS LIMITED
Registered Office
21 Natal Road
Avondale
Harare
Telephone: +263 (0) 867 700 2001
E-mail: zb@zb.co.zw
Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

Company Registration Number
1278/89

Date of Incorporation
29 May 1989

Acting Group Company Secretary
D Shomwe

Auditors
Deloitte & Touche Zimbabwe
West Block
Borrowdale Office Park
Borrowdale Road
Borrowdale
P O Box 267
Harare
Zimbabwe
Tel: +263 (0) 867 700 0261
Fax: +263 - 4 - 852130
Web address: www.deloitte.com

Board of Directors
P Chiromo (Acting Chairman)
R Mutandagayi (Group Chief Executive)
F Kapanje (Group Finance Director)
O Akerele
T S Bvurere
A Makamure
A Z Mangwiro
K Maukazuva
J Mutevedzi
P B Nyoni
T Sibanda

Notice to Shareholders

NOTICE IS HEREBY GIVEN THAT the 31st Annual General Meeting of the shareholders of ZB Financial Holdings Limited will be held in the Board Room, Ground Floor, 21 Natal Road, Avondale, Harare, on Thursday 30 July 2020, commencing at 1030 hours to transact the following business:

ORDINARY BUSINESS

1. Financial Statements and Statutory Reports

To receive, consider, and adopt, if deemed appropriate, the financial statements, and the reports of the directors and auditor for the year ended 31 December 2019.

2. Dividend

To confirm the final dividend of ZW6.49 cents per ordinary share as recommended by the board.

3. Directorate

i) In terms of Article 68 of the Company's Articles of Association, Messrs Olatunde Akerele and Peter Baka Nyoni, retire by rotation and, being eligible, offer themselves for re-election at the meeting. Unless otherwise resolved, the election of the directors will be done by separate resolution for each director.

Mr Olatunde Akerele is an experienced banker and finance professional who has gained experience with blue chip financial institutions. During the course of his career he has gained extensive experience in operations management, corporate banking, asset based finance and risk management. He graduated from the London School of Economics with an LLB (Hons.) and has an MBA from Columbia Business School. He currently works in the infrastructure space and is working with a consortium to develop power plants across Africa.

Mr Peter Baka Nyoni served as Oxfam UK Country Representative for Zimbabwe for eight years and as Development Consultant to the Netherlands Development Organisation (NOVIB). He has also served as a Board Member of the Cold Storage Company for seven years and New Ziana (Pvt) Ltd. His academic and professional qualifications include a BA Combined Hons in Theology and African Studies (Birmingham University, UK), an MA in Education (Lancaster University, UK); the PGCE (PostGrad Certificate in Education) and an MBA of the National University of Science and Technology (NUST) (Zimbabwe).

ii) Professor Charity Manyeruke resigned from the Board on 1 September 2019.

4. Remuneration of Directors

To approve the remuneration of Directors for the past financial year.

The total remuneration for the Directors of the Company in 2019 amounted to ZW$125 654 (2018:- ZW$58 572).

Notice to Shareholders (continued)

5. External Auditors

5.1 To approve the fees paid to Deloitte & Touche (Zimbabwe), the Company's Auditor for the past financial year, in terms of Article 112 of the Articles of the Company;

5.2 To note the retirement of Deloitte & Touche (Zimbabwe) as Auditor of the Company in compliance with Section 41(4) of the Banking Act [Chapter 24:20]; and

5.3 To approve the process for the appointment of a new Auditor of the Company.

Note: The new Auditor will be appointed through a competitive tender process which will be managed by the Board through the Board Audit Committee. These processes could not be completed due to the national lockdown implemented to combat the spread of COVID-19. The appointment of the Auditor in the manner above will be subject to ratification at the next Annual General Meeting.

SPECIAL BUSINESS

6.1 Amendment of the Company's Articles of Association to substitute any reference to "the Companies Act" with "the Companies and Other Business Entities Act"

To consider, and if deemed appropriate, to pass with or without amendment, the following special resolution:-

That the Company's Articles of Association be amended as follows:

All references to the Companies Act shall mean the Companies and Other Business Entities Act [Chapter 24:31] or its successor legislation

6.2 Amendment of the Company's Articles of Association to allow for electronic communication with shareholders and the holding of virtual meetings of members.

To consider, and if deemed appropriate, to pass with or without amendment, the following special resolutions:-

That the Company's Articles of Association be amended as follows;

Article 29

To add the following at the end of the article:

"The Company may hold virtual meetings of members through the use of any electronic communication media including video or telephone conferencing. Resolutions passed at the virtual meetings shall be binding as if they were passed at physical meetings."

Notice to Shareholders (continued)

Article 114

To delete Article 114 in its entirety and substitute it with the following:

"(a) All notices and documents may be given by the Company to any member either in written form or by electronic means (including through the delivery of optical media), and such notices and documents may be delivered to members either personally, or by electronic transmission, to the last electronic mail address provided by the member to the Company,or by sending it by post to the member at his/her registered postal address. Additionally, such notices and documents shall be posted on the Company's electronic website;

(b) Where a member requests a hard copy of any notice or document that is to be sent by the Company to members in terms of these Articles, then in such case, the notice or document shall be provided to the member in hard copy form; and

(c) Where at any time shares or stocks or debentures or other securities of the Company are listed on the Zimbabwe Stock Exchange, the Company may give notice of meetings, make announcements, publish information and distribute and deliver circulars and documents to members and the Zimbabwe Stock Exchange, in any manner and form as permitted and required by the regulations of the Zimbabwe Stock Exchange."

Article 119

To add the following at the end of the article:

"Where the Company does not have an up to date electronic mail address or registered postal address provided by the member to the Company, then in such case delivery of a notice and / or document on such a member shall be deemed to have been completed twenty – four (24) hours after such notice and / or document was posted by the Company on its electronic website".

ANY OTHER BUSINESS

7. To transact any other business as may be transacted at an Annual General Meeting.

NOTES

i. **Appointment of a Proxy**

In terms of the Companies and Other Business Entities Act (Chapter 24;31), a member entitled to attend, speak and vote at a meeting is entitled to appoint a proxy to attend, speak and vote in his / her stead.

The proxy form must be delivered to the registered office of the Company not less than 48 hours before the meeting is scheduled to commence.

A proxy need not be a member of the Company.

Notice to Shareholders (continued)

ii. General Information

a) The minutes of the last Annual General Meeting held on 28 June 2019 are available for inspection at the Company's registered office.

b) Electronic copies of the Company's 2019 Annual Report comprising of the Directors' Report, the Independent Auditor's Report and the Consolidated and Company's financial statements for the year ended 31 December 2019, can be accessed on the Company's website https://www.zb.co.zw/investor-updates/. Copies have been emailed to shareholders whose e-mail addresses are on record.

c) In light of the COVID-19 outbreak in the country and in compliance with Statutory Instrument 83 of 2020, Public Health (COVID-19) Prevention, Containment and Treatment[National Lockdown Order]2020, as amended, all requisite steps will be taken to protect the health and safety of shareholders and attendees including the following:
   - i) Entry to the venue will be restricted to the number permissible at law and seating will be arranged appropriately;
   - ii) Temperature checks and hand sanitization will be conducted at point of entry;
   - iii) No one will be permitted entry without a mask;
   - iv) Contact details of attendees will be collected in order to facilitate contact tracing in the unlikely event of infections;
   - v) In order to reduce social contact,we regret that no refreshments will be served at the meeting; and
   - vi) Attendees are encouraged to minimise interactions before and after the meeting.

d) Physical attendance will be difficult for some shareholders and non shareholder attendees due to the above. The Company will therefore facilitate electronic participation at the meeting for any such affected members, subject to the requirement that any voting for such members must be through a duly executed form of proxy to be received by the company in the manner prescribed under the "Appointment of a Proxy" section above.

Members requiring log on credentials or any other assistance with regard to electronic participation at the meeting should contact ZB Transfer Secretaries on 08677002001 or 0242 2934 585. In the alternative, e-mails can be sent to Mr Robert Mutakwa (rmutakwa@zb.co.zw) or Mr Samuel Chatitima (schatitima@zb.co.zw).

By order of the Board

D. Shomwe (Mrs)
Acting Group Secretary
24 June 2020
First Floor, 21 Natal Road
Avondale
HARARE

Shareholder Information

ANALYSIS OF SHAREHOLDERS as at 31 December 2019

Size of shareholding	No of Holders	% of Total Holders	No of Shares	% of Total shares
1-500	230	16.56	48 087	0.03
501-1000	462	33.26	264 849	0.15
1001-10000	355	25.56	1 478 416	0.84
10001-20000	208	14.97	2 934 909	1.68
20001-50000	79	5.69	2 120 476	1.21
50001-100000	8	0.58	558 364	0.32
100001-500000	26	1.87	5 660 929	3.23
500001-10000000	17	1.22	30 537 604	17.43
10000001+	4	0.29	131 587 008	75.11
Totals	1 389	100.00	175 190 642	100.00

ANALYSIS BY CATEGORY

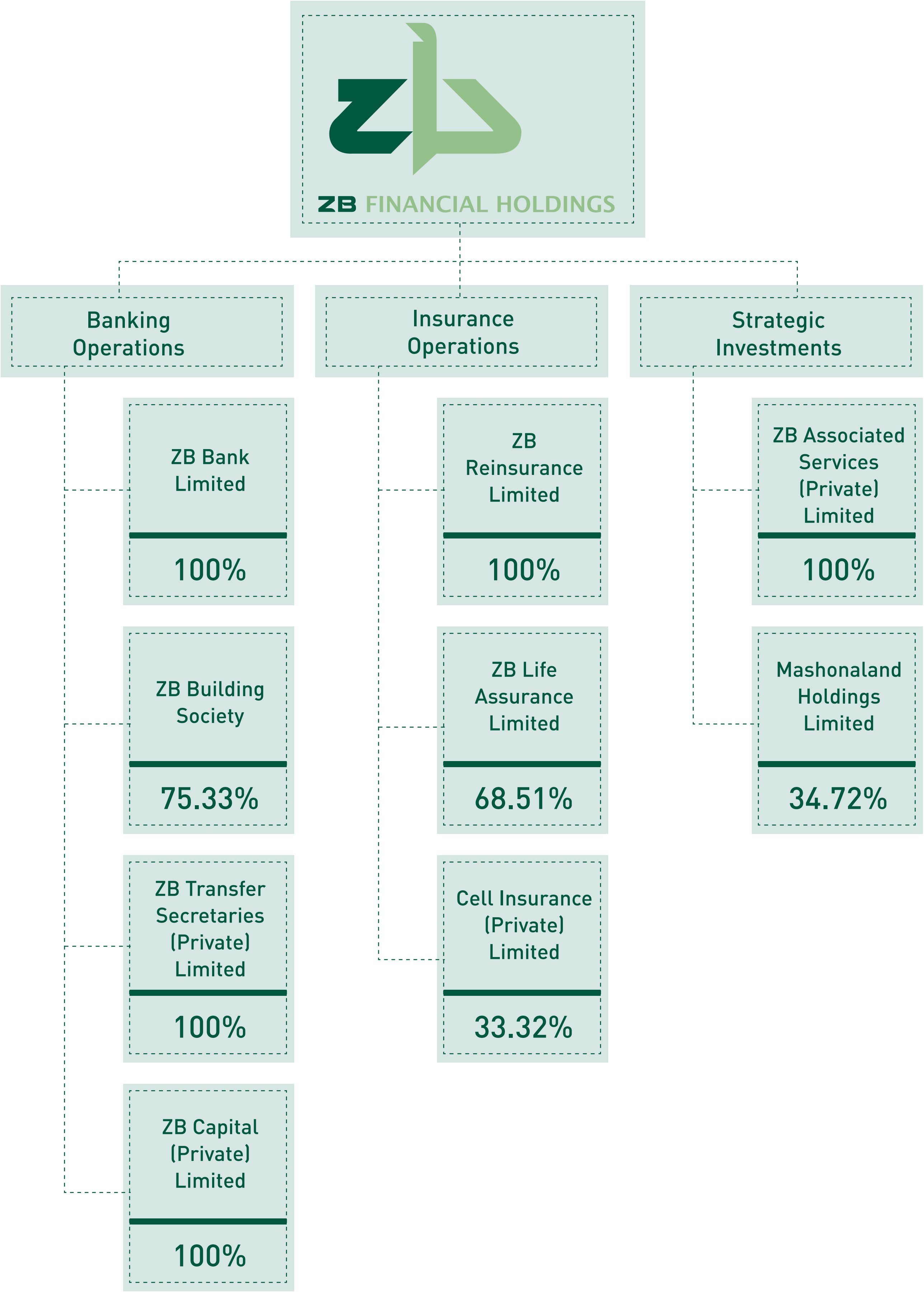
Category	No of Holders	% of Total Holders	No of Shares	% of Total shares
COMPANIES	125	9.00	151 830 342	86.67
FCDA RESIDENT AND NEW NON RESIDENT	19	1.37	168 806	0.10
INDIVIDUALS	1 181	85.03	12 841 024	7.33
INSURANCE COMPANIES	3	0.22	103 560	0.06
INVESTMENT, TRUST AND PROPERTY COMPANIES	9	0.65	509 578	0.29
NOMINEE COMPANY	25	1.80	5 061 920	2.89
PENSION FUNDS	27	1.93	4 675 412	2.66
Totals	1 389	100.00	175 190 642	100.00

TOP TEN SHAREHOLDERS AS AT 31 DECEMBER 2019

Shareholder's Name	No of Shares	% Shareholding
NATIONAL SOCIAL SECURITY AUTHORITY	66 196 080	37.79
TRANSNATIONAL HOLDINGS LIMITED	37 557 626	21.44
ZB FINANCIAL HOLDINGS LIMITED	17 667 740	10.08
OLD MUTUAL LIFE ASSURANCE OF ZIMBABWE LIMITED	10 178 562	5.81
MASHONALAND HOLDINGS LIMITED	5 281 975	3.01
FINHOLD GROUP STAFF TRUST	5 273 438	3.01
GOVERNMENT OF ZIMBABWE	3 619 575	2.07
LHG MALTA HOLDINGS LIMITED	3 697 457	2.11
GURAMATUNHU FAMILY TRUST	2 633 917	1.50
MINISTRY OF FINANCE	2 009 157	1.15
Total Holding of Top 10 Shareholders	154 115 527	87.97
Remaining Holding	21 075 115	12.03
Total Issued Shares	175 190 642	100.00

Group Corporate Structure

The Group's business focus areas and significant entities operating thereunder are as follows:-



Company and Product Profile

ZB Financial Holdings Limited (ZBFH) was incorporated in May 1989, as the holding company for a group of companies providing commercial banking, merchant banking and other financial services since 1951.

The business of, products and services offered by its key operating subsidiaries are described below:

ZB Bank Limited

ZB Bank is the flagship operation of ZBFH. Banking operations commenced in 1951 when the Netherlands Bank of South Africa opened a branch in then Salisbury, now Harare. These operations, which were sold to the Netherlands Bank of Rhodesia in August of 1967, maintained a steady growth through acquisitions and expansion of operations. The Company changed its name to Rhodesia Banking Corporation Limited in 1972 and then Rhobank in 1979. After the acquisition of a majority shareholding in the Company by the Government of Zimbabwe in 1981 the Company changed its name to Zimbabwe Banking Corporation Limited. The Bank became a subsidiary of Zimbabwe Financial Holdings Limited (FINHOLD) in 1992 following a restructuring of operations in which non-banking operations were removed from the Bank. The Bank was renamed ZB Bank Limited in 2006 following the adoption of a monolithic brand by the Group. The Bank provides retail banking and corporate banking services.

Products and Services

Retail Banking
- Savings accounts
- Current accounts
- Call banking
- Bancassurance
- Personal loans
- Mortgage loans, and
- Home improvement loans
- Diaspora banking
- Agents banking

Micro-banking
- Micro business loans
- Savings accounts
- Advisory

Electronic Banking
- Internet banking
- Mobile banking
- Automated teller machines (ATMs)
- Point of Sale (POS) machines

Corporate Banking
- Agricultural financing
- Term loans
- Overdrafts
- Advisory services
- Corporate savings accounts
- Corporate current accounts
- Asset finance
- Premium finance
- Corporate mortgages

Treasury and Investments
- Fixed deposits
- Treasury bills
- Bankers acceptances
- Savings deposit account
- Foreign currency accounts
- Structured facilities
- Investments advisory services
- Project finance

International Banking
- Correspondent banking
- Commodity finance
- Import and export finance
- Exchange control and advisory services
- Clean documentary collections
- Documentary letters of credit
- Foreign lines of credit

Company and Product Profile (continued)

ZB Building Society

ZB Building Society was incorporated in Rhodesia (Zimbabwe) as Founders Building Society and received its trading licence in 1961. The Society changed its name to Intermarket Building Society and later to ZB Building Society, following the acquisition of a majority shareholding in Intermarket Holdings Limited (IHL) by ZBFH.

The main business of the Society is the mobilization of deposits from which it makes advances to the public and corporate bodies on the security of mortgages over immovable property, and loans to public and corporate bodies on the security of their deposits with the Society.

Products and Services

Savings products

- Cash connect plus
- Cash link accounts
- Senior citizens
- Student accounts
- Cash connect
- Club account corporate accounts
- Savings accounts
- FX target accounts
- Funeral cover

Investments Products

- Negotiable certificates of deposit
- Savings certificate of deposit
- Treasury bills
- Paid up permanent shares

Mortgage Products

- Flexi mortgages plan
- Flexi corporate plan
- Individual mortgage plan
- Corporate mortgage plan

ZB Capital (Private) Limited

ZB Capital (Private) Limited specialises in venture capital finance, corporate finance and advisory services.

The Corporate Finance & Advisory Services unit provides transaction evaluation, financing and deal management advice to private and public companies. The unit offers a considerable range of corporate finance services namely:

- Floatations and public offerings;
- Acquisitions and disposals;
- Takeovers and mergers;
- Capital raisings (both local and International);
- Research;
- Business proposal construction;
- Privatisation/ commercialisation advice;
- Rights offer and placements;
- Joint ventures;
- Management buy-outs;
- Valuations and appraisals;
- Private and public partnerships; and
- Project finance and management

ZB Life Assurance Limited

ZB Life Assurance Limited, then known as Southampton Insurance Company Limited, commenced operations in 1964 as a subsidiary of The African Life Assurance Society. After several reorganisations the Company became wholly owned by Southern Life Association of South Africa in 1985. In line with the local majority shareholding requirement of the Insurance Act, Southern Life reduced its stake in the Company to 49% in 1994. On 1 May 1998 Southern Life's remaining stake was sold to Intermarket Holdings Limited ("IHL") who became the major shareholder in the Company with a shareholding of 57%. In April 2002, the Company changed its name to Intermarket Life Assurance Limited.

After the acquisition of a majority shareholding in IHL by ZBFH, Intermarket Life Assurance Limited changed its name to ZB Life Assurance Limited on 1 July 2007.

ZB Life Assurance Limited (ZB Life) specializes in mobilizing financial resources and managing the process of wealth creation and protection through life assurance solutions.

ZB Life has two major product lines namely the Individual Life Business and the Employee Benefits Business, which comprises Defined Benefits and Defined Contribution Schemes.

Company and Product Profile (continued)

Individual Life Products

- Whole life policies
- Unit linked endowment policies
- Unit linked retirement annuity policies
- Variable immediate annuities
- With profits immediate annuities
- Term assurances
- Capital disability benefits
- Funeral assurance plans
- Hospital cash plan

Employee Benefits Products

ZB Life provides a unique offering in retirement benefits, through designing and managing:

- Employer sponsored occupational pension arrangements covering defined benefit and defined contribution plans as well as hybrids of the two.
- Group insured benefits schemes from group life assurance, group mortgage protection, group credit life assurance solutions right through to group funeral assurance plans.

Consultancy Services

ZB Life Assurance also offers solutions to a whole range of challenges relating to the provision of employee benefits. These include benefits design together with the impact of legislative, demographic as well as economic changes and other relevant social trends on the provision of employee benefits.

Consultancy service areas include

- Administration or secretarial
- Actuarial
- Insured risk benefits underwriting
- Investment

ZB Reinsurance Limited

ZB Reinsurance Limited (ZBRe) is the re-insurance arm of ZBFH, offering a diverse range of re-insurance services.

Established as Intermarket Reinsurance Limited in a joint venture between Hollandia Reinsurance of South Africa and Intermarket Holdings Limited in 1997, the company was renamed ZB Reinsurance subsequent to the acquisition of a majority shareholding in IHL by ZB Financial Holdings Group (ZBFH) in 2006.

ZBRe provides facultative and treaty reinsurance solutions and financial security to local and regional insurance companies, reinsurers, medical aid societies and special type clients/consortiums. It offers risk management solutions and technical reinsurance training to its clients.

ZBRe has over the years cultivated lasting partnerships with renowned insurance and reinsurance companies both regionally and internationally, with the view to ultimately entrenching a regional presence.

Products

ZB Reinsurance is active in the provision of both treaty and facultative business for the following classes:

- Fire
  This covers fire and allied perils, including business interruption insurance cover.
- Engineering
  Includes machinery breakdown, contractors all risks, electronic equipment, plant all risks, erection all risks as well as loss of profits.
- Motor
  This includes comprehensive cover and Third Party Insurance cover for personal and commercial lines.
- Marine
  This covers marine risks, both the hull and cargo including liabilities.
- Miscellaneous accident
- Fidelity guarantee
- Bonds and Guarantees
- Glass, money and casualty business, including liabilities and personal accident.

ZB Transfer Secretaries (Private) Limited

ZB Transfer Secretaries (Private) Limited is a wholly owned subsidiary of ZBFH incorporated on 31 December 2010 and provides services listed below:

- Scrip management
- Transfer secretarial services

ZB Associated Services (Private) Limited

This entity provides a wide range of security services to Group and non - Group customers. The entity was incorporated on 17 December 2009 and is 100% owned by ZBFH. Its services include:

- Cash in transit (CIT) services
- Guard services
- Investigations
- Security advisory services

Company and Product Profile (continued)

Associate Companies

Mashonaland Holdings Limited (Mash)

Mash is a listed company in which the Group controls 34.72% which is held between the life fund and proprietors of the business. Mash was incorporated in 1966 and its services include:-

- Property research and development:-
  The company has undertaken landmark developments which include significant residential, commercial and industrial projects.

- Property management:-
  The company is involved in the letting and maintenance of an owned portfolio of rental units.

Cell Insurance Company (Private) Limited (Cell)

ZBFH controls a stake of 33.32% in Cell, having become an equity partner in the business in 2007. Cell is a provider of short term insurance products specialising in the rent-a-cell concept.

Cell is also the technical partner to ZB Bank for the bancassurance products offered to customers through the bank's branch network.

Products

- Cell captive (Rent-a-Cell)
- Enterprise wide risk management
- Bancassurance
- Conventional short term insurance products
- Medical aid funds
- Medical services

Corporate Evolution Ladder

2008

Formed ZB Securities Limited, a stockbroking company active on the Zimbabwe Stock Exchange. This operation was discontinued in 2014.

2007

Acquisition of an associate interest (32%) in Cell Insurance Company (Cell) was completed. Cell is involved in the provision of short term insurance solutions, medical fund management and provision of medical services.

2007

Acquisition of a controlling interest in Intermarket Holdings Limited (IHL) (84.26%) was completed. IHL subsidiaries are involved in banking, life assurance, reinsurance and property management businesses.

2006

FINHOLD was renamed ZB Financial Holdings Limited with the objective of bringing all Group operations under one brand.

2004

Syfrets Asset Management Company (now ZB Asset Management) was formed to carry out fund management services in terms of the regulatory requirements. Operations were discontinued in 2014.

1996

Sybank was merged into Zimbank

1990

CONTINENTAL CAPITAL (PRIVATE) LIMITED

Continental Capital (Private) Limited (now ZB Capital) was formed in order to carry out venture capital activities for the Group.

1989

Zimbabwe Financial Holdings Limited (FINHOLD) was formed with the objective of bringing all subsidiary and associate companies under one Holding Company. This was executed in December of 1992. Zimbank was made a subsidiary of FINHOLD.

Corporate Evolution Ladder (continued)

1981

The Government acquired a 61% shareholding and the Company changed its name to Zimbabwe Banking Corporation Limited (Zimbank).

1979

Company changed name to Rhobank

1974

SYFRETS TRUST & EXECUTOR LIMITED

Acquired the entire shareholding of Syfrets Trust & Executor Limited

1972

RHODESIAN BANKING CORPORATION LIMITED

Company changed name to Rhodesian Banking Corporation Limited

1970

Company acquired interests in Willis Faber Syfrets (now Alexander Forbes Zimbabwe), a firm of local insurance brokers. Shareholding in Alexander Forbes was disposed of in 2014.

1967

Netherlands Bank of Rhodesia Limited incorporated and took over Rhodesian operations of Netherlands Bank of South Africa. Acquired the entire issued capital of Scottish Rhodesian Finance Limited (later known as Scotfin). Neficrho Limited (later known as Sybank), another wholly owned subsidiary was registered as a financial institution. Company obtained listing on the Rhodesia Stock Exchange.

1951

NETHERLANDS BANK OF SOUTH AFRICA

Foreign branch of Netherlands Bank of South Africa was opened in Salisbury (now Harare).

Corporate Governance Report

ZB Financial Holdings Limited (ZBFH) is listed on the Zimbabwe Stock Exchange (ZSE) and endeavours, at all times, to uphold principles of good corporate practice and conduct as enunciated in Zimbabwe's National Code on Corporate Governance. The Group also subscribes to the international corporate governance best practices recommended by the King III Report on Corporate Governance of South Africa and is similarly committed to observing the principles in the King IV Report that came into effect on 1 April 2017.

The Group also complies, at all material times, with the Continuing Listing Requirements of the ZSE, the Companies Act [Chapter 24:03], the Banking Act [Chapter 24:20], the Building Societies Act [Chapter 24:02], the Insurance Act [Chapter 24:07]], any regulations made under these acts, general laws governing trade in Zimbabwe, and the provisions of its own Memorandum and Articles of Association.

THE BOARD OF DIRECTORS

The Composition of the Board

The Board of Directors comprises two executive directors and ten non-executive directors. The Board Chairman is a non-executive director.

Prof. C. Manyeruke, the former Board Chairman resigned from the Board on 1 September 2019. Mrs Pamela Chiromo was appointed as the Acting Board Chairman with effect from 12 September 2019.

The Group's non-executive directors are appointed on the basis of their different skills and expertise to enable them to exercise independent competent judgement on the issues affecting the Group from time to time.

Article 68 of the company's articles of association requires one third of the company's directors to retire by rotation annually. Retiring directors are eligible to stand for re-election at regular intervals not exceeding three years.

The Group's operations are controlled by the Group Executive Committee, the Group Chief Executive, the Managing Directors of subsidiary companies and the respective company executive officers who are accountable, through regular reports, to the Board.

The Board's Role and Responsibilities

The Company has a Board Charter which governs the Board's roles and responsibilities. The Charter includes the following as part of the Board's broad mandate:

a. setting the strategic direction of ZBFH and monitoring the implementation of that strategy by ZBFH's management;
b. oversight of the Group, including its control and accountability systems;
c. appointing and removing the Group Chief Executive;
d. Board and Executive Management development and succession planning;
e. monitoring compliance with all relevant legal, tax and regulatory obligations; and
f. Reviewing and monitoring systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies.

Corporate Governance Report (continued)

Induction and Evaluation of Directors

New directors go through an induction process that focuses on their duties and responsibilities to the Company and its stakeholders. The Directors are informed of any new relevant legislation and changing commercial risks that affect the company.

Directors are aware that they are entitled to seek independent professional advice, where necessary and at the company's expense, on the affairs of the company in the furtherance of their duties. All directors have access to the company secretary who is responsible to the Board as a whole for ensuring company compliance with procedures and applicable statutes and regulations.

Board Committees

The Board's focus is on superintending over Group issues and formulating a strategy for the Group as a whole. In order to assist it in carrying out its mandate, the Board has the following standing Committees:

i. The Audit Committee
ii. The Information Technology Committee
iii. The Human Resources and Remuneration Committee
iv. The Nomination Committee
v. The Governance Risk and Compliance Committee
vi. The Strategy Committee; and
vii The Marketing Committee

The Group's Risk Committee was assigned the responsibility to oversee the Group's governance framework and was renamed "Governance, Risk and Compliance Committee". The Strategy and Marketing Committees were previously combined when the Board comprised inadequate directors to constitute the separate committees. The Board now has a full complement of directors to constitute separate committees in order for each committee to fully focus on strategy and marketing issues.

The Audit Committee

The Committee comprises three non- executive directors. Its terms of reference include:

a. To review the quality of financial information, interim and financial statements, and other public and regulatory reporting of the Group;
b. To review the annual report and accounts of the Group, to ensure that they present a balanced and understandable assessment of the position, performance and prospects of the Group;
c. To review the external auditor's proposed audit report;
d. To review the results of work performed by the internal audit function in relation to financial reporting, corporate governance, internal control, and any significant investigations and management responses; and
e. To review the co-ordination between the internal audit function and the external auditor and to deal with any issues of material or significant concern.

The Information Technology (IT) Committee

The Committee comprises four non-executive directors.

Its terms of reference include:

a. To review and approve Group IT policies with the ultimate objective of achieving an efficient use of IT resources available within the Group; and
b. To endeavour to develop ideas on a regular basis to achieve cost reduction on the use of IT products and processes while also ensuring compliance with safe and reliable standards.

Corporate Governance Report (continued)

The Human Resources and Remuneration Committee

The Committee comprises four non-executive directors. Its terms of reference include:

a. To review and determine on a regular basis remuneration policies and conditions of service for employees of the Group;
b. To monitor adherence to approved Human Resources policies of the Group;
c. To determine the remuneration levels and conditions of service of all employees falling under the executive grade of the Group;
d. To receive for consideration and approval if deemed appropriate, proposals of reviews of salaries and conditions of services for employees of the Group; and
e. To receive information from management on a regular basis on the prevailing salaries and conditions of service of employees in the financial services sector generally, for purposes of comparison with the Group's own salaries and conditions of service.

The Nominations Committee

The Committee comprises four non-executive directors. Its terms of reference include:

a. To lead the process of identifying, assessing, and recommending to the Board, candidates for appointment as directors of the Company;
b. To review on a regular basis, and to make recommendations to the Board, any changes on the membership of Board committees; and
c. To review at least once a year, the structure, the size and the composition of the Board and the skills available to the Board, and to make recommendations on any changes, or additions to the Board, which in the Committee's view may be necessary to enhance the Board's effectiveness.

The Governance Risk and Compliance Management Committee

The Committee comprises three non-executive directors. Its terms of reference include:

a. To review the adequacy and overall effectiveness of the business Units risk management functions and their performance, and reports on internal control and any recommendations;
b. To review the adequacy of insurance coverage for Group assets;
c. To review risk identification and measurement methodologies; and
d. To review the effectiveness of ZBFH's implementation of its risk management system and internal control framework.

The Strategy Committee

The Committee comprises four non-executive directors. Its terms of reference include:

a. To consider and review on an on-going basis the Group's capital structure and funding;
b. To review on an on-going basis the Group's capital management planning;
c. To approve the strategy and objectives of the Group;
d. To monitor on a regular basis the performance of all business units of the Group against the agreed strategy and set objectives; and
e. To monitor the state of the relationship between the Group and its various stakeholders.

The Marketing Committee

The Committee comprises four non- executive directors. Its terms of reference include:

a. To give policy direction, guidance and counsel on ZBFH Group's overall marketing strategy with an emphasis on brand visibility and reputation, innovation and new product development, product profitability and pricing, as well as channel management initiatives;
b. To approve the marketing plans and thereafter monitor adherence to the approved marketing plans by all Group companies;
c. To review and approve submissions from management on the annual strategic marketing plan objectives, marketing strategies and the marketing budget; and
d. Ensure compliance with the ZB Financial Holdings Limited brand standards and style guides on the management and promotion of the Group's identity, image and personality.

Corporate Governance Report (continued)

BOARD ATTENDANCE DURING THE YEAR

ENTITY	ZBFH	ZBBL	ZBBS	ZBRE	ZBLA
TOTAL MEETINGS	5	4	4	4	4
PROF C MANYERUKE*******	4	X	X	X	X
R MUTANDAGAYI	5	3	3	2	4
O AKERELE	4	X	X	X	X
T S BVURERE	5	X	X	X	X
P CHIROMO	4	X	X	X	X
F KAPANJE	5	X	X	X	X
A Z MANGWIRO	4	X	X	X	X
J MUTEVEDZI	3	X	X	X	X
B P NYONI	5	X	X	X	X
T SIBANDA	5	X	X	X	X
S A SIBANDA*****	X	3	2	X	X
P M MATUPIRE	X	3	X	X	X
C MANDIZVIDZA********	X	4	X	X	4
G N MAHLANGU	X	3	X	X	X
G CHIKOMO	X	4	X	X	X
G. NHEWEYEMBWA***	X	3	X	X	X
F NYAMBIRI****	X	3	X	X	X
K J LANGLEY*	X	2	X	X	X
P MURENA**	X	-	X	X	X
C SANDURA*****	X	X	3	X	X
S K CHIGANZE	X	X	3	X	X
C MAKONI*****	X	X	3	X	4
M T SACHAK*****	X	X	1	X	X
T KAPUMHA****	X	X	4	X	X
J KATSIDZIRA****	X	X	4	X	X
O MANDIMIKA****	X	X	4	X	X
F B CHIRIMUUTA	X	X	X	4	X
P MURAMBINDA	X	X	X	4	X
A G CHINEMBIRI*********	X	X	X	X	1
E T Z CHIDZONGA	X	X	X	X	4
M MKUSHI******	X	X	X	X	2
L MAWIRE	X	X	X	X	4
B SHUMBA	X	X	X	4	X

*K J Langley was appointed on 1 July 2019.
**P Murena was appointed on 22 July 2019.
***G Nheweyembwa resigned from the Board with effect from 1 September 2019.
****T Kapfumha, J Katsidzira, O Mandimika and F Nyambiri were appointed to the Board with effect from 1 May 2019.
*****C Makoni, M T Sachak, C Sandura and S A Sibanda resigned from the Board on 13 June 2019.
******M Mkushi resigned from the Board on 30 June 2019.
*******Prof C Manyeruke resigned from the Board on 1 September 2019.
********C Mandizvidza resigned from the ZB Life Board on 19 November 2019.
*********A G Chinembiri resigned from the ZB Life Board on 31 July 2019.

KEY

ZBFH	-	ZB Financial Holdings Limited Board
ZBBL	-	ZB Bank Limited Board
ZBBS	-	ZB Building Society Board
ZBRE	-	ZB Reinsurance Company Board
ZBLA	-	ZB Life Assurance Board

Directorate

- Masters of Business Adminstration (UK)
- Bachelor of Computing Sciences (SA)
- Association of Chartered Certified Accountants (ACCA) (UK)

Pamela Chiromo
Acting Chairman

- Bachelor of Accountancy (Honours) (UZ)
- Chartered Accountant (Z)
- Master of Business Leadership (UNISA)

Ronald Mutandagayi
Group Chief Executive

- Bachelor of Accountancy (Honours) (UZ)
- Bachelor of Computing Science (Accounting) (UNISA)
- Chartered Accountant (Z)
- Registered Public Accountant (RPAcc, Z)

Fanuel Kapanje
Group Finance Director

- Masters in Business Adminstration (Finance)
- Bachelor of Laws (LLB) (Honours) (LSE)

Olatunde Akerele
Non Executive Director

- Bachelor of Accountancy (Honours) (UZ)
- Chartered Accountant (Z)
- Registered Public Accountant (RPAcc, Z)

Terekuona S. Bvurere
Non Executive Director

- Bachelor of Accountancy (Honours) (UZ)
- Chartered Accountant (Z)

Agnes Makamure
Non Executive Director

Directorate (continued)

- Bachelor of Science in Health Sciences (UZ)

Alexio Z. Mangwiro
Non Executive Director

- Diploma in Information Technology (IT)
- Executive Masters in Business and Adminstration (AU)
- Graduate Diploma in Management
- ISACA Certified in the Governance of Enterprise IT

Kangai Maukazuva
Non Executive Director

- Bachelor of Laws (LLB) (Honours) (UZ)

Jacob Mutevedzi
Non Executive Director

- Masters of Business Adminstration
- Bachelor of Arts in Religious Education
- Masters of Arts (Combined Honours) Theology and African Studies
- Advanced Diploma in Theology

Peter B. Nyoni
Non Executive Director

- MSc in Investment Analysis,
- Masters in Banking and Finance,
- B.A. Economics (Hons)

Thenjiwe Sibanda
Non Executive Director

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Corporate Social Investments 2019

ZB Financial Holdings Group ("ZBFH" or "the Group") places importance on being socially responsible in its practices making sure to leave a legacy of a sustainable positive impact in all the communities that it operates in. Social awareness is kept at the centre of product development, service delivery, community interactions and the investment philosophy across all operations of the Group.

In order to be socially inclusive, the Group provides simplified information and communication to its customers regarding its operations. Business practices and policies are continuously updated in order to for the Group to remain connected and relevant to the wider community. The Group endeavours to maintain a high level of accountability to all its stakeholders, a strong risk culture and high level of responsiveness to its regulatory obligations.

Under the Sustainability Standards and Certification Initiative (SSCI), the Group aims to deliver a holistic, robust, evolving and locally-sensitive set of socially and environmentally sensitive interventions expected to make the institution more resilient whilst contributing to national development programs.

Through its Corporate Social Responsibility (CSR) programs, the Group aims to:
a) Reinforce the corporate brand by uplifting wellness and sustainability;
b) Improve the corporate brand and its visibility internally and externally; and
c) Establish and maintain good relations with staff and the community in which it operates;

Embedded in the CSR strategy is the focus on sustainability, community empowerment and wellness. Employee volunteering is a concept that has also been embraced.

Major initiatives that were undertaken during the year under review were as follows:

1. Building communities through Education

The world is undergoing revolutionary changes that require nations to develop dynamic and diversified workforces with the skills and competencies needed to navigate tomorrow's global economic challenges. In line with this, ZBFH supports education from primary schools level to tertiary education through a number of initiatives, which have a major focus on students from underprivileged backgrounds.

Sponsorship to the National Association of Primary School Heads (NAPH) and National Association of School Inspectors and Directors (NASID) conferences continued in 2019. These conferences provide a platform to promote conversations that lead to capacity building in the education sector and the advancement of teacher support structures for improved quality of delivery in the sector. This association will continue into the future.

The Group is registered as an Accredited Training Office by the Institute of Chartered Accountants and as an Approved Employer for the Trainee Development program run by the Association of Certified Chartered Accountants (ACCA) in the "Gold" category. Candidates in the above programs are provided with an opportunity to develop skills in the finance and general business field over a period of time leading to their qualification as chartered accountants. In addition to the above, the Group also offers opportunities for skills development through the management development program and also offers attachment opportunities for students from tertiary institutions.

The education assistance scheme, which commenced in 2011, has benefited a significant number of students and parents. The scheme covers education expenses from high school up to university level. Plans to scale up support for underprivileged children living with vulnerabilities are underway.

Corporate Social Investments 2019 (continued)

The Group also actively sponsored a number of sporting initiatives in schools and universities.

2. Donation towards Health and Welfare

The Group supported various health and welfare projects run under the Mayors' Christmas Cheer Funds, the Rotary Club, the Lions Club as well as various churches. Special focus was given to supporting the aged to help them cope with an increasingly difficult environment.

2.1 Cancer awareness and research

Support towards cancer awareness and research continued through a partnership with KIDZCAN, an organisation dedicated to increasing the survival rate of children with cancer. The Group commits to increasing its sponsorship activities and involvement in the awareness programs.

2.2 Spread the Cheer Campaign

Through the "ZB Spread the Cheer Campaign" basic food hampers were donated to selected less fortunate communities, specifically targeting vulnerable children and the elderly throughout the country. This initiative was undertaken during the festive season and was well received by the recipients as it offered them something to cheer about.

3. ZB Going Big on Wellness

The focus for the wellness campaign in 2019 was around financial literacy.

Health and well-being have become topical issues in today's environment. A healthy customer lives longer, is happy and more agreeable to accept new products and participate in dialogue. At the same time, healthy staff is motivated and able to offer quality customer service. Wellness covers all aspects of life, and impacts on the environment, health and financial well-being, among others.

ZBFH is an institution that cares about the well-being of its customers and staff.

To engender financial wellbeing, the following financial literacy programs were undertaken in 2019:

- Global Money Week – the Group provided financial literacy presentations at over 40 schools nationwide during the Global Money Week, an annual financial awareness campaign built to inspire children and young people to learn about money. Banking halls were opened to students for educational tours during this period.
- Emergination Africa National Business Case – ZB partnered with Emergination Africa for a national entrepreneurial development program which saw the participation from 1 230 A-Level learners from 58 schools, out of which 930 participated in the business case competition. 88 teachers assisted in the co-ordination of the program. Business skills imparted to the learners and their teachers will equip them to make economic contributions in their communities.

Corporate Social Investments 2019 (continued)

- Kids Entrepreneurship Promotion Program (KEPP) – the Group partnered Kubatana Business Accelerator (KBA) in the delivery of basic entrepreneurship concepts, the sharing of practical business ideas, tutorship on how to create business plans and budgets and saving and investment concepts to primary and secondary school children. The program was carried out in all provinces in Zimbabwe and is recognized by the Ministry of Primary and Secondary Education. Through this program, kids have been assisted to start small projects such as chicken rearing and market gardening.

4. Donation towards Arts and Culture

ZBFH once again sponsored the Harare Agricultural Show Quiz in partnership with Zimbabwe National Parks and Wild Life (ZIMPARKS). Through the participation of the corporate world such as ZBFH, ZIMPARKS is able to absorb the huge costs of running such a big event and to provide incentives to students, schools and their teachers to continue educating the nation on the importance of our heritage.

5. Economic Development

The Group partnered with Government, quasi-government and private institutions, as well as community organizations to create an enabling environment for investment and job creation. The Group is an active member of the Confederation of Zimbabwe Industries (CZI), Zimbabwe National Chamber of Commerce (ZNCC), Zimbabwe Association of Pension Funds (ZAPF), Zimbabwe Institute of Management (ZIM), Institute of People Management of Zimbabwe (IPMZ) and the Chamber of Mines Zimbabwe.

In 2019, as in prior years, the Group continued to support various developmental conferences and projects.

Events sponsored during the year include the following:
- Chamber of Mines Annual General Meeting
- Zimbabwe National Chamber of Commerce (ZNCC)
- Zimbabwe International Trade Fair (ZITF)
- Association of Certified Chartered Accountants (ACCA) Winter School
- Institute of Chartered Accountants of Zimbabwe (ICAZ) Winter School
- Woman Excel conference
- National Association of Primary Heads (NASH) conference
- Local Government Investments Conference (LOGIC)
- Zimbabwe Teachers Association Conference (ZIMTA)
- Shelter Afrique Master Class conference

The Group also continued to undertake and sponsor various initiatives towards the growth of Micro, Small and Medium Enterprises (MSMEs).Financial inclusion was enhanced through the launch of the WhatsApp Banking platform which has had wide appeal particularly to millennial customers. This adds to a pool of products for the informal sector which include the KYC-light product “Pauri/Khonapho” wallet and card. Limited financial services have continued to be offered through the Agency Banking model. Whilst providing customers with increased convenience, the model has provided a significant number of people with an opportunity to earn extra income.

Through special focus desks the Group assistance to women and youths led enterprise has been growing steadily. Assistance has been provided in the form of advisory services, training and funding for business projects. The Group believes that this deliberate focus in empowering women and youths will not only widen economic participation but will be a good anchor for sustained economic growth in the future.

Corporate Social Investments 2019 (continued)

6. Environmental Awareness

ZBFH pledges its commitment to promoting environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water. In pursuance of a reforestation agenda, a commitment is in place to supporting tree planting initiatives through the Forestry Commission.

In March 2019, Cyclone Idai made landfall at the port of Beira in Mozambique with the heavy rains subsequently stretching into the eastern province of Zimbabwe. Places like Chimanimani and Chipinge were severely ravaged by the rains and many lives were lost whilst thousands were made homeless. Infrastructure was damaged by the flash floods and landslides that occurred, leaving many families without food and access to amenities.

The Group donated foodstuffs and blankets for the victims as well as protective wear to volunteer responders through the Red Cross and the Civil Protection Unit under the Ministry of Local Government and Public Works.

7. Internal brand engagement

The attainment of the Group's brand values by staff is a critical component in the effort to sustain a positive image in the society. In this regard ZBFH management and staff went through Customer Care Clinics and several soft skills workshops. These were conducted by external consultants.

8. Community Volunteerism

ZBFH actively participates in fund-raising for awareness and prevention of cancer in kids through KIDZCAN, where staff also contribute their money and participate on the Orange Day in support of this initiative.

9. Accountability

Accountability is the obligation to;
(i) Demonstrate that work has been conducted in accordance with agreed rules and standards
(ii) Report fairly and accurately on performance results against mandated roles and/or plans.

The Group accounts for its operations to the Reserve Bank of Zimbabwe (RBZ), Bankers' Association of Zimbabwe (BAZ), Insurance and Pensions Commission (IPEC), Zimbabwe Stock Exchange (ZSE) and the Securities and Exchange Commission of Zimbabwe (SECZ), among other regulators.

ZBFH's Internal Audit and Investigations conducts internal audits, related advisory services and investigation services for all units and departments.

The Compliance and Risk Departments also ensure that all relevant compliance issues are attended to and that risk management initiatives are put in place.

Corporate Social Investments 2019 (continued)

10. Transparency

ZBFH has a long-standing commitment to transparency that includes carrying out Media and Analysts' Briefings, publishing financials and Quarterly Trading Updates and relevant information on our website, and producing Annual Reports.

The Group has also embraced technological trends and established social media handles to give greater access to customers and stakeholders. The Group is active on Facebook, Twitter, YouTube, Instagram and LinkedIn.

11. Ethical Behaviour

ZBFH promotes an organizational culture that places the highest value on professionalism, integrity, accountability, results orientation and mutual respect. To this end, the Group subscribes to a whistle-blower facility, Tip-Offs Anonymous, and encourages all its stakeholders to utilize this facility in reporting ethical breaches.

12. Respect for stakeholders' Interests

ZB recognizes and takes due regard to the interests, as well as the legal rights, of its stakeholders and responds to any expressed concerns in a timely and equitable manner.

Corporate Social Investments 2019 (continued)

Spread the cheer donation Chinyaradzo children's home

Kadoma donation

Kwekwe donation

Corporate Social Investments 2019 (continued)

Emergination Africa Business Case

NKULUMANE CASSAF (Cluster Annual Science, Sports and Arts Festival) games

National Association of Secondary School Heads Conference

Cyclone Idai donation

Kidzcan Fundraising golf

Orange Day

Acting Chairman's Statement

Pamela Chiromo
Acting Chairman

> "Increased focus will be placed on the Group's human capital which has always been the key source of competitiveness in a challenging environment."

Introduction:

It is my pleasure to issue this statement in my acting capacity, having assumed the position on 26 September, 2019.

Operating Environment:

The operating environment remained challenging with the International Monetary Fund (IMF), in its World Economic Outlook Report for October, 2019, projecting the Zimbabwean economy to have contracted by 7.1% in 2019.

Businesses, in general, grappled with many negative factors, chief amongst which were:

a) An unstable currency regime characterized by widespread shortages and rapid devaluation of the local currency. The introduction of a mono-currency framework and a managed floating exchange rate system since June 2019 did not eliminate an otherwise thriving parallel exchange market which traded at a substantial margin to the interbank rate.

b) Rising costs affecting both businesses and households with year-on-year inflation reaching an estimated 521.2% as at 31 December, 2019.

c) Constrained supply of critical commodities which include fuel and electricity.

d) A poor farming season with the rainfall levels being well below long-term averages.

The above, amongst other factors, resulted in reduced market competitiveness thus constraining capacity utilisation in the manufacturing sector to levels below 40%.

Performance volatility in the financial sector was experienced as market players tried to adjust their business models to align with changing, and often uneasily balanced, policy frameworks which attempted to stabilize the currency management system, stimulate production and curtail liquidity expansion.

Group Performance:

In the context of an inclement operating environment, the Group posted decent financial results as discussed in more detail by the Group Chief Executive in his report.

Capital Requirements:

The Group faces a compliance burden going forward, following the review of the minimum capital requirements for banking entities to the Zimbabwean dollar equivalent of US$30m and US$20m for Tier 1 and Tier 2 banks respectively with effect from 31 December, 2020.

Acting Chairman's Statement (continued)

The Group intends to maintain a Tier 1 banking licence and this will be partially met through finalizing the merger of ZB Bank Limited and ZB Building Society in order to lessen the compliance burden. Capital resources will be augmented through retention of reserves and, possibly, fresh equity.

Statutory Instrument 59 of 2020 fixed capital requirements for life assurance operators and reinsurance companies at ZW$75million. ZB Life Assurance Company and ZB Reinsurance Company met these capital levels as at 31 December, 2019.

Dividends:

The Board has declared a dividend of ZW6.49 cents per share for the year ended 31 December, 2019. A detailed dividend announcement with dates will be published after the Annual General Meeting.

Legal Contingencies:

Engagements with stakeholders in order to find a final settlement to the long-standing dispute between the Company and Transnational Holdings Limited regarding the ownership of Intermarket Holdings Limited have continued. This matter is still pending at the Supreme Court of Zimbabwe.

Compliance & Regulatory Issues:

The Group has dealt with all governance issues which were the subject of a Corrective Order issued by the Reserve Bank of Zimbabwe (RBZ) on 7 March, 2017 and reviewed in March 2018 and awaits the lifting of the order upon satisfactory review by the regulator.

Directorate:

Professor C. Manyeruke, then chairman of the Board, resigned on 1 September, 2019. On behalf of the Board and Management, I extend warm gratitude for her contributions and leadership during her term of office. I wish her success in her new role.

Executive appointments:

Mr. G. Nheweyembwa resigned from the Group on 1 September 2019. He was the Managing Director of ZB Bank Limited. I wish Mr. Nheweyembwa success in his future endeavours.

In his stead, Mrs. G. Chikomo, previously the Chief Finance Officer for ZB Bank Limited, was appointed in an acting capacity from the same date.

As a result of the above movements, Mr. E. Masinire was appointed the Acting Chief Finance Officer for ZB Bank Limited.

I pledge the Board's support to Mrs. Chikomo and Mr. Masinire and wish them enjoyable and successful terms of office.

Outlook:

The Zimbabwean economic prospects are expected to remain tenuous in the short term, reflecting the downstream effects of a protracted drought; structural defects of an unstable currency management framework; and increasing momentum for general price increases. Policy interventions will be expected to address waning confidence in the monetary system and general financial sector operations.

The advent of the COVID-19 health pandemic exacerbates an already fragile economic outlook.

Whilst lasting solutions for macro economic stability are being sought, the Group will continue to grapple with the need to preserve its capital and asset base. To this end, investment opportunities that offer growth prospects will be taken whilst operations will be recalibrated to offer improved service to customers at a reduced cost leveraging on technologies.

Increased focus will be placed on the Group's human capital which has always been the key source of competitiveness in a challenging environment.

Conclusion:

I would like to thank Board colleagues, management and staff, our valued customers and all other stakeholders for the contributions made in the achievement of the results posted in 2019.

P. Chiromo
Acting Chairman

29 May, 2020

Group Chief Executive's Report

Ronald Mutandagayi
Group Chief Executive

> "The Group was able to contain costs, achieving an 11% real reduction in operating expenses from ZW$566.1m in 2018 to ZW$501.4m in 2019."

Introduction:

The Group's results are denominated in Zimbabwean dollars (ZW$) following the change in functional and reporting currency on 22 February 2019 as a consequence of Statutory Instruments 33 and 142 of 2019. Comparative figures which were previously denominated in United States dollars have been reckoned at par with the ZW$ in terms of the legal position which existed then.

Inflation adjusted financial statements have been issued as the Group's primary financial statements in terms of International Financial Reporting Standard 29 – *Financial Reporting in Hyperinflationary Economies*, following the guidance from the Public Accountants and Auditors Board (PAAB) issued through Circular 01/19.

Historical cost financial statements have been issued for information purposes only.

Performance Outturn:

My commentary is based on inflation adjusted financial statements.

The Group's total income increased by 55% from ZW$524.7m in 2018 to ZW$814.9m in 2019. This was on the back of a significant rise in unrealized credits posted in the income statement. Fair value adjustments moved from a negative of ZW$89.8m in 2018 to a positive of ZW$230.2m in 2019 whilst other income, largely constituted by the revaluation of the Group's foreign denominated balances, increased by 314% from ZW$35.7m in 2018 to ZW$147.8m in 2019.

Net interest and related income reduced from ZW$199.1m in 2018 to close at ZW$146.6m in 2019, reflecting the impact of a constrained growth in the underlying business and the application of sub-inflation earning rates.

Loan impairment charges to the income statement increased from ZW$34.6m in 2018 to ZW$75.6m in 2019 in line with the growth in assets exposed to credit risk. Overall credit quality however improved, with non-performing loans as a percentage of total loans reducing from 4.6% in 2018 to 2.2% in 2019.

Net insurance related earnings increased by 7% from ZW$83.1m to ZW$89.2m. Gross premiums from insurance operations grew from ZW$216.7m in 2018 to ZW$251.5m in 2019, spurred by client needs to replace covers at significantly higher levels in sympathy with inflation and exchange rate movements. Insurance expenses constituted 65% of total premiums in 2019, marginally higher than 62% computed in 2018. The computed level is considered sustainable for the nature of the Group's insurance operations.

Group Chief Executive's Report (continued)

Banking commissions and fees reduced by 16% from ZW$331.2m in 2018 to ZW$276.9m in 2019. This was a result of a faster acceleration of inflation during the second half of 2019 which could not be fully accommodated in the adjustment of rates applicable for commissions and fees.

The Group was able to contain costs, achieving an 11% real reduction in operating expenses from ZW$566.1m in 2018 to ZW$501.4m in 2019. The cost to income ratio improved from 108% in 2018 to 62% in 2019. The sustainability of the cost base against contracting income levels in real terms is a matter of continued strategic importance for the Group.

The profit from ordinary activities for 2019 was ZW$313.5m against a loss of ZW$41.5m in 2018. The significant contribution to this profit from unrealized credits on the revaluation of investments and trading assets amplifies future performance risk whilst vindicating value protection strategies employed by the Group.

A transfer of ZW$20.6m was made to the life fund in 2019 compared to a transfer inward of ZW$26.8m in 2018. This was a result of the positive performance in the assets supporting the fund.

The Group earned ZW$243.2m as its share of profits reported by its associate companies for 2019. This compares to a loss of ZW$63.5m in 2018. The share of profits from associates is largely driven by the revaluation of investment properties which constitute the bulk of the assets at a significant listed investee entity, Mashonaland Holdings Limited.

The Group posted a net profit of ZW$433.6m in 2019, a 467% improved outturn compared to the loss of ZW$118.2m posted in 2018.

The Group's total assets reduced in real terms by 14% from ZW$4 105.7m as at 31 December 2018 to ZW$3 532.5m as at 31 December 2019, reflecting a growth rate below average inflation.

Growth in deposits and other related funding account balances was constrained, achieving a reduction in real terms of 49% from ZW$2 689.6m as at 31 December 2018 to ZW$1 372.1m as at 31 December 2019.

Earning assets reduced by 35% from ZW$2 797.7m as at 31 December 2018 to ZW$1 811.3m as at 31 December 2019 whilst constituting 51% of total assets (68% at 31 December 2018).

The Group was able to maintain a comfortable margin of safety on its liquidity requirements, closing the year 2019 with a liquidity ratio of 88% (81% on 31 December 2018) against a prescribed ratio of 30%.

The Group's total equity increased by 104% from ZW$739.1m as at 31 December, 2018 to ZW$1 506.3m as at 31 December 2019, driven by the positive performance for the year as well as gains on the revaluation of properties and equipment.

Operations Review:

Banking Operations:

ZB Bank Limited posted a profit of ZW$215.5m in 2019, an improvement from a loss of ZW$41.1m in 2018. Performance was driven by fair value adjustments on investment properties as well as the revaluation of the foreign exchange position.

The Bank's total assets receded in real terms from ZW$3 348.6m as at 31 December 2018 to ZW$2 359.5m as at 31 December 2019.

ZB Building Society achieved a profit of ZW$63.5m in 2019 compared to a loss of ZW$51.1m in 2018.

Total assets under the Building Society reduced in real terms from ZW$269.8m as at 31 December 2018 to ZW$232.5m as at 31 December 2019.

The Group established Syfrets Bureau de Change during the second quarter of 2019, operating under its banking business segment. Business volumes in the early stages were substantial, tapering off only when the exchange differential between the interbank exchange rates and rates obtaining on the parallel market started to widen.

RIA Money Transfer and Small World Financial Services were added as partners for the Bank in its international money transfer business, increasing the number of MTA partners to four (4). Volumes or remittances transacted through the banking channels increased significantly in 2019.

Group Chief Executive's Report (continued)

The Group continued to review its branch network, resulting in a new branch being opened in Westgate, Harare in response to customer demands.

Insurance Operations:
ZB Reinsurance posted a profit of ZW$25.3m in 2019 compared to a loss of ZW$16.9m in 2018. Its total assets increased in real terms from ZW$118.2m as at 31 December 2018 to close the year 2019 at ZW$151.2m.

The company has maintained good relations with its cedants and retrocession partners.

During the year under review, the company launched a refreshed travel insurance product which is being distributed through digital channels.

ZB Life Assurance posted a profit of ZW$151.3m in 2019, improving from a loss of ZW$44.6m in 2018. Its total assets increased in real terms from ZW$367.7m as at 31 December 2018 to $564.4m as at 31 December 2019.

Growth in life assurance premiums has slowed down significantly as household incomes are affected by inflation.

Various strategic options to stimulate revenue performance in the life business are under consideration.

Other Strategic Operations:
De-risking of the balance sheet continued through the acquisition of land banks which provide a cushion against inflation.

Licensing for a micro-finance business in the Group, which was expected before the end of 2019, was delayed and operations are now expected to commence in 2020.

Internal Processes:
The Group increased its investments in technologies, spending a total sum of ZW$15.9m in expenditure to expand the capacity of its systems.

In order to satisfy requirements for Anti-Money Laundering and the Countering of Financing of Terrorism (AML/CFT) the World-Check system was implemented in the last quarter of 2019 for customer screening. A further project for the implementation of a transactions monitoring system was commissioned in the last quarter of 2019 with full roll out expected in the first half of 2020.

The Group established a Project Management Office in 2019 with the intention of improving project execution efficacy. All senior members of staff have been trained in project management principles.

Group Human Resources and Training:
Despite the operating environment becoming less competitive relative to other countries in the region and beyond, staff attrition in the Group has remained within acceptable levels.

The Group staff complement as at 31 December 2019 was 967, with 655 being permanent employees whilst 312 members were employed on a fixed contract basis.

A total of 1 423 attendances were recorded at 115 training courses held in 2019. All staff members attended wellness clinics and soft skills training during the year.

Industrial relations remained cordial during the year under review.

Appreciation:
I would like to extend my gratitude to our valued customers for their continued support.

I also thank staff and the management team for their contribution to the 2019 financial results.

Finally, I would like to thank the Board for its wise counsel.

Mutandagayi

R Mutandagayi
Group Chief Executive

29 May, 2020

Economic Overview

WORLD ECONOMY

After peaking at close to 4% in 2017, global growth remained strong at 3.6% in 2018. However, global growth is estimated to have slowed to 2.9% in 2019. The world economy growth was anchored by growth in advanced economies which is estimated to have remained flat at 2.2% in 2019, same as 2018 growth. Emerging market and developing economies (EMDEs) also recorded stronger growths estimated at 3.7% in 2019, slightly lower than the 4.5% growth realised in 2018. The major contributor to overall growth of EMDEs was the Emerging and Developing Asia which is estimated to have grown by 5.5% in 2019. The Sub Saharan Africa sub group did not disappoint as it recorded an estimated 3.1% growth during the same year.

In the outlook, with the COVID-19 pandemic inflicting high and rising human costs worldwide, the need to reduce loss of lives and to allow health care systems to cope with the upsurge in demand has resulted in governments implementing varying degrees of lockdown measures to slow the spread of the virus. The health crisis is therefore having a severe impact on economic activity. As a result of the pandemic, the global economy is projected to contract sharply by –3% in 2020, a level much worse than experienced during the 2008–09 financial crisis. All the regional sub-groupings are projected to experience negative growths in 2020.

However, in a baseline scenario, which assumes that the COVID-19 pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8% in 2021 as economic activity normalizes, helped by policy support. It remains imperative to note that there is extreme uncertainty around the global growth forecast. The economic fallout depends on factors that interact in ways that are hard to predict, including the pathway of the pandemic, the intensity and efficacy of containment efforts, the extent of supply disruptions, the repercussions of the dramatic tightening in global financial market conditions, shifts in spending patterns, behavioural changes (such as people avoiding shopping malls and public transportation), confidence effects, and volatile commodity prices. Many countries face a multi-layered crisis comprising a health shock, domestic economic disruptions, plummeting external demand, capital flow reversals, and a collapse in commodity prices. The risk of a worse outcome is predominant.

DOMESTIC ECONOMY

1.1 Economic Growth

The Government estimates that the Zimbabwean economy grew by 4% in 2018 and contracted by 6.5% in 2019. The nation remained hamstrung by foreign currency supply and allocation challenges, exchange rate misalignment, inflationary pressures and general limited fiscal space, among other challenges.

Meanwhile, according to the Sub Saharan Africa Regional Economic Outlook for April 2020 published by the International Monetary Fund (IMF), Zimbabwe's economy is projected to contract by 7.4% in 2020 from an initial growth projection of 0.8%, mainly due to the impact of lower commodity prices, which will aggravate existing economic vulnerabilities. Like many other economies worldwide, the Zimbabwean economy is expected to be hit hard by the COVID-19 pandemic, with a severe contraction expected in the tourism sector, which earns around US$1 billion annually.

1.2 REAL SECTORS

1.2.1. Agriculture Sector

The Agriculture sector is estimated to have contracted in 2019 and is projected to record very low or negative growth in 2020. According to the National Crop and Livestock Assessment Report for 2019/2020 for the study conducted between January and February 2020, hectarage planted for the majority of crops declined, with poor harvest anticipated. The agricultural season was marked by a delayed onset of rain in the southern and south-eastern parts of the country.

In the period, maize hectarage decreased by 5% to 1.54 million ha from 1.62 million ha in the comparable period a year ago. 652,008 ha (42%) of the maize crop was planted in November 2019, whilst 606,124 ha (39%) was planted in December 2019, with the balance of 291,192 ha (19%) being planted in January 2020. Of the planted crop, 106,520 ha of maize was written off due to the dry spell, although overall crop condition was rated fair to poor.

Economic Overview (continued)

The area under tobacco also decreased by 6% to 100,426 ha from 106,558 ha. The cultivated area for the soya bean crop went down by 40% from 55,660 ha to 33,599 ha with 17,125 ha of the crop being grown under contract. Out of this, a total of 1,362 ha was written-off. The hectarage planted for the cotton crop reduced by 13% to 170,622 ha from 197,242 ha in 2018/2019 season. The targeted area for cotton was not achieved due to the erratic rainfall patterns in the traditional cotton growing areas. Most farmers who could not plant have kept cottonseed for next season.

The livestock sector was not spared with the national cattle herd having decreased by 4.7 % to 5,489,364 from 5,774,525 in 2018 due to deaths largely caused by tick-borne diseases and drought.

Overall, the agriculture sector has been hit hard like other sectors by the effects of COVID-19 pandemic. Sub-sectors that rely on international markets such as tobacco and cotton, among others, are likely to face low demand for their output leading to price cuts. The post COVID-19 period interventions and strategies, to be implemented either by Government, farmers and other players in the value chain, will determine the growth projectile in this sector.

1.2.2. Manufacturing Sector

In 2019, the country's manufacturing capacity utilisation dropped by 11.8 percentage points to 36.4% from 48.2% recorded in 2018, weighed down by the cost and shortage of raw materials, low local demand and foreign currency shortages. Earlier this year, the Confederation of Zimbabwe Industries (CZI) projected that capacity utilisation will slow down further to 27% in 2020 if there is no drastic change in the policy environment. The manufacturing sector is not spared from the effects of the COVID-19 pandemic with the biggest impact of the outbreak likely to be on accessing source and export markets. This is because supply chains have been disrupted by this global pandemic, as countries have closed borders and are on national lockdowns in a bid to try to flatten the curve. This has affected raw materials supply, which is needed to keep industry rolling. The industry body (CZI) also noted that the sudden increase in local and external demand for pharmaceuticals had affected efficiency of supply chains. The sector is projected to record negative growth in 2020.

1.2.3. Mining Sector

Zimbabwe recorded reduced output in its key minerals in 2019. The trend is reflective of the impact on viability of widespread economic challenges which include the return of high inflation, a rapidly depreciating local currency, shortage of foreign currency and serious energy supply problems.

While Zimbabwe currently produces more than 40 different minerals, activity in the mining sector remained predominantly concentrated on 6 key mineral categories (gold, platinum group metals (PGMs), diamond, nickel, chrome and coal) accounting for 95% of the value of minerals generated in 2019. Lithium is expected to become a significant contributor for Zimbabwe judging by the emerging demand in the world market and recent investments in the country. Meanwhile, during the year 2019, mineral output outturn was realised as follows:

Gold: production declined by 16.15% from 35.1tonnes (t) recorded in 2018 to 29.4t in 2019. The figures are inclusive of tonnage from secondary (PGM) producers. Going forward, the gold sub-sector requires a relook in the payment model, improvement of energy supply, and a substantial injection of capital to expand operation of some mines.

Platinum: output for 2019 decreased by 5.86% from 14.7t to13.9t. Marginal declines were recorded at all 3 platinum producing mines, Zimplats, Unki and Mimosa.

Palladium: output was down by 3.86% to 11.6t. Palladium is now the most valuable of the four exchange-traded precious metals after it recently surpassed old gold and platinum records. The price is being driven by concerns of an ongoing shortage of supply with major risks being power outages for key producers in South Africa and Zimbabwe.

Economic Overview (continued)

Chrome: production fell by 11.7% to 1.6t in 2019. Chrome is one of the key minerals through which Government is seeking to grow mining exports from US$3.2 billion achieved in 2019 to about US$12 billion beginning 2023. Government is currently working on a Chrome development policy that is expected to drive growth for the industry.

Diamond: production fell by 34.8% to 2.1 million carats against the targeted 3.1 million carats during the year under review. Zimbabwe Consolidated Diamond Company (ZCDC) expects to double its diamond production to 6.1 million carats in 2020. At its peak in 2012, Zimbabwe produced 12 million carats, but in 2018 production plummeted to 2.8 million carats.

Nickel: production fell by 8.8% to 16,3t in 2019.

Coal: production was 18.56% lower at 2.7 million tonnes, with experts saying that output can reach 5 million tonnes if the sub-sector secures about US$3 billion in capital.

Lithium: production was at 62,622t.

Granite: production was at 154,884t.

The mining industry is expected to grow in the medium term subject to the implementation of a number of measures to address the viability challenges for the sector which have remained largely unchanged for some time.

1.2.4. Information, Communication and Technology (ICT) Sector

According to the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) Telecommunications Sector Annual Postal and Telecommunications Sector Performance Report for 2019, the total number of active mobile subscriptions grew by 2.2% to reach 13,195,902, up from 12,908,992 recorded in 2018. The total number of active internet subscriptions also increased by 1.3% to reach 8,836,299 from 8,723,242 subscriptions recorded in 2018. Internet penetration rate however slightly declined from 62.9% in 2018 to 60.6% in 2019.

Internet and data usage has been growing consistently as consumer preferences change and services become more data-centric. Mobile internet and data usage grew by 31% to record 35,733 Terabytes in 2019 from 27,278 Terabytes recorded in 2018. However, the annual growth rate for mobile internet recorded a significant decline from a growth rate of 77.6% recorded in 2018. Used incoming international bandwidth capacity by Access Internet Access Providers also increased by 38.1% to record 116,927Mbps from 84,683Mbps recorded in 2018.

The total number of active mobile money subscriptions was 7,334,639 as at 31 December 2019. This represents a 15.5% growth from 6,352,552 recorded in 2018. A total of 1,962,223,589 mobile money transactions were processed in 2019. Ecocash processed 99.3% of the total value of transactions; OneMoney processed 0.6% whereas Telecel processed 0.1% of the total value of transactions. In the outlook, the usage of Electronic Payments is expected to continue to rise in both volume and value terms, as the economy increasingly adopts the usage of digital money in the wake of continued shortages of cash.

1.2.5. Tourism

According to the United Nations World Tourism Organisation (UNWTO), international tourist arrivals (overnight visitors) worldwide grew by 4% in 2019 to reach 1.5 billion, based on data reported by destinations around the world. 2019 was another year of strong growth, although slower compared to the exceptional 6% posted in both 2017 and 2018. Demand was slower mainly in advanced economies and particularly in Europe. Uncertainty surrounding Brexit, geopolitical and trade tensions, and the global economic slowdown, weighed on growth. 2019 was also the year of major shifts in the sector with the collapse of Thomas Cook and of several low-cost airlines in Europe.

Economic Overview (continued)

All regions enjoyed an increase in arrivals. The Middle East (+8%) led growth, followed by Asia and the Pacific (+5%). International arrivals in Europe and Africa (both +4%) increased in line with the world average, while the Americas saw growth of 2%. As per the main source markets, France reported the strongest increase in international tourism expenditure among the top ten markets, while the United States led growth in absolute terms.

As for Zimbabwe, the prospects were negative. In 2019 there was an 11% decline in tourist arrivals from 2,579,974 received in 2018 to 2,294,259, largely attributed to destination image issues. Meanwhile, COVID-19 has hit all nations, including Zimbabwe at a time the country was already experiencing a dip in tourism arrivals. Travel restriction measures taken in order to contain the spread of the health pandemic are expected to have a huge impact on international tourism, with recovery expected to happen at a slow pace.

Taking into account the unparalleled introduction of travel restrictions across the world, the UNWTO expects that international tourist arrivals will be down by 20% to 30% in 2020 when compared with 2019 figures. However, UNWTO stresses that these numbers are based on the latest developments as the global community faces up to an unprecedented social and economic challenge and should be interpreted with caution in view of the extreme uncertain nature of the current crisis.

1.3 MONETARY AND FISCAL DEVELOPMENTS

1.3.1. Monetary Developments

Generally, growth in money supply has been on the upside in 2019 averaging 11.2% monthly and 100% annually.

Annual broad money recorded an annual growth of 25.77% in January 2019 which increased to 249.49% by December 2019, reaching a stock of ZW$35 billion as of the same month. All categories of money supply recorded increases over the year, reflecting the money multiplier process. Broad money was composed of domestic currency transferable deposits, 57.19%; and foreign currency deposits, 34.13%; currency in circulation, 2.59%; NCDs, 0.70% and Time deposits, 5.39%.

1.3.2. Inflation

During the year under review, inflation pressures remained on the upside. In fact, the month on month inflation averaged 16.98% during the year 2019. The continued scarcity of currency (both foreign and local currency) resulted in pricing distortions, with goods prices being quoted differently for US Dollar, bond notes, and electronic purchases, particularly in the informal sector (3-tier pricing system): RTGS balances and bond notes continued to be illegally cross-rated at a discount in relation to the US Dollar. Businesses in need of quick foreign currency for imports were also forced to resort to purchasing forex on the alternative market, and this contributed to the rise in inflation.

Following the introduction of the RTGS Dollar in February 2019 and the subsequent abolishment of multi-currency and adoption of mono-currency [ZWL] in June 2019, Zimbabwe Statistics Agency (ZIMSTAT) ceased publication of year on year inflation figures in order to build a database of comparable price indices denominated in ZWL – publication of year on year inflation was only scheduled to resume in February 2020. However, since ZIMSTAT continued to publish Consumer Price Indices (CPI) and month on month inflation, analysts devised a method of computing the implied (unofficial) year on year inflation for the intervening period. Using this method, year on year inflation was computed at 521.16% as at December 2019.

In the outlook, inflationary pressures are expected to continue, exacerbated by the foreign currency shortages as well as speculative tendencies amongst economic agents.

Economic Overview (continued)

1.3.3. Exchange Rates

On the international foreign currency market, the US Dollar firmed against 10 of the 18 currencies in our currency basket. The US Dollar was stronger the most against the Zimbabwean Dollar (appreciating by 1,577.3%), Argentine Peso (60%), Swedish Krona (5.2%), South Korean Won (3.8%), Brazilian Real (3.6%) and Euro (2.9%). However, the US Dollar weakened the most against the Russian Ruble (10.84%), during the year 2019.

Going forward, the US Dollar strength, like other currencies, will largely be hinged on the performance of the respective currency issuing nations.

1.3.4. Money Market and Interest Rates

In 2019, the country's Monetary Policy Committee (MPC) operationalised credit enhancing measures through the creation of a Medium-term Bank Accommodation (MBA) window to support banks with productive sector funding requirements. A total of ZW$800 million had been disbursed under the MBA window as at 31 December 2019. This amount is within the MPC's initial target of ZW$1 billion agreed in 2019.

Following MPC deliberations, the Reserve Bank of Zimbabwe reduced its Policy Rate on overnight accommodation from 70% to 35%, effective 20th November 2019, in order to promote confidence in the economy and minimise non-performing loans.

Meanwhile, at its meeting on 14 February 2020, the MPC resolved to maintain the Policy Rate at 35% per annum. The interest rate on the Medium-term Bank Accommodation (MBA) facility was maintained at a level that reflects the yield on the open market for Treasury Bills which is currently at between 15% and 18% per annum. The Bank through the MPC will continue to proactively guide the market on the expected path of interest rates as part of its efforts to build on policy transparency and confidence.

1.3.5. Equities Market

On a year on year basis, the ZSE market capitalization rose by 55.1% from ZW$20.888 billion in January 2019 to ZW$29.767 billion in December 2019. The industrial index and the mining index rose from 525.90 and 213.10 to 766.34 and 316.66 respectively during the same period.

However, there seems to be an interesting opposite trend when analysis of the ZSE performance is done using a USD gauge, market capitalization continued to deteriorate in USD terms from about US$10 billion in January 2019 to US$1.7 billion in December 2019.

In the near future performance of the market is expected to be largely determined by actions of local investors seeking a hedge to preserve capital as inflation shoots into unchartered territory in post-dollarisation trades.

1.3.6. Financial Sector

As at 31 December 2019, there were 19 operating banking institutions (13 commercial banks, 5 building societies, and 1 savings bank), as well as Other Institutions under the Supervision of the Reserve Bank broken down as 2 Development Financial Institutions, 6 Deposit-taking Microfinance Institutions and 206 Credit-only Microfinance Institutions. In its Monetary Policy Statement of 20 February 2020, the Reserve Bank of Zimbabwe (RBZ) reported an overall improvement in capital levels, asset quality and liquidity for the sector. Performance was also reported as satisfactory.

Total banking sector deposits were reported at ZW$34.50 billion as at 31 December 2019, an increase of 234.3% from ZW$10.32 billion as at 31 December 2018. Total banking sector loans and advances increased by 199.3%, from ZW$4.2 billion as at 31 December 2018 to ZW$12.63 billion as at 31 December 2019. The total banking sector loans and advances also include foreign currency denominated loans, whose translation partly explains the growth in total loans during the period under review. Overall, the level of banking sector financial intermediation has, however, remained subdued as reflected by the loans to deposits ratio of 36.60%, largely as a result of cautious lending approach adopted by most banking institutions.

Economic Overview (continued)

In the short-to-medium term, bank deposits are expected to remain short-term, and thus transitory in nature, partially reflecting low income levels. Sustained recovery of the banking sector however remains largely premised on the recovery of the country's real sectors.

According to the Insurance and Pensions Commission (IPEC), as at 31 December 2019 there were 697 registered entities/persons in the short-term insurance industry. Gross Premium Written (GPW) by short-term insurers amounted to ZW$1.37 billion, reflecting an increase of 395.71% from ZW$277.35 million reported in 2018. 8 players continued to operate in the short-term reinsurance sector with reported premiums having increased from ZW$116.38 million in 2018 to ZW$664.90 million in 2019.

The life assurance industry comprised of 12 direct life assurers, 5 Life reassurance companies, 44 corporate agents and 1,143 individual agents as at 31 December 2019. Total GPW written by the life assurance sector amounted to ZW$946.01 million in 2019 compared to ZW$426.05 million in 2018, an increase of 122%. The increase in GPW was mainly due to significant increases in premiums for the whole range of life assurance products as a result of exchange rate driven inflation.

1.3.7. Public Sector Finance

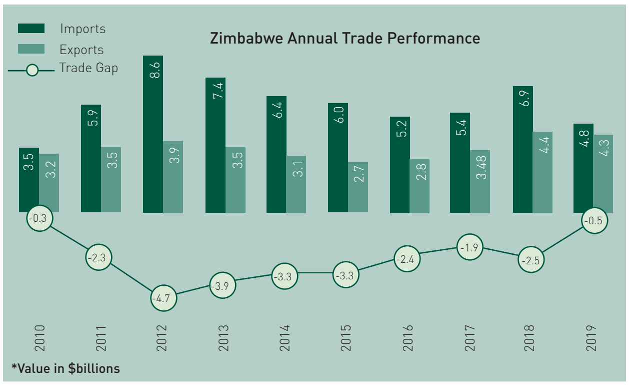
In 2019, Zimbabwe recorded its first fiscal surplus since 2011 as a result of significant contributions from Intermediated Money Transfer Tax (IMTT), subdued investment on capital expenditure and civil service wage compression. Value Added Tax (VAT) and Excise Duty remained the biggest contributors to government coffers in 2019, with collections amounting to ZW$5.949 billion for the former and ZW$4.117 billion for the latter. IMTT contributed ZW$2.663 billion for the full year 2019, buoyed by high levels of inflation, which pushed the value of electronic transactions to record levels. Overall, the country's tax and non-tax revenue for 2019 jumped to ZW$22.971 billion while total expenditure grew to ZW$22.534 billion, resulting in a budget surplus of ZW$0.437 billion.

1.4 EXTERNAL SECTOR

In 2019, the country recorded an improvement on its trade balance, having reduced imports by a greater margin than the reduction in exports. In fact, imports and exports fell from US$6.9 billion and US$4.4 billion in 2018 to US$4.8 billion and US$4.3 billion in 2019, respectively. On average, Zimbabwe has recorded an annual trade deficit level of -US$2.5 billion between 2009 and 2018. A more improved trade balance in 2019 shows an economy in which imports have declined sharply, though not on substitution but rather as a result of demand suppression, while exports have largely been tepid on reduced mineral production.

For a historical perspective, since 2000, Zimbabwe has reported successive annual trade deficits, to date as shown in the graph that follows.

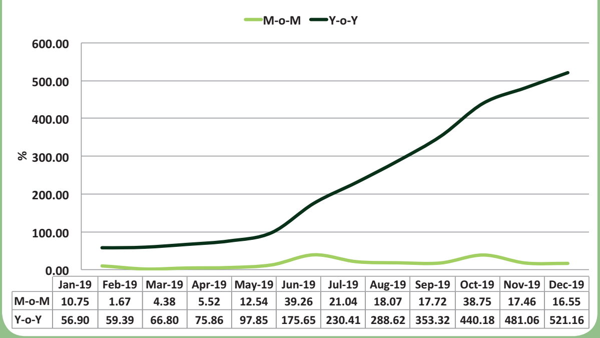
Going forward, performance of the export sector will continue to be largely determined by, among others, international commodity prices, local production, competitiveness of local products, and US Dollar exchange rate movements, especially against currencies of the country's major trading partners.



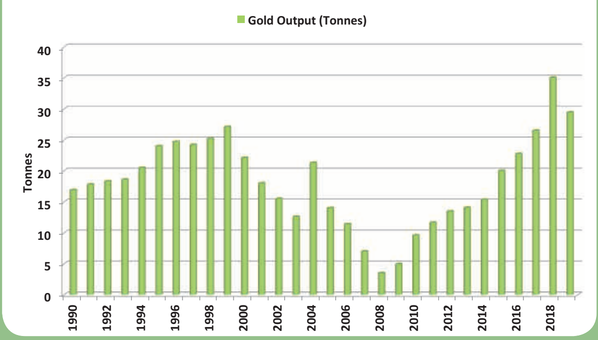
ECONOMIC OUTLOOK

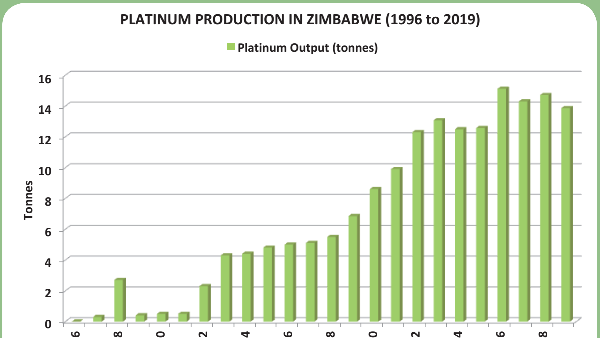
In the outlook, the fortunes of the Zimbabwean economy remain largely hinged on policy thrust and consistency by the government, international re-engagement, improving business confidence, and macroeconomic stability, among others. Furthermore, prospects of the moribund economy will be inextricably linked to the outturn for COVID-19, which as yet remains uncertain.

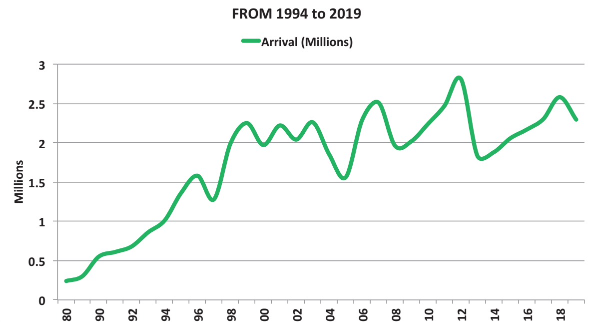
Economic Overview (continued)

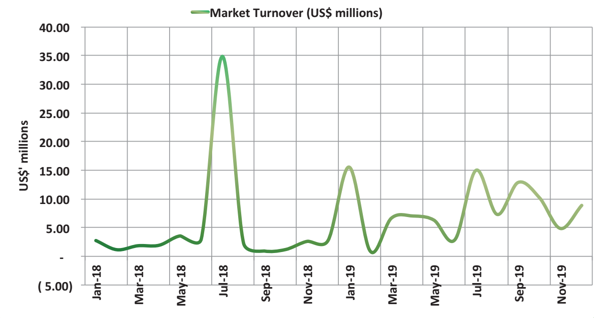

2019 ANNUAL & MONTHLY INFLATION RATE (%)

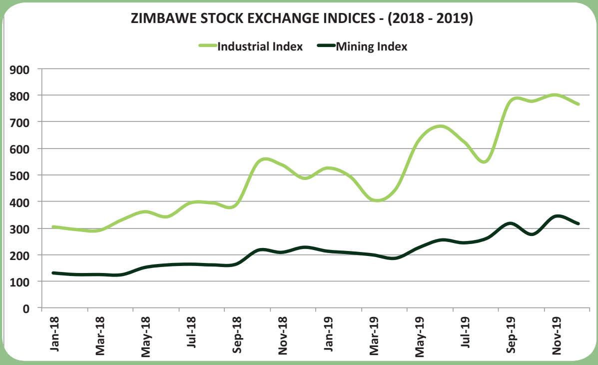
	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
M-o-M	10.75	1.67	4.38	5.52	12.54	39.26	21.04	18.07	17.72	38.75	17.46	16.55
Y-o-Y	56.90	59.39	66.80	75.86	97.85	175.65	230.41	288.62	353.32	440.18	481.06	521.16

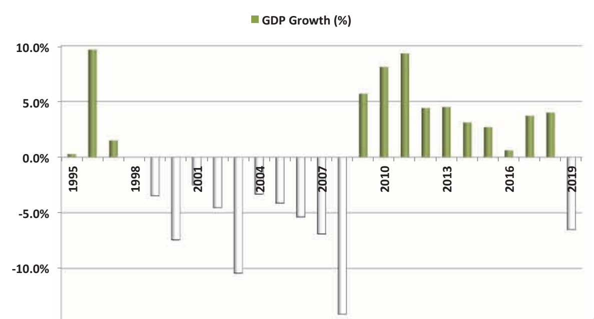

GOLD PRODUCTION IN ZIMBABWE (1990 to 2019)


PLATINUM PRODUCTION IN ZIMBABWE (1996 to 2019)


TOURIST ARRIVALS IN ZIMBABWE FROM 1994 to 2019

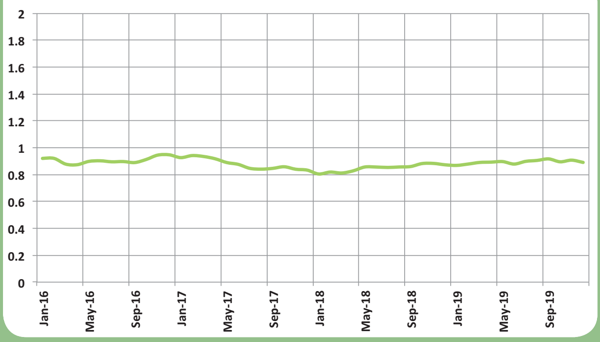

ZIMBABWE STOCK EXCHANGE

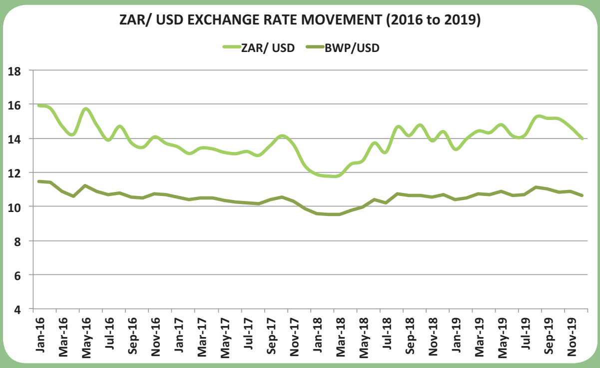

ZIMBAWE STOCK EXCHANGE INDICES - (2018 - 2019)

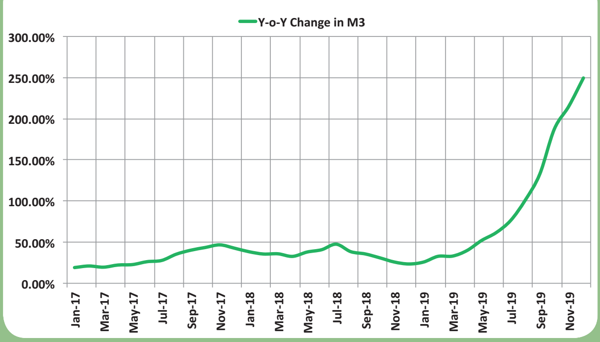

REAL GDP GROWTH RATES (1994 to 2019)


ZIMBABWE STOCK EXCHANGE CAPITALISATION (2018 - 2019)

Economic Overview (continued)







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Send and receive money with ease.

Mukuru
sign up, send it, sorted!

WorldRemit

Ria
MONEY TRAN FE

small world

CONTENTS

Financial Statements

Additional Information

Six Year Financial Review

For the year ended 31 December 2019

	Inflation adjusted		Historical cost					
in ZW$	2019	2018	2019	2018	2017	2016	2015	2014
Income Statement								
Total income	814 908 615	524 666 435	830 603 010	83 527 263	68 951 738	65 069 820	57 994 664	57 261 655
Specific and portfolio risk provision	75 649 169	34 558 777	49 666 837	4 920 365	2 995 395	771 021	(2 933 841)	7 702 696
Net income after tax	433 637 854	(118 173 890)	765 073 854	21 789 462	14 151 465	11 430 911	9 356 462	(9 806 816)
Attributable income	298 403 687	(93 739 853)	543 967 157	19 717 014	13 053 305	9 947 438	8 986 539	(10 261 724)
Balance Sheet								
Issued share capital	16 209 071	16 209 071	1 751 906	1 751 906	1 751 906	1 751 906	1 751 906	1 751 906
Shareholders' funds	1 221 876 792	605 352 602	1 211 351 170	98 112 015	78 649 359	69 146 210	61 109 139	49 083 988
Total equity	1 506 318 263	739 098 525	1 507 141 555	120 373 946	99 771 226	89 433 498	80 671 038	68 450 727
Deposits and other accounts	1 372 115 021	2 689 643 172	1 372 115 021	433 006 499	347 105 859	275 272 254	269 697 449	243 818 336
Cash and short term funds	960 702 956	893 651 588	960 702 956	143 869 250	106 816 218	82 193 499	55 789 139	82 586 310
Mortgages and other advances	450 580 815	757 234 115	450 580 815	121 907 358	104 970 338	99 193 658	99 578 547	143 866 639
Risk provisions	66 962 832	88 759 352	66 962 832	14 289 396	7 616 804	6 684 196	9 153 069	3 735 495
Total assets	3 532 475 628	4 105 677 266	3 519 959 914	663 195 772	525 725 201	439 292 796	417 625 071	416 073 425
Statistics								
Number of shares at year end (net of treasury shares)	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902
Weighted average number of shares (000)	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902
Earnings per share (cents)	189.44	(59.51)	345.33	12.52	8.29	6.32	5.71	(5.90)
Net book asset value per share (cents)	956.25	469.20	956.78	76.42	63.34	56.77	51.21	43.45
Share price at year end (cents)	5.3	3.5	5.3	3.5	3.6	3.5	3.5	3.00
Number of employees at year end	967	1 046	967	1046	1009	922	923	1 042
Ratios (%)								
Return on average shareholders' funds	29.00%	-16.00%	94.02%	19.90%	13.80%	13.44%	12.55%	-13.40%
Return on average assets	7.81%	-2.46%	26.01%	3.32%	2.71%	2.32%	2.16%	-2.68%
Non interest income to total income	91%	69%	98%	77%	79%	73%	76%	79%
Operating expenses to total income	62%	108%	26%	70%	67%	76%	80%	99%

Financial Highlights

Inflation adjusted financial highlights

↓ **14%**

Total assets
2019 - ZW$3 532.5m
2018 - ZW$4 105.7m

↑ **104%**

Total capital and reserves
2019 - ZW$1 506.3m
2018 - ZW$739.1m

↑ **467%**

Net profit/(loss) after taxation
2019 - ZW$433.6m
2018 - (ZW$118.2m)

↑ **45pps**

Return to equity
2019 - 29%
2018 - (16%)

↑ **8pps**

Liquidity ratio (Group)
2019 - 88.17%
2018 - 80.58%

↑ **46pps**

Cost to income ratio
2019 - 62%
2018 - 108%

pps - percentage points

Report of the Directors

For the year ended 31 December 2019

The directors have pleasure in presenting their report to shareholders for the year ended 31 December 2019.

Share capital

The authorised and issued share capital of the Company remained unchanged at 1 000 000 000 shares and 175 190 642 shares, respectively, at a nominal value of ZW$0.01 each.

As reported in the prior year, the matter in which Transnational Holdings limited (THL) is challenging the acquisition by the Company of a controlling interest in Intermarket Holdings Limited (IHL) remains to be finalised at the Supreme Court.

The Company has been exploring other ways of resolving the matter.

The Board is hopeful that complete and final resolution of this long-standing dispute will be found in the near future.

Financial results

The Group posted an inflation adjusted profit of ZW$433 637 854 (historical cost profit of ZW$765 073 854) compared to an inflation adjusted loss of ZW$118 173 890 (historical cost profit of ZW$21 789 462) in 2018.

The increase in equity arising from inflation adjusted other comprehensive income amounted to ZW$350 036 797 (Historical cost comprehensive income ZW$480 729 996) compared to an inflation adjusted comprehensive income of ZW$7 234 442 (historical cost comprehensive income of ZW$4 233 422) in 2018.

Inflation adjusted total assets as at 31 December 2019 amounted to ZW$3 532 475 628 (historical cost of ZW$3 519 959 914) compared to inflation adjusted total assets as at 31 December 2018 of ZW$4 105 677 266 (historical cost of ZW$663 195 772)

Dividends

The Board has declared a dividend of ZW6.49 cents per share for the year ended 31 December 2019.

Going concern

The directors have assessed the sustainability of business operations within the Group and have no reason to believe that the Group will not be a going concern for the foreseeable future. The going concern basis has, therefore, been adopted for the preparation of these financial statements.

However, the COVID–19 health pandemic has been identified as a development that has potential to affect the Group's business maturity. At the time of reporting, the full extent of this threat on the Group's business model, sources of revenue, cost base and cash flows was yet to be fully understood. However, preliminary assessment done supported reporting on the going concern assumption for the year ended 31 December 2019.

Directorate

In terms of Article 68 of the Company's Articles of Association, Messrs O. Akerele and P B Nyoni retire by rotation. Being eligible, they offer themselves for re-election at the forthcoming members' meeting.

Report of the Directors (continued)

For the year ended 31 December 2019

Professor C Manyeruke resigned from the Board on 1 September 2019.

None of the directors held any shares, directly or indirectly, in the company as at 31 December 2019.

Auditors

Shareholders will be requested to approve the remuneration to Messrs Deloitte & Touche (Zimbabwe) for their services with respect to the year ended 31 December 2019.

Paragraph 41(4) of Part III of the Banking Act (Chapter 24:20) prohibits a banking institution from appointing as its auditor the same institution for a continuous period of more than five (5) years in any eight (8) year period. Having provided the Group with audit services for the past five years, Messrs Deloitte & Touche (Zimbabwe) will not present themselves for the re-appointment in compliance with the above provisions. Shareholders will be required to appoint a new auditor for the year ended 31 December 2020.

By order of Board

	Mutandagayi	DShomwe
P Chiromo (Mrs) (Acting Chairman)	R Mutandagayi (Group Chief Executive)	D Shomwe (Acting Group Secretary)

Harare

29 May 2020

BOARD OF DIRECTORS

Mrs P Chiromo (Acting Chairman)
Mr. R. Mutandagayi (Group Chief Executive)
Mr. F. Kapanje (Group Finance Director)
Mr. O. Akerele
Mr. T. S. Bvurere
Mrs. A. Makamure
Mr. A. Z. Mangwiro
Mr. K. Maukazuva
Mr. J. Mutevedzi
Mr. P. B. Nyoni
Ms. T. Sibanda

Directors' Statement of Responsibility

For the year ended 31 December 2019

The directors of the Group take full responsibility for the preparation and the integrity of the consolidated and separate annual financial statements and financial information included in this report. The Directors are responsible for the preparation and fair presentation of the annual financial statements of ZB Financial Holdings Limited, comprising the statement of financial position at 31 December 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 the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes. The Group's financial statements as at 31 December 2019 are prepared in accordance with International financial Reporting Standards (IFRS), the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and relevant statutory instruments made there under.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In designing and implementing the systems of internal control the directors aim to provide reasonable but not absolute assurance as to the reliability of the financial statements, to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatements and losses. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate the occurrence of any material breakdown in the functioning of these controls, procedures and systems during the year under review.

All members of the Group Board Audit Committee are non-executive directors. The committee meets regularly with the Group's internal and external auditors and executive management to review accounting, auditing, internal control and financial reporting matters.

The internal and external auditors have unrestricted access to the Audit Committee. The external auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

The consolidated and separate annual financial statements of ZB Financial Holdings Limited, which appear on pages 58 to 229, were approved by the Board on 29 May 2020.

The Group's independent external auditor, Deloitte & Touche (Zimbabwe), has audited the financial statements and its report is attached to these financial statements on pages 50 to 57.

Preparer of financial statements

These annual financial statements have been prepared under the supervision of F Kapanje and have been audited in terms of section 29(1) of the Companies Act (Chapter 24:03).

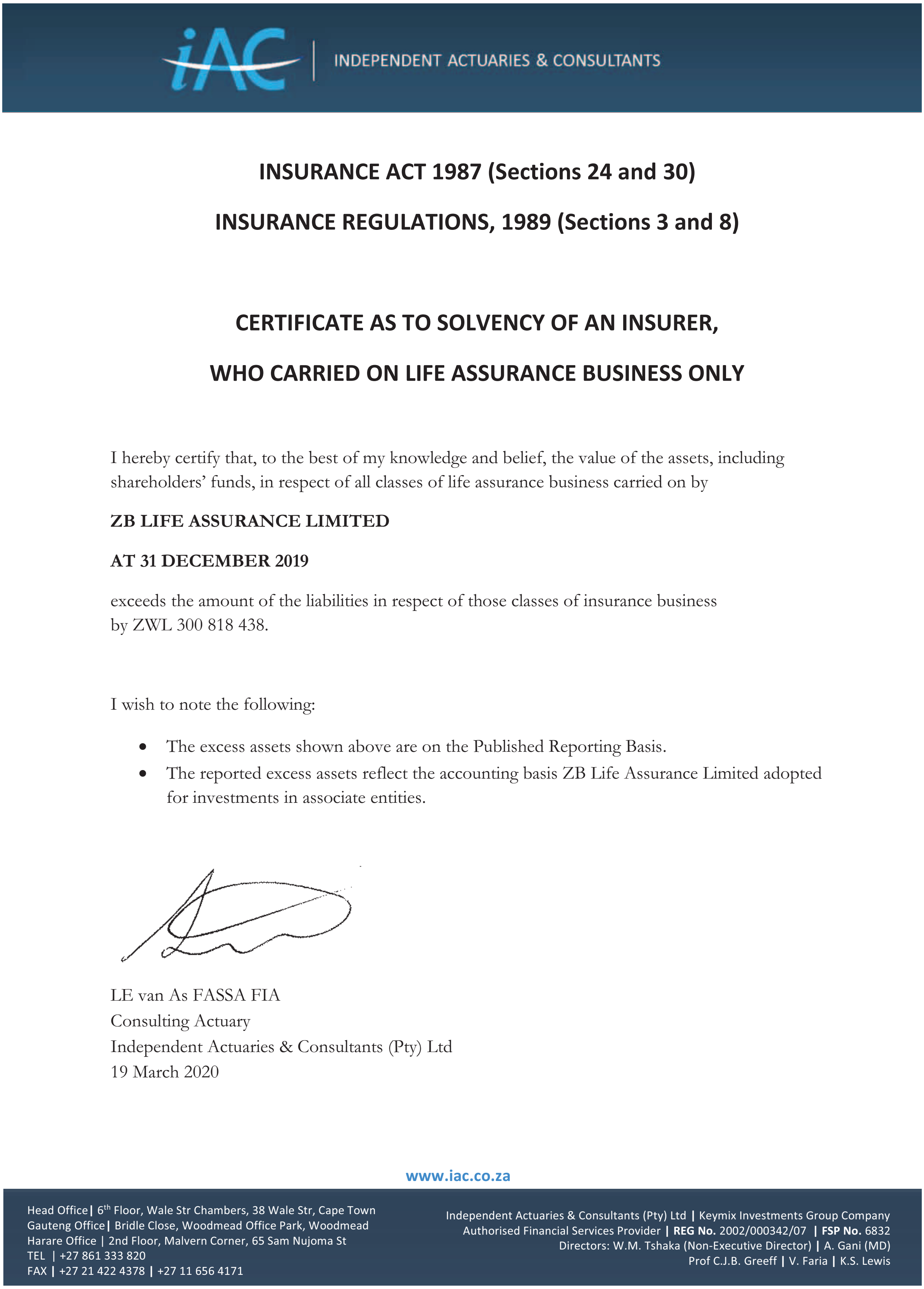
....
F Kapanje CA (Z)
Registered Public Accountant number 2295

	RMutandagayi	DShomwe
P Chiromo (Mrs) (Acting Chairman)	R Mutandagayi (Group Chief Executive)	D Shomwe (Acting Group Secretary)

Harare
29 May 2020

Extracts from the Report of the Independent Actuary

As at 31 December 2019



iAC | INDEPENDENT ACTUARIES & CONSULTANTS

INSURANCE ACT 1987 (Sections 24 and 30)

INSURANCE REGULATIONS, 1989 (Sections 3 and 8)

CERTIFICATE AS TO SOLVENCY OF AN INSURER, WHO CARRIED ON LIFE ASSURANCE BUSINESS ONLY

I hereby certify that, to the best of my knowledge and belief, the value of the assets, including shareholders' funds, in respect of all classes of life assurance business carried on by

ZB LIFE ASSURANCE LIMITED

AT 31 DECEMBER 2019

exceeds the amount of the liabilities in respect of those classes of insurance business by ZWL 300 818 438.

I wish to note the following:

- The excess assets shown above are on the Published Reporting Basis.
- The reported excess assets reflect the accounting basis ZB Life Assurance Limited adopted for investments in associate entities.

LE van As FASSA FIA
Consulting Actuary
Independent Actuaries & Consultants (Pty) Ltd
19 March 2020

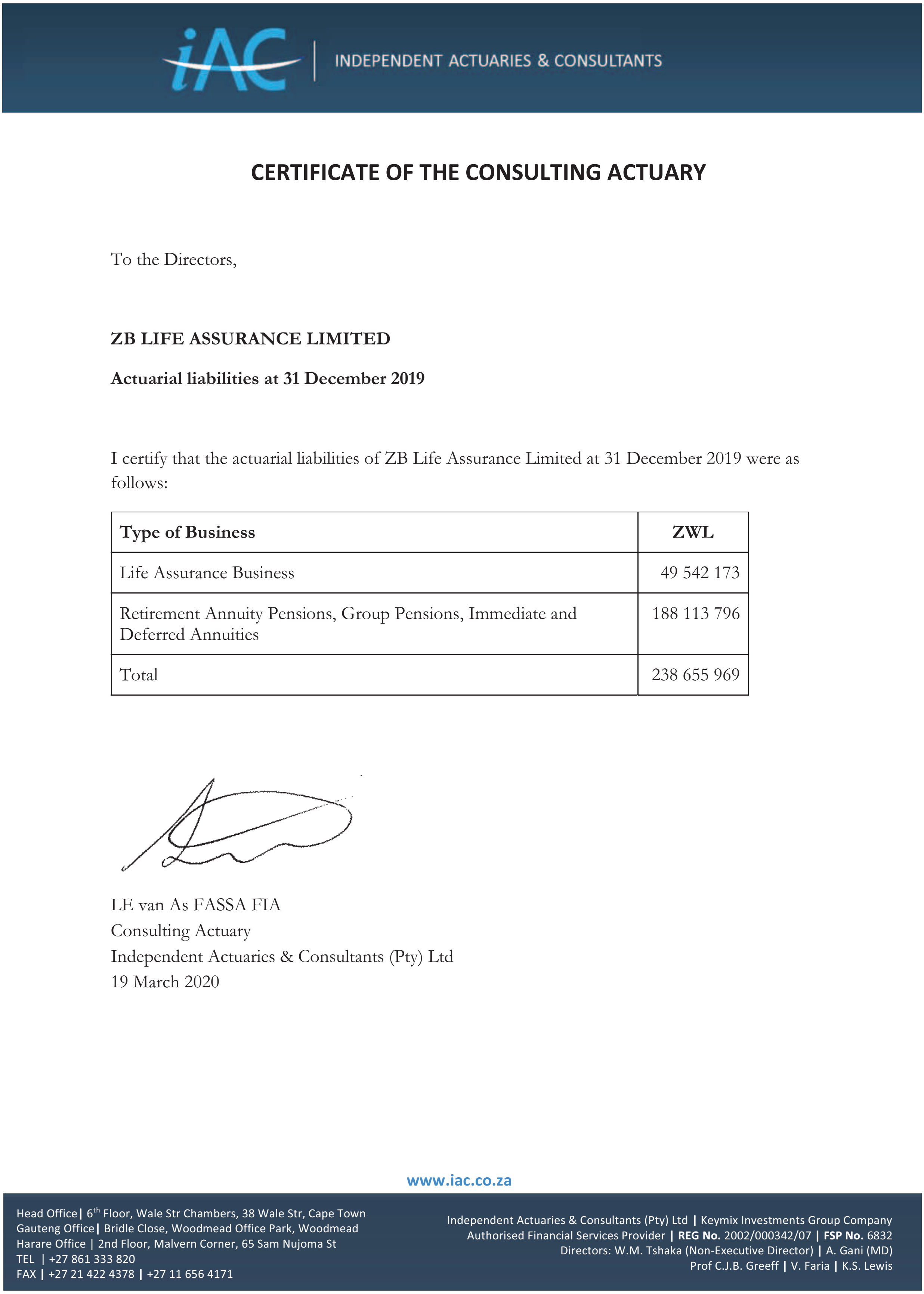
www.iac.co.za

Head Office | 6th Floor, Wale Str Chambers, 38 Wale Str, Cape Town
Gauteng Office | Bridle Close, Woodmead Office Park, Woodmead
Harare Office | 2nd Floor, Malvern Corner, 65 Sam Nujoma St
TEL | +27 861 333 820
FAX | +27 21 422 4378 | +27 11 656 4171

Independent Actuaries & Consultants (Pty) Ltd | Keymix Investments Group Company
Authorised Financial Services Provider | **REG No.** 2002/000342/07 | **FSP No.** 6832
Directors: W.M. Tshaka (Non-Executive Director) | A. Gani (MD)
Prof C.J.B. Greeff | V. Faria | K.S. Lewis

Extracts from the Report of the Independent Actuary (continued)

For the year ended 31 December 2019



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CERTIFICATE OF THE CONSULTING ACTUARY

To the Directors,

ZB LIFE ASSURANCE LIMITED

Actuarial liabilities at 31 December 2019

I certify that the actuarial liabilities of ZB Life Assurance Limited at 31 December 2019 were as follows:

Type of Business	**ZWL**
Life Assurance Business	49 542 173
Retirement Annuity Pensions, Group Pensions, Immediate and Deferred Annuities	188 113 796
Total	238 655 969

LE van As FASSA FIA
Consulting Actuary
Independent Actuaries & Consultants (Pty) Ltd
19 March 2020

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Deloitte.

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Harare
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Report on the audit of the inflation adjusted consolidated and separate financial statements

Adverse opinion

We have audited the inflation adjusted financial statements of ZB Financial Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 229, which comprise the inflation adjusted consolidated and separate statement of financial position as at 31 December 2019, and the inflation adjusted consolidated and separate statement of profit or loss and other comprehensive income, the inflation adjusted consolidated and separate statement of changes in equity and the inflation adjusted consolidated and separate statement of cash flows for the year then ended, and the notes to the inflation adjusted consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying inflation adjusted consolidated and separate financial statements do not present fairly, the inflation adjusted consolidated and separate financial position of the Group as at 31 December 2019, and its inflation adjusted consolidated and separate financial performance and inflation adjusted consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03), the relevant Statutory Instruments ("SI") 33/99 and 62/96, the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02) and the Insurance Act (Chapter 24:07).

Basis for adverse opinion

Impact of incorrect date of application of International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates.

On 20 February 2019, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time it issued the bond notes and coins into the basket of multi currencies. The below events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates":

Independent Auditor's Report (continued)

For the year ended 31 December 2019

- The Group transacted using a combination of United States Dollars ("USD"), bond notes and bond coins. Acute shortage of USD cash and other foreign currencies in the country resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, and RTGS FCA in comparison to the USD. Although RTGS was not legally recognised as currency up until 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency.

- In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand).

Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled. As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity.

As noted above, the RTGS was not legally recognised as currency up until 22 February 2019, however in substance from an accounting perspective, the RTGS was suggested as a currency in October 2018.

As a result of these factors the Directors performed an assessment on the functional currency of the Group in accordance with IAS 21 and acknowledged that the functional currency of the Group is no longer USD. The directors used the date of 1 January 2019 date to effect the application of IAS 21. The Group Financial Statements were therefore adjusted for the effects of IAS 21 from 1 January 2019.

The Directors had not re-assessed the change in functional currency for the year ended 31 December 2018. Because the Group transacted using a combination of United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms during the period from 1 October 2018 to 1 January 2019, the decision to change the functional currency was made from 1 January 2019. This resulted in a material misstatement to the financial performance and cash flows of the Group, as transactions denominated in USD were not appropriately translated during that period. An adverse opinion was issued on the financial statements for the year ended 31 December 2018.

If the assessment required by IAS 21 occurred in the correct period, the adjustments that were recognised in the 2018 and 2019 years would have been materially different. These misstatements are considered to be material and pervasive in the 2019 financial year.

Impact of Incorrect Application of International Accounting Standard (IAS) 29- "Financial Reporting in Hyper-Inflationary Economies

The Public Accountants and Auditors Board (PAAB) in their circular 01/19 communicated that the factors and characteristics to apply the International Accounting Standard ("IAS") 29, Financial Reporting in Hyper-Inflationary Economies had been met in Zimbabwe as such entities reporting in Zimbabwe were now required to apply the requirements of IAS 29 with effect from 1 July 2019.

Independent Auditor's Report (continued)

For the year ended 31 December 2019

IAS 29 refers to a "currency" in an economy being the underlying indicator of the hyper inflationary environment, based on that understanding the Group is required to identify the currency which is that of a hyper inflationary environment. As noted in the section above, the currency identified as currency in a hyper inflationary economy, RTGS dollars, was determined to be a functional currency from an accounting perspective from October 2018, only became legally recognised as currency on 22 February 2019, and was determined to have become hyperinflationary from 1 July 2019. The Directors opted to apply the principles of hyperinflation from 1 January 2009. During this period however, Zimbabwe was in a USD currency and economy predominantly and therefore was not operating in a hyper inflationary economy. It is therefore incorrect to apply hyperinflation from 1 January 2009 up to 30 September 2019. This would have impacted various elements of the financial statements namely equity and some non-monetary assets. This has been disclosed per Note 3.1.3.

If the hyperinflation adjustments required by IAS 29 occurred in the correct period, the values that were recognised in the 2018 and 2019 years would have been materially different. These misstatements are considered to be material and pervasive in the 2018 and the 2019 financial years.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the inflation adjusted consolidated and separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Adverse Opinion section of our report, we have determined the matters described below to be the key audit matters.

Independent Auditor's Report (continued)

For the year ended 31 December 2019

Key audit matter	How the matter was addressed in the audit
1. Valuation of expected credit losses (ECL) on financial assets	
The impairment allowances reflected in the statement of financial position as at 31 December 2019 and determined in accordance with International Financial Reporting Standard 9 "Financial Instruments" ("IFRS 9") amounts to ZW$ 67 mln. This was considered a key audit matter as the determination of the expected credit losses ("ECL") requires significant judgment. The key areas where we identified greater levels of Director's judgement and therefore increased levels of audit focus in the Group's implementation of IFRS 9 included: • The measurement of modelled provisions, which is dependent on key assumptions relating to probability of default ("PD") (the chance that the borrowers will fail to meet their contractual obligations in the future), loss given default ("LGD") (an estimate of the loss from a transaction given that default has occurred) and expected recoveries discounted to present value; • The identification of exposures with a significant deterioration in credit quality; and • Assumptions used in the expected credit loss model including forward looking information. Notes 2.2.2.8 and 3.4.1.5 to the inflation adjusted consolidated financial statements includes details on the accounting policies with respect to the expected credit losses. Notes 27.3 and 38.2 further provide detailed information with respect to the determination of the expected credit losses.	• Obtained an understanding of the business process with respect to the impairment of financial assets and evaluated the design and implementation of the relevant controls within that business process. • We performed grading tests on a sample of loans to determine accuracy of their staging; • We performed an assessment of the accuracy of the collateral values; • We evaluated the competence, objectivity and independence of the experts engaged by management to continuously enhance the Group's credit loss model as well as perform validation thereof; and • We reviewed the disclosures of the ECL balance to ensure adequacy of these in accordance with the requirements of IFRS 7 "Financial Instruments: Disclosures". Using the assistance of an auditor's specialist, we performed the following procedures: • Performed a review of the Group's ECL methodology to determine that this was in accordance with IFRS 9; • Reviewed and assessed the reasonableness and accuracy of the forward-looking information incorporated into the model; • Performed completeness and accuracy tests on the balances of financial assets being subjected to the model to compute the ECL as well as those whose ECL was following the simplified approach; • Performed assessment of the methods used to determine the probability of default, exposure at default ("EAD") and loss given default rates; and • Inspected the ECL model to evaluate whether the ECL amount was being computed following the established methods and using the appropriate parameters as assessed above.

Independent Auditor's Report (continued)

For the year ended 31 December 2019

Key audit matter	How the matter was addressed in the audit
2. Valuation of Incurred But not Reported ("IBNR") claims provision	
As disclosed in Notes 18 and 23 of the inflation adjusted consolidated and separate financial statements, the determination of the IBNR claims provision is an area of key judgement due to the level of subjectivity inherent in the estimation of the occurrence and severity of claims that would have been incurred at the reporting date but have not yet been reported to the Group as at that date. Directors engaged an actuarial expert to assess the valuation of the IBNR that they had provided for. The claims provision as at 31 December 2019 was ZW$12.1 million (2018: ZW$14.6 million) as further disclosed in Note 2.2.2.6 of the inflation adjusted consolidated financial statements.	• We established the assumptions with respect to the determination of the provision made in the current and prior year, and assessed these for consistency and reasonableness; • We compared the prior year provision against the results of current year claims reported that related to the prior financial period to assess the prior year provision for reasonableness or bias; • We assessed the accuracy of the provision raised at the end of the current year to confirm management's processes in preparing the provision; • We engaged our own internal actuarial specialist to interrogate the methodology and assumptions of the Group's actuary used in the IBNR assessment; • We assessed the completeness and accuracy of the amounts used in the computation of the IBNR claim provision; • We reviewed the disclosures in the financial statements, paying particular attention to the disclosure of the assumptions used and judgements made computing the claims provision; and • We reviewed the disclosures regarding the sensitivity of the IBNR claims provision and the related factors that influence this.

Independent Auditor's Report (continued)

For the year ended 31 December 2019

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, as required by the Companies Act (Chapter 24:03) and the historical cost consolidated financial information which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the inflation adjusted consolidated financial statements and our auditor's report thereon. Our opinion on the inflation adjusted financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the inflation adjusted consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for Adverse Opinion section above, the Group changed its functional currency to the RTGS Dollar effective 1 January 2019. The date of change in functional currency as determined in accordance with IFRS is 1 October 2018. Consequently the measurement of transactions between 1 October 2018 and 1 January 2019 does not comply with the requirements of IAS 21 and as such, transactions have not been appropriately translated in accordance with these Standards. Furthermore, the Group applied hyperinflation from 1 January 2009 in the preparation of the inflation adjusted financial statements. Had the Group applied the hyperinflation adjustments required by IAS 29 from 1 July 2019 in the correct period, the values that were recognised in the 2018 and 2019 years would have been materially different. We have determined that the other information is misstated for these reasons.

Responsibilities of the Directors for the inflation adjusted consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and the requirements of the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02) and the Insurance Act (Chapter 24:07) and for such internal control as the directors determine is necessary to enable the preparation of inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report (continued)

For the year ended 31 December 2019

Auditor's responsibilities for the audit of the inflation adjusted consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company'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 Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (continued)

For the year ended 31 December 2019

Auditor's responsibilities for the audit of the inflation adjusted consolidated and separate financial statements (continued)

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Brian Mabiza
Partner
PAAB Practice Certificate Number 0447
29 May 2020

Consolidated Statements of Financial Position

As at 31 December 2019

		Inflation adjusted		Historical cost*	
	Notes	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
ASSETS					
Cash and cash equivalents	5	960 702 956	893 651 588	960 702 956	143 869 250
Money market investments	6	32 002 494	66 556 090	32 002 494	10 714 886
Treasury bills	7	217 048 870	1 207 199 029	217 048 870	194 347 351
Mortgages and other advances	8	450 580 815	757 234 115	450 580 815	121 907 358
Investment securities	9.2	140 012 122	351 034 983	140 012 122	56 513 232
Investments in associates	10.1	444 045 111	208 637 337	445 466 831	36 145 227
Inventories, trade and other receivables	11	60 018 874	74 860 608	46 081 440	12 050 329
Investment properties	12	527 621 601	206 989 068	527 621 601	33 323 232
Right of use assets	13	6 645 722	39 786 213	6 645 722	6 405 194
Property and equipment	14	575 431 921	229 709 092	575 431 921	36 980 940
Intangible assets	15	118 365 142	70 019 143	118 365 142	10 938 773
Total assets		3 532 475 628	4 105 677 266	3 519 959 914	663 195 772
LIABILITIES					
Deposits and other accounts	17	1 372 115 021	2 689 643 172	1 372 115 021	433 006 499
Trade and other payables	18	203 109 391	257 662 151	203 109 391	41 480 900
Current tax liabilities	19	5 152 672	836 145	5 152 672	134 611
Deferred tax liabilities	20	109 322 903	30 749 049	96 949 627	3 611 132
Lease liabilities	21	6 645 722	40 757 651	6 645 722	6 561 587
Long term borrowings	22	15 372 037	90 937 368	15 372 037	14 640 035
Life assurance funds	23	239 621 699	219 050 940	238 655 969	37 439 715
Offshore borrowings	24	74 817 920	36 942 265	74 817 920	5 947 347
Total liabilities		2 026 157 365	3 366 578 741	2 012 818 359	542 821 826
EQUITY					
Share capital	25.1	16 209 071	16 209 071	1 751 906	1 751 906
Share premium	25.2	250 566 538	250 566 538	27 081 696	27 081 696
Other components of equity	25.3	397 167 055	63 690 081	481 956 933	24 174 887
Retained income	25.4	557 934 128	274 886 912	586 598 447	45 103 526
Functional currency translation reserve		-	-	113 962 188	-
Attributable to equity holders of parent		1 221 876 792	605 352 602	1 211 351 170	98 112 015
Non-controlling interests	25.5	284 441 471	133 745 923	295 790 385	22 261 931
Total equity		1 506 318 263	739 098 525	1 507 141 555	120 373 946
Total equity and liabilities		3 532 475 628	4 105 677 266	3 519 959 914	663 195 772

Approved by the Board and signed on its behalf by:

P Chiromo (Mrs)
(Acting Chairman)

R Mutandagayi
(Group Chief Executive)

D Shomwe
(Acting Group Secretary)

29 May 2020

*The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies and IAS 21:The Effect of Changes in Foreign Exchange Rates. As a result the auditors have not expressed an opinion on the historic financial information.

Company Statements of Financial Position

As at 31 December 2019

		Inflation adjusted		Historical cost*	
	Notes	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
ASSETS					
Cash and cash equivalents	5	1 880 725	2 324 544	1 880 725	374 229
Investment securities	9	6 896 669	49 598 587	6 896 669	7 984 892
Investments in associates	10.1	18 453 603	14 143 880	19 825 903	2 121 828
Investments in subsidiaries	10.2	1 208 494 323	686 378 217	1 191 139 422	110 397 321
Inventories, trade and other receivables	11	9 255 358	33 761 783	9 255 358	5 435 321
Investment properties	12	7 499 200	2 981 546	7 499 200	480 000
Right of use assets	13	4 048 358	17 198 979	4 048 358	2 768 869
Property and equipment	14	4 853 794	1 813 328	4 853 794	291 928
Intangible assets	15	34 465	142 717	34 465	22 976
Deferred tax asset	20	-	981 953	-	59 334
Total assets		1 261 416 495	809 325 534	1 245 433 894	129 936 698
LIABILITIES					
Trade and other payables	18	15 069 551	101 125 582	15 069 551	16 280 239
Lease liabilities	21	4 048 358	17 729 066	4 048 358	2 854 208
Long term borrowings	22	15 372 037	90 937 368	15 372 037	14 640 035
Deferred tax liabilities	20	1 257 343	-	1 632 301	-
Total liabilities		35 747 289	209 792 016	36 122 247	33 774 482
EQUITY					
Share capital	25.1	16 209 071	16 209 071	1 751 906	1 751 906
Share premium	25.2	250 566 538	250 566 538	27 081 696	27 081 696
Revaluation reserve	25.3	2 962 997	162 947	3 201 105	14 282
Retained income		955 930 600	332 594 962	1 063 314 752	67 314 332
Functional currency translation reserve		-	-	113 962 188	-
Total equity		1 225 669 206	599 533 518	1 209 311 647	96 162 216
Total equity and liabilities		1 261 416 495	809 325 534	1 245 433 894	129 936 698

Approved by the Board and signed on its behalf by:

P Chiromo (Mrs)	R Mutandagayi	D Shomwe
(Acting Chairman)	(Group Chief Executive)	(Acting Group Secretary)

29 May 2020

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*The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies and IAS 21:The Effect of Changes in Foreign Exchange Rates. As a result the auditors have not expressed an opinion on the historic financial information.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

		Inflation adjusted		Historical cost*	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	Notes	ZW$	ZW$	ZW$	ZW$
Interest and related income	27.1	188 325 326	252 541 545	81 485 012	30 572 053
Interest and related expenses	27.2	(41 769 109)	(53 472 179)	(15 165 760)	(6 558 816)
Net interest and related income		146 556 217	199 069 366	66 319 252	24 013 237
Loan impairment charges, net recoveries	27.3	(75 649 169)	(34 558 777)	(49 666 837)	(4 920 365)
Net income from lending activities		70 907 048	164 510 589	16 652 415	19 092 872
Gross insurance premium income	28.1	251 548 177	216 708 748	124 728 943	32 787 829
Total insurance expenses	28.2	(162 385 020)	(133 584 527)	(78 969 380)	(22 843 786)
Net insurance income		89 163 157	83 124 221	45 759 563	9 944 043
Commissions and fees		276 908 066	331 154 296	128 151 706	39 955 894
Other operating income	29	147 779 714	35 688 107	137 341 934	5 282 412
Fair value adjustments	30	230 150 630	(89 810 778)	502 697 392	9 252 042
Total income		814 908 615	524 666 435	830 603 010	83 527 263
Operating expenses	31	(501 435 814)	(566 145 304)	(215 142 648)	(56 196 319)
Profit / (loss) from ordinary activities		313 472 801	(41 478 869)	615 460 362	27 330 944
Movement in life assurance funds	23	(20 570 759)	26 787 547	(179 186 905)	(5 628 388)
Share of associate companies' profit / (losses) net of tax	10.1	243 246 781	(63 517 979)	370 148 646	2 240 285
Net monetary loss		(25 119 996)	(18 499 281)	-	-
Profit / (loss) before taxation		511 028 827	(96 708 582)	806 422 103	23 942 841
Income tax expense	32	(77 390 973)	(21 465 308)	(41 348 249)	(2 153 379)
Net profit / (loss) for the year		433 637 854	(118 173 890)	765 073 854	21 789 462
Profit / (loss) attributable to:					
Owners of parent		298 403 687	(93 739 853)	543 967 157	19 717 014
Non-controlling interests		135 234 167	(24 434 037)	221 106 697	2 072 448
Profit / (loss) for the year		433 637 854	(118 173 890)	765 073 854	21 789 462

*The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies and IAS 21:The Effect of Changes in Foreign Exchange Rates. As a result the auditors have not expressed an opinion on the historic financial information.

Consolidated Statements of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 December 2019

		Inflation adjusted		Historical cost*	
	Notes	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
Profit / (loss) for the year		433 637 854	(118 173 890)	765 073 854	21 789 462
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Gains on property and equipment revaluation	25.3.2	353 491 077	243 503	478 099 954	2 078 759
Gains on intangible asset revaluation	25.3.2	54 682 512	5 429 382	66 193 426	3 009 949
Fair value gains / (losses) on financial assets at FVTOCI	25.3.3	(7 806 926)	3 698 587	(7 806 926)	595 437
Income tax relating to components of other comprehensive income	25.6	(50 329 866)	(2 137 030)	(55 756 458)	(1 450 723)
Other comprehensive income / (loss) for the year net of tax		350 036 797	7 234 442	480 729 996	4 233 422
Total comprehensive income/ (loss) for the year		783 674 651	(110 939 448)	1 245 803 850	26 022 884
Total comprehensive income / (loss) attributable to:					
Owners of parent		631 880 661	(86 279 498)	1 001 749 202	23 799 970
Non-controlling interests		151 793 990	(24 659 950)	244 054 648	2 222 914
Total comprehensive income/ (loss) for the year		783 674 651	(110 939 448)	1 245 803 850	26 022 884
Weighted average number of shares	33	157 522 902	157 522 902	157 522 902	157 522 902
Earnings / (loss) per share					
Basic and fully diluted earnings/ (loss) per share (ZW cents)		189	(60)	345	13

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Company Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

		Inflation adjusted		Historical cost*	
	Notes	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
Other operating income	29	109 879 985	118 438 970	28 262 781	14 240 945
Fair value adjustments	30	519 201 166	(152 488 502)	985 462 201	17 883 979
Total income / (loss)		629 081 151	(34 049 532)	1 013 724 982	32 124 924
Operating expenses	31	(91 194 725)	(80 588 061)	(27 436 625)	(9 607 044)
Profit / (loss) from ordinary activities		537 886 426	(114 637 593)	986 288 357	22 517 880
Share of associate companies' profit net of tax	10.1	4 309 723	2 404 927	12 712 145	211 587
Net monetary gain		97 815 792	52 203 743	-	-
Profit / (loss) before taxation		640 011 941	(60 028 923)	999 000 502	22 729 467
Income tax expense	32	(1 319 832)	(3 259 236)	(527 846)	(408 570)
Net profit / (loss) for the year		638 692 109	(63 288 159)	998 472 656	22 320 897
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Gains on property and equipment revaluation	25.3.2	3 719 514	219 457	4 233 292	19 235
Income tax relating to components of other comprehensive income	25.6	(919 464)	(56 510)	(1 046 469)	(4 953)
Other comprehensive income for the year net of tax		2 800 050	162 947	3 186 823	14 282
Total comprehensive income / (loss) for the year		641 492 159	(63 125 212)	1 001 659 479	22 335 179
Weighted average number of shares	33	157 522 902	157 522 902	157 522 902	157 522 902
Earnings / (loss) per share					
Basic and fully diluted earnings/ (loss) per share (ZW cents)	33	405	(40)	634	14

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Consolidated Statements of Changes in Equity

For the year ended 31 December 2019

Inflation adjusted	Share capital ZW$	Share premium ZW$	General reserve ZW$	Property and equipment revaluation reserve ZW$	Financial assets at FVTOCI ZW$	Retained income ZW$	Attributable to equity holders of parent ZW$	Non controlling interests ZW$	Total ZW$
Balance at 31 December 2018	16 209 071	250 566 538	(23 782 372)	31 973 152	22 940 367	404 325 891	702 232 647	195 612 867	897 845 514
Changes on initial application of IFRS9	-	-	-	-	-	(19 499 071)	(19 499 071)	(298 862)	(19 797 933)
Changes on initial application of IFRS16	-	-	-	-	-	(1 194 649)	(1 194 649)	(13 254)	(1 207 903)
Restated balance 1 January 2018	16 209 071	250 566 538	(23 782 372)	31 973 152	22 940 367	383 632 171	681 538 927	195 300 751	876 839 678
Changes in equity for 2018									
Profit or loss									
Loss for the year	-	-	-	-	-	(93 739 853)	(93 739 853)	(24 434 037)	(118 173 890)
Other comprehensive income, net of tax									
Revaluation of property	-	-	-	4 714 156	-	-	4 714 156	(225 914)	4 488 242
Fair value gain on financial assets at FVTOCI	-	-	-	-	2 746 200	-	2 746 200	-	2 746 200
Transaction with owners of the parent									
Dividends paid	-	-	-	-	-	(25 441 987)	(25 441 987)	(1 359 718)	(26 801 705)
Other movements									
Adjustment for regulatory reserve in respect of doubtful advances	-	-	26 710 962	-	-	242 503	26 953 465	(26 953 465)	-
Transfer to retained income	-	-	-	(1 612 384)	-	10 194 078	8 581 694	(8 581 694)	-
Balance at 31 December 2018	16 209 071	250 566 538	2 928 590	35 074 924	25 686 567	274 886 912	605 352 602	133 745 923	739 098 525
Changes in equity for 2019									
Profit or loss									
Profit for the year	-	-	-	-	-	298 403 687	298 403 687	135 234 167	433 637 854
Other comprehensive income, net of tax									
Revaluation of property	-	-	-	339 314 486	-	-	339 314 486	16 559 823	355 874 309
Fair value gain on financial assets at FVTOCI	-	-	-	-	(5 837 512)	-	(5 837 512)	-	(5 837 512)
Transaction with owners of the parent									
Dividends paid	-	-	-	-	-	(15 356 471)	(15 356 471)	(1 098 442)	(16 454 913)
Balance at 31 December 2019	16 209 071	250 566 538	2 928 590	374 389 410	19 849 055	557 934 128	1 221 876 792	284 441 471	1 506 318 263

Consolidated Statements of Changes in Equity (continued)

For the year ended 31 December 2019

Historical cost*	Share capital ZW$	Share premium ZW$	Functional currency translation reserve ZW$	General reserve ZW$	Property and equipment revaluation reserve ZW$	Financial assets at FVTOCI ZW$	Retained income ZW$	Attributable to equity holders of parent ZW$	Non controlling interests ZW$	Total ZW$
Balance at 31 December 2018	1 751 906	27 081 696	-	5 885 904	11 996 022	2 408 347	29 525 484	78 649 359	21 121 867	99 771 226
Changes on initial application of IFRS9	-	-	-	-	-	-	(2 225 855)	(2 225 855)	(17 323)	(2 243 178)
Changes on initial application of IFRS16	-	-	-	-	-	-	(135 710)	(135 710)	(4 544)	(140 254)
Restated balance 1 January 2018	1 751 906	27 081 696	-	5 885 904	11 996 022	2 408 347	27 163 919	76 287 794	21 100 000	97 387 794
Changes in equity for 2018										
Profit or loss										
Profit for the year	-	-	-	-	-	-	19 717 014	19 717 014	2 072 448	21 789 462
Other comprehensive income, net of tax										
Revaluation of property	-	-	-	-	3 640 844	-	-	3 640 844	150 466	3 791 310
Fair value gain on financial assets at FVTOCI	-	-	-	-	-	442 112	-	442 112	-	442 112
Transaction with owners of the parent										
Dividends paid	-	-	-	-	-	-	(2 882 669)	(2 882 669)	(154 063)	(3 036 732)
Other movements										
Adjustment for regulatory reserve in respect of doubtful advances	-	-	-	(15 653)	-	-	26 559	10 906	(10 906)	-
Transfer to retained income	-	-	-	-	(182 689)	-	1 078 703	896 014	(896 014)	-
Balance at 31 December 2018	1 751 906	27 081 696	-	5 870 251	15 454 177	2 850 459	45 103 526	98 112 015	22 261 931	120 373 946
Effects changes in functional currency	-	-	113 962 188	-	-	-	-	113 962 188	29 650 652	143 612 840
Changes in equity for 2019										
Profit or loss										
Profit for the year	-	-	-	-	-	-	543 967 157	543 967 157	221 106 697	765 073 854
Other comprehensive income, net of tax										
Revaluation of property	-	-	-	-	463 619 558	-	-	463 619 558	22 947 950	486 567 508
Fair value gain on financial assets at FVTOCI	-	-	-	-	-	(5 837 512)	-	(5 837 512)	-	(5 837 512)
Transaction with owners of the parent										
Dividends paid	-	-	-	-	-	-	(2 472 236)	(2 472 236)	(176 845)	(2 649 081)
Balance at 31 December 2019	1 751 906	27 081 696	113 962 188	5 870 251	479 073 735	(2 987 053)	586 598 447	1 211 351 170	295 790 385	1 507 141 555

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Company Statements of Changes in Equity

For the year ended 31 December 2019

Inflation adjusted	Ordinary shares ZW$	Share premium ZW$	Property & equipment revaluation reserve ZW$	Retained income ZW$	Total ZW$
Balance at 31 December 2018	16 209 071	250 566 538	-	421 897 840	688 673 449
Changes on initial application of IFRS 16	-	-	-	(572 732)	(572 732)
Restated balance 1 January 2018	16 209 071	250 566 538	-	421 325 108	688 100 717
Changes in equity for 2018:					
Profit or loss					
Loss for the year	-	-	-	(63 288 159)	(63 288 159)
Other comprehensive income, net of tax					
Revaluation of property	-	-	162 947	-	162 947
Transaction with owners of the parent					
Dividends paid	-	-	-	(25 441 987)	(25 441 987)
Balance at 31 December 2018	16 209 071	250 566 538	162 947	332 594 962	599 533 518
Changes in equity for 2019:					
Profit or loss					
Profit for the year	-	-	-	638 692 109	638 692 109
Other comprehensive income, net of tax					
Revaluation of property	-	-	2 800 050	-	2 800 050
Transaction with owners of the parent					
Dividends paid	-	-	-	(15 356 471)	(15 356 471)
Balance at 31 December 2019	16 209 071	250 566 538	2 962 997	955 930 600	1 225 669 206

Company Statements of Changes in Equity (continued)

For the year ended 31 December 2019

Historical cost*	Ordinary shares ZW$	Share premium ZW$	Functional currency translation reserve ZW$	Property & equipment revaluation reserve ZW$	Retained income ZW$	Total ZW$
Balance at 31 December 2018	1 751 906	27 081 696	-	-	47 940 996	76 774 598
Changes on initial application of IFRS 16	-	-	-	-	(64 892)	(64 892)
Restated balance 1 January 2018	1 751 906	27 081 696	-	-	47 876 104	76 709 706
Changes in equity for 2018:						
Profit or loss						
Profit for the year	-	-	-	-	22 320 897	22 320 897
Other comprehensive income, net of tax						
Revaluation of property	-	-	-	14 282	-	14 282
Transaction with owners of the parent						
Dividends paid	-	-	-	-	(2 882 669)	(2 882 669)
Balance at 31 December 2018	1 751 906	27 081 696	-	14 282	67 314 332	96 162 216
Changes in functional currency	-	-	113 962 188	-	-	113 962 188
Changes in equity for 2019:						
Profit or loss						
Profit for the year	-	-	-	-	998 472 656	998 472 656
Other comprehensive income, net of tax						
Revaluation of property	-	-	-	3 186 823	-	3 186 823
Transaction with owners of the parent						
Dividends paid	-	-	-	-	(2 472 236)	(2 472 236)
Balance at 31 December 2019	1 751 906	27 081 696	113 962 188	3 201 105	1 063 314 752	1 209 311 647

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Consolidated Statements of Cash Flows

For the year ended 31 December 2019

		Inflation adjusted		Historical cost*	
	Notes	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
Cash generated from operating activities	34	167 642 715	269 092 412	918 844 934	41 043 829
Interest and related income received	27.1	188 325 326	252 541 545	81 485 012	30 572 053
Dividends received	29	4 843 196	10 432 648	3 441 814	1 944 996
Interest and related expense paid	27.2	(41 769 109)	(53 472 179)	(15 165 760)	(6 558 816)
Income tax paid	19	(44 830 458)	(11 191 002)	(12 535 637)	(1 371 523)
Net cash generated from operating activities		274 211 670	467 403 424	976 070 363	65 630 539
Cash flows from investing activities					
Purchase of investment property	12.2	-	(4 010 024)	-	(645 575)
Purchase of intangible assets	15	(20 651 766)	(29 044 980)	(14 030 889)	(3 276 535)
Purchase of property and equipment	14	(33 236 549)	(47 821 284)	(19 510 424)	(5 603 881)
Proceeds on disposal of property and equipment		241 804	497 668	107 291	60 252
Purchase of investment securities	9.3	(28 465 162)	(209 862 510)	(10 324 935)	(30 260 900)
Proceeds on disposal of investment securities	9.3	24 939 193	108 548 517	17 052 861	16 882 398
Net cash used in investing activities		(57 172 480)	(181 692 613)	(26 706 096)	(22 844 241)
Cash flows from financing activities					
Dividends paid		(16 454 913)	(26 801 705)	(2 649 081)	(3 036 732)
Payment for lease liabilities	21	(6 469 189)	(12 185 683)	(2 817 760)	(1 961 777)
Net cash used in financing activities		(22 924 102)	(38 987 388)	(5 466 841)	(4 998 509)
Net increase in cash and cash equivalents		194 115 088	246 723 423	943 897 426	37 787 789
Cash and cash equivalents at beginning of year		893 651 588	651 490 343	143 869 250	106 816 218
Effects of exchange rates fluctuating On cash and cash equivalents		(127 063 720)	(4 562 178)	(127 063 720)	(734 757)
Cash and cash equivalents at end of year	5	960 702 956	893 651 588	960 702 956	143 869 250
Cash and cash equivalents comprise:					
Cash		156 432 202	57 178 072	156 432 202	9 205 116
Local bank accounts		608 343 672	815 830 647	608 343 672	131 340 832
Foreign bank accounts		195 927 082	20 642 869	195 927 082	3 323 302
	5	960 702 956	893 651 588	960 702 956	143 869 250

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Company Statements of Cash Flows

For the year ended 31 December 2019

		Inflation adjusted		Historical cost*	
	Notes	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
Cash used in operating activities	34	(22 846 639)	(5 530 378)	(6 170 920)	(553 683)
Dividends received	29	41 296 496	42 801 215	7 363 069	5 175 768
Interest expense lease liability	21	(1 308 046)	(2 290 072)	(210 583)	(259 473)
Net cash (used in)/ generated from operating activities		(17 141 811)	34 980 765	981 566	4 362 612
Cash flows from investing activities					
Purchase of property and equipment	14	(1 608 941)	(165 182)	(259 024)	(18 716)
Proceeds on disposal of property and equipment		28 385	286 443	4 570	32 551
Purchase of investment securities	9.3	-	(15 528 884)	-	(2 500 000)
Proceeds on disposal of investment securities	9.3	4 000 000	9 480 857	4 000 000	1 526 326
Net cash generated from / (used in) investing activities		2 419 444	(5 926 766)	3 745 546	(959 839)
Cash flows from financing activities					
Dividends paid		(15 356 471)	(25 441 987)	(2 472 236)	(2 882 669)
Payment for lease liabilities		(4 648 603)	(6 605 084)	(748 380)	(748 380)
Net cash used in financing activities		(20 005 074)	(32 047 071)	(3 220 616)	(3 631 049)
Net (decrease) / increase in cash and cash equivalents		(443 819)	(2 993 072)	1 506 496	(228 276)
Cash and cash equivalents at beginning of year		2 324 544	5 317 616	374 229	602 505
Cash and cash equivalents at end of year	5	1 880 725	2 324 544	1 880 725	374 229
Cash and cash equivalents comprise:					
Cash		1 880 725	2 324 544	1 880 725	374 229
		1 880 725	2 324 544	1 880 725	374 229

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Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2019

1. NATURE OF BUSINESS

ZB Financial Holdings Limited, "the Company", which is incorporated and domiciled in Zimbabwe, and is listed on the Zimbabwe Stock Exchange, acts as a holding company for a group of companies whose business is the provision of commercial banking, merchant banking, home mortgages, insurance and other financial services (together, "the Group"). The address of its registered office and principal place of business is 21 Natal Road Avondale, Harare, Zimbabwe.

The Company is registered under registration number 1278/89.

2. CHANGES IN ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

2.1.1 New and revised IFRS affecting amounts reported in the current year (and/or prior years)

The following new and revised IFRSs have been applied in the current year and have affected the amounts reported in these financial statements. Details of other new and revised IFRSs applied in these financial statements that have had no material effect on the financial statements are set out in section 2.1.3.

New standard	Effective date	Major requirements
IFRS 16 *Leases*	1 January 2019	IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 replaces current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. Having fully adopted IFRS 15 Revenue from Contracts with Customers, the Group decided to early-adopt IFRS 16 and has implemented its principles from 1 January 2018. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Impact of the new definition of a lease The Group has chosen to make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2018. In the current year, the Group has reassessed the lease liability due to the changes in the rental payments and the changes in the implicit borrowing rate. The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has: – The right to obtain substantially all of the economic benefits from the use of an identified asset; and The right to direct the use of that asset.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

2.1.1 New and revised IFRS affecting amounts reported in the current year (and/or prior years) (continued)

New standard	Effective date	Major requirements
IFRS 16 *Leases (continued)*	1 January 2019	Impact on Lessee Accounting *Operating leases* Whilst the operating leases were previously considered to be off balance sheet from 1 January 2018 the Group now recognises: a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments; b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement. IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

2.1.2 New and revised IFRSs applied with no material effect on the consolidated financial statements

New standard	Effective date	Major requirements
Amendments to IFRS 9 Prepayment Features with Negative Compensation	1 January 2019	The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the "Solely payments of principal and interest" (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

2.1.2 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

New standard	Effective date	Major requirements
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019	The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28). The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*	1 January 2019	The Group has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Group will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

2.1.2 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

New standard	Effective date	Major requirements
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019	The Group has adopted the requirements of IFRIC 23 in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to: • determine whether uncertain tax positions are assessed separately or as a group; and • assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: • If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. • If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

2.1.3 New and revised IFRSs in issue but not yet effective

New standard	Effective date	Major requirements
IFRS 17 *Insurance Contracts*	1 January 2021	The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach. The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees. The implementation of the Standard is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and information technology.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

2.1.3 New and revised IFRSs in issue but not yet effective (continued)

New standard	Effective date	Major requirements
IFRS 17 *Insurance Contracts*	1 January 2021	For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. The directors of the Company do not anticipate that the application of the Standard in the future will have an impact on the Group's consolidated financial statements.
IFRS 10 and IAS 28 *(amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not yet effective	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Group anticipate that the application of these amendments may not have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

2.2 Critical accounting judgements and key sources of estimation uncertainty

Significant assumptions and estimations, as at the date of financial reporting, with material implications on the reported outturn and balances have been made in the following areas:

2.2.1 Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, which are described in note 3, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with under note 2.2.2 below):

- That the Group will continue operating as a going-concern into the future, being able to generate or access resources to meet both regulatory and operational capital requirements.
- The directors have assessed the Group's total asset holdings relative to its cash-flow requirements and the practicality of trading in those assets and have confirmed the Group's constructive intention and ability to extract value from the assets on a "best use" basis on all non-monetary assets and a "best case" basis in the case of monetary assets. The inflation adjusted total portfolio of non-monetary assets amounted to ZW$1 872 140 494 (historical cost ZW$1 859 624 779) whilst inflation adjusted non-cash monetary assets amounted to ZW$1 660 335 134 (historical cost ZW$1 660 335 135).

2.2.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

2.2.2.1 Fair value for unquoted investments

Subject to contractual provisions, the fair value of unquoted investments is established with reference to the net assets value and the earnings capacity of the underlying business. Valuation on the earnings basis is calculated as the sustainable earnings for the entity multiplied by a modified Price Earnings Ratio derived from comparable quoted company with similar operations in a similar environment.

Market distortions affect the measurement of the net asset values and the projection of the future earnings capacity of the businesses. In all material instances, the valuation basis has been consistently applied over the last two years.

The valuation of investments in subsidiary companies carried in the separate financial statements of the holding company has been based on the net asset values of the investee companies.

2.2.2.2 Fair value adjustments for financial liabilities

The fair value of financial liabilities carried at amortised cost has been approximated as the transaction cost due to lack of an active market for comparable instruments.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

2.2.2.3 Valuation of treasury bills used for the recapitalisation of the Bank

The treasury bills were issued for the capitalisation of the Bank against a long term loan at the Holding Company. The bills carry a coupon of 1% and mature in 2025. The bills and the corresponding loan have been accounted for at amortised cost with a fair value having been estimated at transaction date. Determination of fair value of the instruments is highly sensitive to the level of discount rate applied when a Discounted Cash Flow (DCF) valuation method is used.

2.2.2.4 Valuation of property and equipment and investment properties and intangible assets (IAS 16 & IAS 40)

In the current year assets were revalued as at 31 December 2019 on the basis of valuations done by Southbay Real Estate and Bard Real Estate (2018 – EPG Global) who are independent valuers not related to the Group and are members of the Royal Institute of Chartered Surveyors (RICS) and possess appropriate qualifications and recent experience in the valuation of similar assets. The valuation, which conforms to RICS Appraisal and Manual was arrived at by reference to market evidence of transactions for similar assets at the time of valuation after application of the following broad methodology.

- The Investment Method was applied on all income producing properties. Market capitalization rates were derived from market sales evidence and were determined in consultation with other investors and property brokers in the market.

- The Direct Comparison Method was applied on all residential properties, including marine equipment. EPG Global identified various properties that have been sold or

- which were on sale and situated in comparable areas using the Main Space Equivalent (MSE) principle. The total MSE of comparable areas was then used to determine the value per square meter of MSE.

- Rental and investment yield assumptions where as follows:

		2019		2018
	Average rentals per square meter	Average investment yield	Average rentals per square meter	Average investment yield
Office	ZW$84–ZW$134	8%-11%	ZW$67–ZW$101	8%-11%
Retail	ZW$117–ZW$419	7.5% - 10%	ZW$117-ZW$143	8%-10%
Industrial	ZW$25 – ZW$67	11% - 14%	ZW$25–ZW$67	12%-15%

- The Residual Value Method was used for the Group's investment in a large undeveloped freehold property. Residual Value is determined from deducting imputed project costs and an allowance for a developer's profit from the Gross Realization Value of the presumed alternative best use of the property.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

2.2.2.4 Valuation of property and equipment and investment properties and intangible assets (IAS 16 & IAS 40) (continued)

In the case of the Group's 60% share in a substantial peri-urban property measuring 598 hectares, it was assumed that the best alternative use for the land is development for residential settlement on a mixed use basis.

Other general assumptions made were as follows:-

	31 Dec 2019 ZW$	31 Dec 2018 ZW$
Land selling price per square meter after development	ZW$55	ZW$40.00
Cost of servicing land per square meter	ZW$30	ZW$25.00
Imputed finance cost during development term	12%	12%
Imputed developers profit	20%	25%

The property market has generally been unstable and characterised by low volumes of recorded transactions thus affecting the development of valuation assumptions.

The financial effect of the revaluation exercise is indicated below:

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
Fair value adjustment on investment properties (note 12)	320 632 533	(57 480 729)	444 253 518	3 329 694
Revaluation adjustment on property and equipment (note 14)	353 491 077	243 504	478 099 954	2 078 759
Revaluation adjustment on intangible assets (note 15)	54 682 512	5 429 382	66 193 426	3 009 949
Total increase/ (decrease) in property values	728 806 122	(51 807 843)	988 546 898	8 418 402

2.2.2.5 Useful lives and residual values of property and equipment

As indicated in note 3.8, depreciation is provided on qualifying property and equipment over the useful life of the asset in order to progressively write the asset down to its residual value. The useful lives of the assets are reviewed on an annual basis. In the current year, a review of the useful lives was carried out and the directors are of the view that for all asset categories, there were no material developments during the year and up to the reporting date, requiring the shortening or extension of the previously assessed useful lives.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

2.2.2.5 Useful lives and residual values of property and equipment (continued)

The residual values were assessed through comparison of prices of new and aged assets on a sample basis for each asset category to give an indicative recovery rate. A nil residual value has been ascribed to assets known to have limited resell potential, such as custom-specific partitioning, carpeting, software and certain components of hardware.

The maximum useful lives were determined as follows:

	31 Dec 2019	**31 Dec 2018**
Freehold properties	33 years	33 years
Leasehold improvements	15 years	15 years
Motor vehicles and mobile agencies	4 years	4 years
Equipment, furniture and fittings	10 years	10 years
Computer equipment	3 years	3 years

The financial effect of the aforementioned estimates on assets is expressed in note 14 as the charge for depreciation in the current year.

2.2.2.6 Estimation of incurred but not reported (IBNR) insurance claims

In terms of accounting policy 3.19.1, the Group makes full provision for the estimated cost of all claims incurred at the reporting date. A liability reserve amount is set aside for potential claims incurred by the reporting date but not yet reported. The determination of the level of the liability reserve is based on the claims payment profile established over past periods. The inflation adjusted estimated balance of the IBNR liability reserve at the date of the statement of financial position amounted to ZW$12 113 789 (historical cost ZW$12 113 789) (2018: ZWS$14 616 488 historical cost ZW$2 353 113).

2.2.2.7 Valuation of the life fund

Actuarial liabilities in respect of life assurance policies are subject to annual assessment by an independent actuary. The liabilities are assessed using a Gross Premium Valuation (GPV) method which takes full account of all the future expected cash flows. At each statement of financial position date, tests are performed to ensure the adequacy of the insurance contract liabilities net of the related intangible present value of acquired in-force business assets.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

2.2.2.7 Valuation of the life fund (continued)

Calculation of the liability requires a number of demographic and financial assumptions to be made. Whilst in the short-term financial parameters may exhibit a high level of volatility, valuations have been based on long-term estimates adjusted for a degree of prudence. The key assumptions used are as follows:

		Factor
Key assumption area	**31 Dec 2019**	**31 Dec 2018**
Valuation discount rates (taxed)	6%	6%
Valuation discount rates (untaxed)	6%	6%
Expense inflation rate	3%	3.6%
Expected real yield rate		2.6%

Actuarial liabilities are shown in the Group's statement of financial position as "life assurance funds" and the balance as at 31 December 2019 is made up as follows:

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
Value of total liability	189 669 747	161 598 326	188 113 796	27 620 038
Distribution of surplus in the fund	49 951 953	57 452 614	49 542 173	9 819 677
	239 621 700	219 050 940	238 655 969	37 439 715

Movements in the life fund are recognised in profit or loss.

2.2.2.8 The computation of expected credit losses (IFRS 9)

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probability of default (PDs) to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk so that allowances for financial assets should be measured on a life time expected credit losses (LTECL) basis and the qualitative assessment

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

2.2.2.8 The computation of expected credit losses (IFRS 9) (continued)

- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs. Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, exposure at default (EADs) and loss given default (LGDs).
- Selection of forward looking macro economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

2.2.2.9 Assessment of control in investments (IAS 27 & IAS 28)

Assessment of control on investee companies in terms of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates is inherently a subjective process. The guidance provided in the standard is not always prescriptive particularly in complex situations where assessment tends to be a result of persuasive arguments. The Group has assessed the level of control in its investee companies resulting in some investments being classified as associate companies and others as subsidiary companies as described more fully in note 10.

2.2.2.10 Estimation of effective operating lease terms and lease discount rates

a) Operating lease terms:

Over and above the contracted lease terms, the Group has reassessed the effective lease periods in relation to the underlying business rationale for continued occupation, the ability of the Group to continue in occupation and whether such occupation cannot be unilaterally terminated at the sole discretion of the landlord and the state of current and perceived relations with landlords and, where lease extension beyond the formal lease agreement was assessed to be highly probable, a longer term was deemed for the purposes of determining the right of use asset and the related liability.

In applying the above, a minimum of 5 years continued occupation was assumed as providing sufficient planning flexibility for the consideration of future rental needs. The Group generally leases properties over a much longer period.

b) Estimation of applicable lease discount rates

A discount rate of 30%, estimating the marginal borrowing rate, was used in the computation of the right of use asset and as the cost on the operating lease liability. It was not practical to apply the implicit interest rate on each lease agreement due to technical challenges in the establishment of market values for the underlying lease assets largely due to the unstable currency dynamics in the country. Borrowing rates will differ depending on the term, risk profile of the obligor, as well as the amount involved.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group, which are set out below, have been consistently followed in all material respects and are in accordance with International Financial Reporting Standards.

Where reference is made to "the Group" in the accounting policies, it should be interpreted as referring to the Company where the context requires, unless otherwise noted.

3.1 Basis of preparation

3.1.1 Reporting currency

The financial statements of the Group and the Company are presented in Zimbabwean (ZW$), which was the Group's functional currency as at the reporting date. All information presented has been rounded off to the nearest dollar.

Following the adoption of the multi-currency system in January 2009, all local notes in issue and balances transacted through local payment platforms were rated at par with the US$. The exchange of these balances against external obligations was done through an allocation system which was controlled by the Reserve Bank of Zimbabwe and delays were often experienced due to competing demands whilst substantially higher rates obtained in the alternative markets and became the basis for a multi-tier pricing regime that became pervasive in the Zimbabwean economy.

Following the Monetary Policy Statement of 20 February, 2019, the Government of Zimbabwe issued Statutory Instrument (SI) 32 and 33 of 2019 on 22 February, 2019 together with Exchange Control Directive RU28 of 2019, the effects of which were to:

a) Formally recognise local unit monetary balances in the form of bank balances, balances on electronic payment platform and local bond notes as a currency distinct from the US$. These were subsequently named RTGS Dollars (otherwise identified as ZWL or $).
b) Create a base upon which the RTGS Dollars were to be allowed to trade against the US$ or any other foreign currencies on the interbank market at a floating rate.

Consequently, the new RTGS Dollars started to trade officially with the USD on 22 February, 2019 and the maiden rate of USD1:ZWL2.5 was established. The maiden floating rate was presumed to have subsisted from the beginning of the year as practical expedience (deemed rate), the Group did not have material transactions in foreign currency between 1 January 2019 and 22 February 2019 to warrant an extensive process of separate identification and translation of these transactions at any other rate outside the "deemed" rate.

The Group's functional currency changed from US$ to ZWL in line with the reporting provisions of SI 33 of 2019. The change in the functional currency and subsequent revaluation of foreign denominated balances resulted in the creation of foreign currency translation reserve (see note 25.6) which the Group has designated as non-distributable. However, in inflation adjusted financial statements which follow value movements on a year on year basis using the Consumer Price Index this reserve is subsumed in the restatement of equity and does not appear as a separate line in the inflation adjusted financial statements.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.1.2 Statement of compliance

The Group and company annual financial statements as at, and for the year ended 31 December 2019, have been prepared under the supervision of F Kapanje CA(Z), Group Finance Director of ZB Financial Holdings Limited. The financial statements are based on accounting records maintained under the historical cost convention as modified by the revaluation of property and equipment and certain financial statements.

Both historical cost and inflation adjusted financial statements are projected and presented. The preparation of the financial statements, in conformity with IAS 29 "Financial Reporting in Hyperinflationary Economies" is required by International Financial Reporting Standards (IFRSs). The inflation adjusted financial statements are to be the principal financial statements of the Group. The historical cost financial statements have been provided as supplementary information and as a result the auditors have not expressed an opinion on them.

The Group's financial statements at 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRSs), promulgated by the International Accounting Standards Board (IASB) which includes standards and interpretations approved by IASB, the International Financial Reporting Interpretations Committee (IFRIC) interpretations, and in the manner required by the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and relevant regulations made thereunder in all other respects.

The Group's financial statements as at 31 December 2019 did not fully comply with International Financial Reporting Standards (IFRSs), particularly IAS 21 "The Effect of Changes in Foreign Exchange Rates" and IAS 29 "Financial Reporting in Hyper-Inflationary Economies". If the required adjustments had occurred in the correct periods, the values that were recognised in the 2018 and 2019 years would have been materially different. These misstatements are considered to be material and pervasive in the 2018 and the 2019 financial years which resulted in an adverse opinion being issued.

The consolidated and separate financial statements were authorised for issue by the board of directors on 29 May 2020.

3.1.3 Inflation adjustment

The Public Accountants and Auditors Board (PAAB), through circular 01/19 indicating the conditions required for the application of International Accounting Standard ("IAS") 29, Financial Reporting in Hyper-Inflationary Economies. All entities reporting in Zimbabwe are now required to apply the requirements of IAS 29 with effect from 1 July 2019.

The Group has applied the requirement of IAS 29 for the period ended 31 December 2019. Paragraphs 2 and 3 of IAS 29 requires that in the period in which an entity identifies the existence of hyperinflation in the economy, not having been hyperinflationary in the prior period, the entity shall apply the requirements of IAS 29 for such earlier period as if the economy had always been hyperinflationary.

Consequently, prior year financial statements have been restated and technical concepts for the restatement of non-monetary balances have been applied with effect from the later date of acquisition or date of revaluation. For non monetary assets and liabilities which were acquired prior to 2009, not having been revalued in the interim period, restatement was done from 2009, being the point at which carrying values were last established by means of revaluation exercise.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.1.3 Inflation adjustment (continued)

The restatement of figures has been calculated by means of conversion factors derived from the consumer price index (CPI) prepared by the Zimbabwe Central Statistical Office. The conversion factors used to restate the financial statements at 31 December 2019 are as follows:

	Index	Conversion factors
31 December 2019	551.63	1.00
31 December 2018	88.81	6.21
31 December 2017	62.50	8.83

The main guidelines for the restatement are as follows:

- All amounts not already expressed in terms of the measuring unit current at the balance sheet data are restated by applying a general CPI. Corresponding figures for previous periods are similarly restated.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the statement of financial position date. Monetary items are money held, assets and liabilities to be recovered or paid at the nominal value recorded in the historical cost.
- Non-monetary assets and liabilities and the components of shareholding's equity are restated by applying (to the initial acquisition cost and any accumulated depreciation for property and equipment), the relevant conversion factors reflecting the increase in the CPI from the date of acquisition or initial recording to the Statement of financial position date.
- All items in the income statement are restated by applying the relevant factors.
- The capitalisation of borrowing costs during construction of a qualifying asset is considered to be a partial recognition of inflation and is reversed to the income statement and replaced by indexed cost.
- The effect of general inflation on the Group's net monetary position is included in the income statement as a monetary gain or loss.
- Share capital and share premium were restated from the date of contribution and of this pre-dates 2009.

The application of IAS 29 requires certain assumptions and estimates to be made which could have a material impact on the financial statements.

3.2 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The results of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Subsidiary companies are included in the separate financial statements of the Holding company at their net assets value which is considered to be an estimate of fair value.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.2 Basis of consolidation (continued)

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any excess of the consideration over the fair values of the identifiable net assets acquired is recognised as goodwill. Where the fair values of the identifiable net assets acquired exceed the consideration, a bargain purchase (negative goodwill) is recognised in profit or loss in the period of acquisition. Transaction costs are expensed, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Non-controlling interests (NCI)

Non-controlling interests are measured at their proportionate share of the fair values of the assets and liabilities recognised.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Foreign entities which are subsidiaries of the Group are consolidated in the financial statements using exchange rates applicable at the reporting date.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Transactions eliminated on consolidation

Intra-Group transactions, balances, and unrealised income and expenses are eliminated on consolidation.

3.2.2 Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less impairment losses.

Goodwill is reviewed for impairment at least annually in December. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.2.3 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.2.4 Associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

Interests in associates are accounted for using the equity method of accounting except when the investment has been classified as held for sale upon which it is measured at the lower of carrying amount and fair value less costs to sell. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) of associates, until the date on which significant influence ceases. Losses of the associates in excess of the Group's interest in those associates are not recognised.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment.

Investments in associates in the Company's financial statements are measured at fair value.

3.2.5 Notes to the consolidated financial statements

The notes to the financial statements are in relation to the Group unless otherwise specifically indicated in the note.

3.3 Revenue recognition

The Group recognises all its revenue at a point in time that is, when it has discharged the performance obligation.

3.3.1 Net interest income

3.3.1.1 Interest income

Interest income arises from the Group's lending and money market activities.

The Group recognises interest income in profit or loss using the effective interest method. From an operational perspective, it suspends the accrual of contractual interest on the non-recoverable portion of an advance, when the recovery of the advance is considered doubtful.

3.3.1.2 Interest expense

Interest expenses arise from the Group's funding and money market activities.

The Group recognises interest expense in profit or loss using the effective interest method.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.3.1.3 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

3.3.2 Trading income

The Group includes profits, losses and fair value adjustments on held for trading financial instruments both realised and unrealised, in income as earned, when the risks and rewards of ownership have passed.

3.3.3 Fees and commission income

Fees and commission income that are an integral part to the effective rate of a financial asset are included in the measurement of the effective interest rate.

Other fees and commission income, including account service fees, are recognised as the related services are performed.

Commission income on acceptances and bills is credited to income over the lives of the relevant instruments on a time proportionate basis.

3.3.4 Premiums

In respect of life and pension assurance services:-
Premium income in respect of individual life policies is recognised as income when received, as failure to pay a premium will result in a lapse of the policy. Income on insurance contracts is shown gross of reinsurance premium. Group benefit insurance premiums are accounted for when receivable.

In respect of reinsurance services:-
Premium written consists of premium accounted for in the financial period under review, falling under reinsurance contracts in force as at the end of the financial period notwithstanding the inception date of the contract.

Provision is made for unearned premium, being the proportion of net premium income that relates to risks that have not expired at the end of the financial year. In instances where it is anticipated that the unearned premium will be insufficient to cover the estimated costs of future related claims, the provision is adjusted accordingly. The unearned premium reserve is calculated on the 1/365th basis.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.3.5 Services rendered

The Group recognises revenue for services rendered to customers based on the estimated outcome of the transactions. When the outcome can be reliably estimated, transaction revenue is recognised by reference to the stage of completion of the transaction at the reporting date. The stage of completion is measured based on the amount of work performed. When the outcome cannot be reliably estimated, revenue is recognised only to the extent of the expenses incurred that are recoverable.

3.3.6 Dividends

The Group recognises dividends on the "last day to trade" for listed shares, and on the "date of declaration" for unlisted shares.

3.4 Financial instruments

The Group recognises financial assets and financial liabilities on its statement of financial position when it becomes a party to the contractual provisions of the financial instrument.

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

3.4.1 Classification of financial assets

Financial assets are classified into the following specified categories:

- financial assets 'at fair value through profit or loss' (FVTPL) and within this category as
    - o held for trading or
    - o designated at fair value through profit or loss,
- financial assets at fair value through other comprehensive income (FVTOCI) and
- financial assets at amortised cost (AMCO)

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are subsequently measured at either armortised cost or fair value.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.4.1.1 Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with any resultant gain or loss recognized in profit or loss. Interest income from these financial assets is included in 'Interest and related income' using the effective interest rate method. Fair value is determined in the manner described in note 3.4.4.

3.4.1.2 Financial assets at FVTOCI

The Group applies the new category under IFRS 9 of debt instruments measured at FVTOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

Gains and losses arising from changes in fair value are recognized directly in other comprehensive income in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.4.1.2 Financial assets at FVTOCI (continued)

Assets included in this category include unlisted shares except to the extent that these have been designated as at FVTPL.

The fair value of monetary assets at FVTOCI denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

3.4.1.3 Financial assets at amortised cost

This includes amounts due from banks, loans and other receivables, bills of exchange and debentures with fixed or determinable payments and fixed maturity debts that the Group has the positive intent and ability to hold to maturity. Investments are recorded using the effective interest method less any impairments with revenue being recognised on an effective yield basis.

From 1 January 2018, the Group only measures financial assets 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 the financial assets in order to collect contractual cash flows,
- 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

a) Business model assessment:-

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

The Group's 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 portfolio performance evaluation basis, risks inherent in the assets in the portfolio, basis of compensation to management and the frequency, value and timing of sales from the portfolio.

The 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 Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.4.1.3 Financial assets at amortised cost (continued)

b) 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 amortisation 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 Group applies judgement 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.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

3.4.1.4 Cash and cash equivalents

"Cash and cash equivalents" include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments.

3.4.1.5 Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group is recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.4.1.5 Impairment of financial assets (continued)

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group places loans into Stage1, Stage2, Stage3 and POCI, as described below:

- **Stage 1:** refers to a financial instrument that is not credit-impaired on initial recognition. Its credit risk is continuously monitored by the Group and all repayments are current and within 30 days. Financial instruments in Stage 1 have their expected credit loss (ECL) measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Interest income is accrued on gross carrying amount.
- **Stage 2:** If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Debt is past due for more than 30 days but less than 90 days and there is an increased possibility of credit risk developing. Instruments in Stages 2 have their ECL measured based on expected credit losses on a lifetime basis. Interest income is accrued on gross carrying amount.
- **Stage 3:** If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. The debt is past due for more than 90 days. Instruments in Stages 3 have their ECL measured based on expected credit losses on a lifetime basis. Interest income is accrued on net carrying amount. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized on a credit adjusted EIR. ECLs are only recognized or released to the extent that there is subsequent change in the ECLs.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.4.1.5 Impairment of financial assets (continued)

The following diagram summarises the impairment requirements under IFRS 9:

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The calculation of ECLs

The Group calculates ECLs based on a four probability -weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The key elements in the ECL calculations are:
- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. ECLs related to loan commitments and letters of credit as well as financial guarantee contracts are recognised within Provisions.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables includes the Group's prior loss experience, an increase in the number of delayed payments in the portfolio past the average credit period, the size and diversity of the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.4.1.5 Impairment of financial assets (continued)

In making the above assessments, the Group adheres to the provisions of the Reserve Bank of Zimbabwe's prudential guidelines on risk provisioning, and any general provision raised in accordance with such provisions, which is not directly associated with a specific loan or loan portfolio, is dealt with through the statement of changes in equity as a charge or credit on the general reserves.

For financial assets carried at armortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of equity instruments at FVTOCI, if, in a subsequent period, the amount of the impairment decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of equity securities at FVTOCI, impairments previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognised directly in other comprehensive income.

3.4.1.6 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and any associated liabilities for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of:

- the consideration received and
- any cumulative gain or loss that has been recognised in other comprehensive income,
- is recognised in profit or loss.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.4.2 Financial liabilities and equity instruments issued by the Group

3.4.2.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.4.2.2 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

3.4.2.3 Compound instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

3.4.2.4 Treasury shares

Where the Group purchases its own equity share capital, the consideration paid, including any attributable incremental external costs net of income taxes, is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity. No gain or loss is recognised in income or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments.

3.4.2.5 Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out in note 3.3.

3.4.2.6 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities at AMCO.

3.4.2.7 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives,

Financial liabilities at FVTPL are measured at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 3.4.4.

3.4.2.8 Borrowings, including preference shares

Borrowings are recognised initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently measured at amortised cost and any difference between net proceeds and redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

When convertible borrowings are issued, the fair value of the conversion option is determined. This amount is recorded separately in shareholders' equity. The Group does not recognise any change in the value of this option in subsequent periods. The remaining obligation to make future payments of principal and interest to bond-holders is calculated using a market interest rate for an equivalent non-convertible bond and is presented on the amortised cost basis in other borrowed funds until extinguished on conversion or maturity of the bonds.

Preference shares which carry a mandatory coupon, or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities and presented together with other borrowings. The dividends on these preference shares are recognised in profit or loss as interest expense on an amortised cost basis using the effective interest method.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of a liability and the consideration paid is included in net operating income.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.4.2.9 Provisions

The Group recognises liabilities, including provisions,

- when it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and,
- a reliable estimate of the amount of the obligation can be made.

3.4.2.10 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at armortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3.4.2.11 Financial liabilities under insurance and investment contracts

The Group's statutory actuary calculates the Group's liabilities under the insurance and investment contracts annually at the reporting date. The transfers to policyholders' liabilities reflected in the financial statements represent the increase or decrease in liabilities, including provisions for policyholders' bonuses, net of adjustments to the policyholders' bonus stabilisation reserve and net adjustments to margins held within the policyholders' liabilities.

3.4.2.12 Claims and policyholder benefits

Individual life benefits and group policyholder benefits are accounted for when claims are intimated.

3.4.2.13 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired.

3.4.3 Offsetting financial instruments

The Group offsets financial assets and liabilities and reports the net balance in the statement of financial position where:

- there is a legally enforceable right to set off;
- there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.4.4 Fair values of financial instruments

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of liability reflects its non-performance risk.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices, and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.4.4 Fair values of financial instruments (continued)

The valuation technique used depends on the nature of the financial instrument.

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

3.5 Contingent liabilities

Contingent liabilities are disclosed when the Group:

- has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or
- has a present obligation that arises from past events but is not recognised because:-
    - it is not probable that an outflow of resources will be required to settle an obligation; or
    - the amount of the obligation cannot be measured with sufficient reliability.

3.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Weighted average cost is used to determine the value of inventory.

3.7 Acceptances

In accordance with standard practice in Zimbabwe, the liability under acceptances includes bills drawn on and accepted by Group companies and held in portfolio as an asset.

3.8 Property and equipment

Property and equipment held for use in the supply of goods or services, or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by or with assistance of professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the statement of financial position date.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.8 Property and equipment (continued)

Any revaluation increase arising on the revaluation of such property and equipment is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such property and equipment is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

If an item of property and equipment is revalued, the entire class of property and equipment to which that asset belongs is revalued. A class of property and equipment is a grouping of assets of a similar nature and use in the Group's operations.

Depreciation on revalued property and equipment is recognised in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to accumulated profit.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets is on the same basis as other property assets, and commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, to their residual amounts using the straight-line method. The recoverable amount is assessed on an annual basis and where the residual amount exceeds the carrying amount, depreciation on those assets is ceased. Depreciation is calculated over the estimated useful life of the asset which is reassessed on an annual basis.

All assets are appraised for impairment on an annual basis. Any diminution in the value of an asset arising from this appraisal is charged to the statement of profit or loss.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.9 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.9 Foreign currency transactions (continued)

Exchange profits or losses are recognised in the profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings; or
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.
- "Available-for-sale" equity investments except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

For the purposes of the consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United States dollars using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which circumstances the exchange rates at the dates of transactions are used. Exchange differences arising from the translation process are classified as equity and recognised in the Group's foreign currency translation reserve until the foreign operation is disposed of, at which point the reserve is recognised in profit or loss.

Any goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable income for the year. Taxable income differs from net income as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax income nor the accounting income.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.10 Taxation (continued)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.11 Pension funds

The Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

3.12 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3.12.1 The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

3.12.2 The Group as lessee

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lessee transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.12.2 The Group as lessee (continued)

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy (note 3.8).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'other expenses' in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

3.13 Instalment transactions

Lease income and finance charges are generally pre-computed at the commencement of the contractual periods and are credited to income in proportion to the reducing capital balances outstanding. The unearned portion of these finance charges is shown as a deduction from "Advances and other accounts".

3.14 Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends for the year, which are declared after the reporting date, are dealt with in the subsequent events note.

3.15 Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Group acts in a fiduciary capacity such as a nominee, trustee or agent.

3.16 Internally-generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset is recognised only if all of the following conditions are met:
- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- the product or process is technically and commercially feasible; and
- the Group intends to, and has sufficient resources to complete development and to use or sell the asset.

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets are shown at cost less accumulated amortisation and impairment.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.17 Impairment of tangible and intangible assets excluding goodwill

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a revaluation increase.

3.18 Investment property

Investment property is property held to earn rentals and / or for capital appreciation, rather than property held for sale in ordinary course of business or use in production, supply of goods and services or for administrative purposes, and includes vacant land with an undetermined future use. Investment property is initially measured at cost and subsequently at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the properties revaluation reserve is transferred to retained earnings.

3.19 Reinsurance contracts

The Group classifies a reinsurance contract as an insurance contract issued by itself (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant. An insurance contract is one under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is risk other than financial risk, transferred from the holder of a contract to the issuer. Financial risk is risk of a possible future change in one or more of a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

3.19.1 Outstanding claims reserve

Claims are accounted for in the accounting periods in which they occur. Full provision is made for the estimated costs of all claims notified but not settled at year end and for claims incurred at year end but not reported until after that date, using the best information available at the time. The estimates include provision for inflation and other contingencies arising in settlement of the claims. Anticipated reinsurance recoveries are disclosed separately as reinsurance assets.

3.19.2 Insurance liabilities

At each reporting date, management assesses whether insurance liabilities are adequate, using current estimates of the future cash flows under its insurance contracts. If the assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and intangible assets) is inadequate in light of estimated future cash flows, the entire deficiency shall be recognised in profit or loss.

3.19.3 Commissions

Commissions are business acquisition costs and are accounted for when incurred and are not deferred.

3.19.4 Reinsurance held

The reinsurance business has retrocession (proportional reinsurance) and protection cover (non-proportional reinsurance) arrangements with international reinsurers. Premium in respect of reinsurance risks retroceded is classified as gross premium retroceded. Premium in respect of protection cover is accounted for separately in the income statement as premium protection cover. Retrocession claims are claims recovered from retrocessionaires in respect of claims paid falling under risks retroceded. These are shown separately in the income statement as income. Retrocession commission is income in respect of premium risks retroceded and is accounted for separately in the income statement.

3.19.5 Reinsurance assets

Reinsurance assets consist of balances due from retrocessionaires / protection cover reinsurers for liabilities falling under risks retroceded. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with reinsured contract. Reinsurance assets are tested for impairment annually. A reinsurance asset is impaired if and only if there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset, that the entity may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amounts that the entity will receive from the reinsurer.

3.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

4. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segments arising from the internal reporting structure and nature of business conducted. Transactions between segments are conducted at arm's length and utilisation of Group resources is charged for on the basis of an internal funds transfer pricing system which is tied to market rates ruling from time to time. Measurement of segment assets and liabilities and segment revenues is based on the accounting policies as set out in note 3. The Group identified its key business segments as follows:

a) Banking Operations

This segment provides a wide range of financial services to customers through a wide network of branches and electronic delivery channels. In the main, the core business of this segment is the provision of retail and commercial banking services. The product range includes deposit taking, personal and corporate lending, asset finance, mortgage finance, treasury management, medium to long term structured finance, script management services, and a wide array of card-based facilities. The segment comprises the commercial banking operations and the building society operations.

b) Insurance Operations

This segment is primarily in the business of providing structured insurance products. The life assurance section provides life assurance services through the granting and purchasing of endowments on lives, the granting and sale or purchase of annuities present and deferred or reversionary on lives. The reinsurance section is in the business of accepting insurance premiums from insurance companies in order to indemnify the ceding insurance companies against a proportion of loss on an insurance contract.

c) Other Strategic Investments

Key operations included under this segment are involved in the following businesses:

- The Group shared services - this houses common activities that support all business units such as ICT, risk management, compliance, human resources and similar services. This helps with the seamless delivery of the enterprise resource planning activities.
- Strategic investments - this include property holdings and other nominal investments in other sub sectors of the financial sector.
- Corporate advisory services and venture capital operation
- Transfer secretarial activities

As all operations of the Group are carried out in one country, Zimbabwe, therefore, no segment information has been provided in terms of the geographic representation

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

4. SEGMENT INFORMATION (continued)

4.1 31 December 2019

Inflation adjusted	Banking operations ZW$	Insurance operations ZW$	Other strategic investments[1] ZW$	Total ZW$
External revenue				
Net earnings from lending activities	88 768 858	(17 861 810)	-	70 907 048
Net fees and commission income	273 809 191	89 300 873	2 961 160	366 071 224
Fair value adjustments	290 871 694	9 709 841	(70 430 905)	230 150 630
Other revenue	129 525 043	33 190 136	(14 935 466)	147 779 713
Total segment revenue	782 974 786	114 339 040	(82 405 211)	814 908 615
Total segment operating expenses	(409 089 966)	(74 395 099)	(17 950 749)	(501 435 814)
Material non-cash items:				
Depreciation	(27 815 206)	(3 659 887)	(3 020 294)	(34 495 387)
Amortisation of intangible assets	(26 563 251)	(309 421)	-	(26 872 672)
Reportable segment profit before taxation	373 884 821	221 797 179	(84 653 173)	511 028 827
Reportable segment assets as at 31 December 2019	2 833 792 198	719 065 328	(20 381 898)	3 532 475 628
Reportable segment liabilities as at 31 December 2019	1 706 904 793	327 467 480	(8 214 908)	2 026 157 365

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

4. SEGMENT INFORMATION (continued)

4.1 31 December 2018

Inflation adjusted	Banking operations ZW$	Insurance operations ZW$	Other strategic investments[1] ZW$	Total ZW$
External revenue				
Net earnings from lending activities	155 924 763	8 585 826	-	164 510 589
Net fees and commission income	327 111 122	83 352 968	3 814 427	414 278 517
Fair value adjustments	(61 734 964)	(38 172 775)	10 096 961	(89 810 778)
Other revenue	40 238 364	22 167 853	(26 717 410)	35 688 107
Total segment revenue	461 539 285	75 933 172	(12 806 022)	524 666 435
Total segment operating expenses	(500 298 353)	(80 128 457)	14 281 506	(566 145 304)
Material non-cash items:				
Depreciation	(20 943 607)	(3 215 724)	(296 418)	(24 455 749)
Amortisation of intangible assets	(15 915 467)	-	(211 284)	(16 126 751)
Reportable segment loss before taxation	(38 759 068)	(41 880 429)	(16 069 085)	(96 708 582)
Reportable segment assets as at 31 December 2018	3 699 676 993	487 278 992	(81 278 719)	4 105 677 266
Reportable segment liabilities as at 31 December 2018	3 064 880 851	297 520 803	4 177 087	3 366 578 741

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

4. SEGMENT INFORMATION (continued)

4.1 31 December 2019

Historical cost	Banking operations ZW$	Insurance operations ZW$	Other strategic investments[1] ZW$	Total ZW$
External revenue				
Net earnings from lending activities	26 847 056	(10 194 641)	-	16 652 415
Net fees and commission income	126 839 382	45 808 526	1 263 361	173 911 269
Fair value adjustments	413 924 527	165 704 449	(76 931 584)	502 697 392
Other revenue	117 318 471	27 903 218	(7 879 755)	137 341 934
Total segment revenue	684 929 436	229 221 552	(83 547 978)	830 603 010
Total segment operating expenses	(183 105 475)	(28 999 367)	(3 037 806)	(215 142 648)
Material non-cash items:				
Depreciation	(11 714 502)	(945 548)	(382 503)	(13 042 553)
Amortisation of intangible assets	(12 691 024)	(201 696)	-	(12 892 720)
Reportable segment profit before taxation	501 823 961	315 843 190	(11 245 048)	806 422 103
Reportable segment assets as at 31 December 2019	2 815 227 940	716 520 682	(11 788 708)	3 519 959 914
Reportable segment liabilities as at 31 December 2019	1 706 881 454	315 133 041	(9 196 136)	2 012 818 359

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

4. SEGMENT INFORMATION (continued)

4.1 31 December 2018

Historical cost	Banking operations ZW$	Insurance operations ZW$	Other strategic investments[1] ZW$	Total ZW$
External revenue				
Net earnings from lending activities	17 875 142	1 217 730	-	19 092 872
Net fees and commission income	39 460 110	9 972 110	467 717	49 899 937
Fair value adjustments	3 003 784	5 083 299	1 164 959	9 252 042
Other revenue	5 458 488	2 897 535	(3 073 611)	5 282 412
Total segment revenue	65 797 524	19 170 674	(1 440 935)	83 527 263
Total segment operating expenses	(49 261 367)	(9 076 739)	2 141 787	(56 196 319)
Material non-cash items:				
Depreciation	(2 905 173)	(205 387)	(137 069)	(3 247 629)
Amortisation of intangible assets	(1 918 867)	-	(23 939)	(1 942 806)
Reportable segment profit before taxation	16 536 157	5 012 713	2 393 971	23 942 841
Reportable segment assets as at 31 December 2018	595 138 289	80 443 755	(12 386 272)	663 195 772
Reportable segment liabilities as at 31 December 2018	493 227 404	49 394 490	199 932	542 821 826

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

		Inflation adjusted		Historical cost	
		31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
5.	**CASH AND CASH EQUIVALENTS**				
	GROUP				
5.1	Balances with the Reserve Bank of Zimbabwe	568 231 337	809 237 561	568 231 337	130 279 409
	Balance with other banks, nostro accounts and cash	392 471 619	84 414 027	392 471 619	13 589 841
	Total cash and cash equivalents	960 702 956	893 651 588	960 702 956	143 869 250
	COMPANY				
5.2	Balance with other banks, nostro accounts and cash	1 880 725	2 324 544	1 880 725	374 229
	Total cash and cash equivalents	1 880 725	2 324 544	1 880 725	374 229
6.	**MONEY MARKET INVESTMENTS**				
	GROUP				
	Money market investments	32 002 494	66 556 090	32 002 494	10 714 886

The Group invested in money market placements which had maturities ranging from 7 days to 180 days and average interest rates ranging from 4.65% to 9.1% (2018: 3% to 7%).

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

		Inflation adjusted		Historical cost	
		31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
7.	**TREASURY BILLS**				
	GROUP				
	Treasury bills include:				
7.1	**Assets classified as at fair value through profit or loss' (FVTPL):**				
	Short term treasury bills [1]	62 896 699	141 298 768	62 896 699	22 747 733
7.2	**Assets classified as 'at fair value through other comprehensive income (FVTOCI):**				
	Medium term treasury bills acquired from the market [2]	111 906 738	837 121 963	111 906 738	134 768 528
7.3	**Assets classified as ' amortised cost' (AMCO):**				
	Treasury bills issued as substitution for debt instruments [3]	25 336 191	128 747 187	25 336 191	20 727 050
	Capitalisation treasury bills [4]	16 909 242	100 031 111	16 909 242	16 104 040
		217 048 870	1 207 199 029	217 048 870	194 347 351

1. The Group invested in treasury bills issued by the RBZ over a period ranging from 3 months to 24 months (2018: 12 months to 36 months) and were at rates ranging from 7% to 10% (2018: 9% to 10%).
2. The Group purchased treasury bills from the secondary market. These treasury bills have coupon rates ranging from 0% to 5% (2018: 2% to 5%) with maturity periods ranging from 1 month to 3 years (2018: 1 to 4 years).
3. The Group received treasury bills as substitution for debt instruments from the Zimbabwe Asset Management Company (ZAMCO). The treasury bills have a coupon rate of 5% (December 2018: 5%) and maturity periods ranging from 1 month to 14 years (2018: 1 month to 15 years).
4. Capitalisation Treasury Bills (CTBs) with a face value of $20 000 000 were acquired on 26/05/2015 from the Government of Zimbabwe by the holding company, ZB Financial Holdings Limited (ZBFH). The CTBs were then used to recapitalise ZB Bank Limited, a 100% owned subsidiary of ZBFH. The CTBs mature on 26 May 2025 and carry a coupon of 1% which is payable on maturity. The CTBs are carried at amortised cost, with cost having been established at fair value at initial recognition using a Discounted Cash Flow valuation technique in which an assessed discount rate of 5% was applied as a proxy for market rate in the absence of free market trade on similar instruments.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

7. TREASURY BILLS (continued)

Determination of fair value of treasury bills (FVTPL and FVTOCI)

The fair value of treasury bills was determined using level 3 inputs due to lack of an active market for the trade of treasury bills. The Group used the discounted cash flow valuation technique by applying a risk adjusted discounted rate for comparable risk profiles on the contracted cashflows in order to determine the present value of the treasury bills.

Impairment assessment

Treasury bills classified and measured at amortised cost are assessed for impairment annually. There was no objective evidence at 31 December 2019 to suggest that future cash flows on the treasury bills portfolio could end up being less than anticipated at the point of initial recognition. Consequently, no impairment adjustment arose from the assessment.

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
7.4 Contingent treasury bill assets				
In respect of treasury bills				
Held in trust on behalf of clients	-	9 773 843	-	1 573 494

The Group held balances in respect of foreign currency amounts that were surrendered to the RBZ for parastatals, corporate and tobacco farmers. As part of the debt assumption process in terms of the Reserve Bank of Zimbabwe (Debt Assumption) Act 2015, treasury bills were issued in respect of the capital portion only of the balances held at the Reserve Bank. The Group received treasury bills amounting to ZW$6.8 million with tenures ranging from 3 to 5 years at interest rates ranging from 2% to 3.5% p.a.

All the treasury bills falling under this category (2018:ZW$6.796 million) had been passed on to customers as at 31 December 2019. This category of treasury bills was accounted for as off balance sheet assets during the period they were held by the Group.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

		Inflation adjusted		Historical cost	
		31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
8.	**MORTGAGES AND OTHER ADVANCES**				
	GROUP				
8.1	**Gross loan book**				
	Mortgage advances	28 326 402	132 199 494	28 326 402	21 282 838
	Other advances:				
	Loans, overdraft and other accounts	423 450 746	621 519 191	423 450 746	100 058 570
	Finance leases	10 548 374	43 989 914	10 548 374	7 081 950
	Bills discounted	13 288 171	7 308 347	13 288 171	1 176 573
	Insurance advances	41 929 954	40 976 521	41 929 954	6 596 823
	Total other advances	489 217 245	713 793 973	489 217 245	114 913 916
	Gross advances	517 543 647	845 993 467	517 543 647	136 196 754
	Off balance sheet exposures				
	In respect of guarantees	141 807 400	99 621 062	141 807 400	16 038 026
	In respect of Letter of credit	64 981 111	-	64 981 111	-
	In respect of Loan commitment	100 353 711	142 597 768	100 353 711	22 956 859
	Gross credit exposure	824 685 869	1 088 212 297	824 685 869	175 191 639
	Gross advances	517 543 647	845 993 467	517 543 647	136 196 754
	Less: Allowance for loan impairments	(66 962 832)	(88 759 352)	(66 962 832)	(14 289 396)
	Net advances	450 580 815	757 234 115	450 580 815	121 907 358
8.2	**Maturity analysis**				
	On demand	164 814 832	203 578 035	164 814 832	32 774 092
	Within 1 month	15 594 853	18 314 810	15 594 853	2 948 507
	Between 1 and 6 months	78 695 257	86 063 085	78 695 257	13 855 323
	Between 6 and 12 months	79 789 280	167 122 005	79 789 280	26 905 024
	After 12 months	485 791 647	613 134 362	485 791 647	98 708 693
		824 685 869	1 088 212 297	824 685 869	175 191 639
8.3	**Non-performing loans**				
	Included in the above are the following;				
	Non-performing loans	6 191 431	43 175 225	6 191 431	6 950 793
	Less: Allowance for loan impairments	(2 566 650)	(20 391 239)	(2 556 650)	(3 282 792)
	Value to be received from security held	3 624 781	22 783 986	3 624 781	3 668 001

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

8.3 Non-performing loans (continued)

For the secured non-performing loans, security exists in the form of liens registered over funded accounts, bonds registered over landed property and guarantees in various forms. The Group discounts the value of the security at hand using internal thresholds for prudential purposes. Generally no security value is placed on ordinary guarantees. The internally discounted value of the security held in respect of the non-performing book amounted to ZW$3 624 781 as at 31 December 2019 (2018: ZW$6 750 809).

Non performing loans with a net carrying value of ZW$9 599 374 were transferred to a Special Purpose Vehicle called Credsave (Private) Limited (Credsave) on 31 December 2016, in a transaction that did not meet conditions of a "clean sale". Resultantly, these assets are still recognised in the statement of financial position of the Group.

As at 31 December 2019, the carrying value of these assets stood at ZW$2 239 231 with a security value of ZW$719 405, thus implying a security coverage of 32%. Legal proceedings for the recovery of outstanding amounts through security disposal are at various stages.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

		Inflation adjusted				Historical cost			
		31 Dec 2019 ZW$	As a % of Total	31 Dec 2018 ZW$	As a % of Total	31 Dec 2019 ZW$	As a % of Total	31 Dec 2018 ZW$	As a % of Total
8.4	**Sectorial analysis**								
	Gross advances:								
	Private	126 779 223	15%	416 451 755	38%	126 779 223	15%	67 044 699	38%
	Agriculture	96 997 499	12%	75 537 645	7%	96 997 499	12%	12 160 829	7%
	Mining	87 290 799	11%	38 973 705	4%	87 290 799	11%	6 274 389	4%
	Manufacturing	14 702 057	2%	30 723 358	3%	14 702 057	2%	4 946 163	3%
	Distribution	44 747 950	5%	40 109 972	4%	44 747 950	5%	6 457 317	4%
	Construction	8 165 653	1%	29 677 910	3%	8 165 653	1%	4 777 856	3%
	Transport	7 175 312	1%	21 410 350	2%	7 175 312	1%	3 446 859	2%
	Services	94 463 275	11%	129 117 134	12%	94 463 275	11%	20 786 608	12%
	Financial	36 501 214	4%	62 264 671	6%	36 501 214	4%	10 024 009	6%
	Communication	720 665	0%	1 726 967	0%	720 665	0%	278 025	0%
		517 543 647	63%	845 993 467	78%	517 543 647	63%	136 196 754	78%
	Guarantees:								
	Manufacturing	140 875 600	17%	73 979 606	7%	140 875 600	17%	11 910 000	7%
	Distribution	-	0%	186 347	0%	-	0%	30 000	0%
	Construction	-	0%	2 717 462	0%	-	0%	437 485	0%
	Services	516 800	0%	22 737 647	2%	516 800	0%	3 660 541	2%
	Communication	415 000	0%	-	0%	415 000	0%	-	0%
	Total guarantees	141 807 400	17%	99 621 062	9%	141 807 400	17%	16 038 026	9%
	Loan commitments:								
	Agriculture	15 748 597	2%	35 736 930	3%	15 748 597	2%	5 753 300	3%
	Communication	313 563	0%	-	0%	313 563	0%	-	0%
	Construction	129 813	0%	3 529 826	0%	129 813	0%	568 268	0%
	Distribution	13 247 307	2%	2 392 058	0%	13 247 307	2%	385 098	0%
	Financial & investments	4 923 901	1%	-	0%	4 923 901	1%	-	0%
	Individuals	3 840 211	0%	1 680 925	0%	3 840 211	0%	270 613	0%
	Manufaturing	38 289 691	5%	2 158 951	0%	38 289 691	5%	347 570	0%
	Mining	35 723	0%	8 447 208	1%	35 723	0%	1 359 919	1%
	Services	21 129 762	2%	87 955 133	8%	21 129 762	2%	14 159 924	8%
	Transport	2 695 143	0%	696 737	0%	2 695 143	0%	112 167	0%
	Total loan commitments	100 353 711	12%	142 597 768	13%	100 353 711	12%	22 956 859	13%
	Letters of credit:								
	Manufacturing	64 981 111	8%	-	0%	64 981 111	8%	-	0%
	Total letters of credit	64 981 111	8%	-	0%	64 981 111	8%	-	0%
	Total credit exposure	824 685 869	100%	1 088 212 297	100%	824 685 869	100%	175 191 639	100%

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

8.5 Mortgage advances

Mortgage advances were spread as follows:

	Inflation adjusted				Historical cost			
	31 Dec 2019 ZW$	As a % of Total	31 Dec 2018 ZW$	As a % of Total	31 Dec 2019 ZW$	As a % of Total	31 Dec 2018 ZW$	As a % of Total
Type of property:-								
High density	2 353 945	9%	9 100 038	8%	2 353 945	9%	1 465 018	8%
Medium density	2 886 262	10%	17 715 799	13%	2 886 262	10%	2 852 072	13%
Low density	14 862 017	52%	69 036 352	52%	14 862 017	52%	11 114 184	52%
Commercial	8 224 178	29%	36 347 305	27%	8 224 178	29%	5 851 564	27%
	28 326 402	100%	132 199 494	100%	28 326 402	100%	21 282 838	100%

8.6 Finance lease receivables

Loans and advances to customers include the following finance lease receivables for leases of certain equipment where the Group is the lessor:

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Gross investment in finance leases:				
Less than 1 year	2 082 872	3 086 484	2 082 872	496 894
Between 1 and 5 years	12 406 145	48 145 418	12 406 145	7 750 946
Gross investment in finance leases	14 489 017	51 231 902	14 489 017	8 247 840
Unearned finance charges	(3 940 643)	(7 241 989)	(3 940 643)	(1 165 890)
Net investment in finance leases	10 548 374	43 989 913	10 548 374	7 081 950
Less than 1 year	1 889 116	2 928 791	1 889 116	471 507
Between 1 and 5 years	8 659 258	41 061 122	8 659 258	6 610 443
	10 548 374	43 989 913	10 548 374	7 081 950

8.7 Determination of carrying value

Loans and advances are carried at amortised cost using the effective interest rate.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

		Inflation adjusted		Historical cost	
		31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
9.	**INVESTMENT SECURITIES**				
	GROUP				
9.1	**Assets classified as “fair value-through profit or loss”:**				
	Unit Trusts	7 237 963	3 373 774	7 237 963	543 145
	Government and public utilities stock	14 480 525	132 688 604	14 480 525	21 361 580
	Listed equity investments	67 902 718	144 822 142	67 902 718	23 314 962
	Unlisted equity investments	38 872 180	48 693 675	38 872 180	7 839 210
		128 493 386	329 578 195	128 493 386	53 058 897
9.2	**Held at amortised cost**				
	Embargoed funds	11 518 736	21 456 788	11 518 736	3 454 335
		140 012 122	351 034 983	140 012 122	56 513 232
9.3	**Movement of investment securities**				
	Balance at beginning of year	351 034 983	324 024 154	56 513 232	36 713 113
	Additions during the year:	28 465 162	209 862 510	10 324 935	30 260 900
	- on listed equity investments	23 449 262	45 496 739	5 309 035	5 735 041
	- on Government stock	3 430	164 365 771	3 430	24 525 859
	- on short term investments	5 012 470	-	5 012 470	-
	Receipts on disposals	(24 939 193)	(108 548 517)	(17 052 861)	(16 882 398)
	- on listed equities	(8 215 398)	(1 979 122)	(4 578 876)	(258 578)
	- on debentures	(125 000)	(441 292)	(125 000)	(50 000)
	- on Government stock	(11 533 526)	(95 352 753)	11 533 526	(14 839 093)
	Receipt of part of embargoed funds	(5 065 269)	(10 775 350)	(815 459)	(1 734 727)
	Fair value adjustments (note 30)	(90 481 903)	(32 330 049)	58 443 874	5 922 348
	- on listed equities	(122 588 421)	(18 672 245)	28 402 097	5 817 802
	- on unlisted equities	28 242 328	(11 944 716)	23 927 060	137 761
	- on unit trust investments	3 864 190	(1 713 088)	6 114 717	(33 215)
	Gains arising from disposal of investment securities	3 592 340	(4 611 126)	2 417 274	614 852
	Exchange gains (net):	29 391 095	7 094	29 391 095	1 142
	-on bank balances	8 879 860	7 740	8 879 860	1 246
	-on unlisted equity investments	20 511 235	(646)	20 511 235	(104)
	Impairments on debentures	(38 923)	(725 044)	(25 427)	(116 725)
	Effects of inflation adjustment	(157 011 439)	(36 644 039)	-	-
	Balance at end of year	140 012 122	351 034 983	140 012 122	56 513 232

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

		Inflation adjusted		Historical cost	
		31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
9.	**INVESTMENT SECURITIES (continued)**				
	COMPANY				
9.1	**Assets classified as "fair value-through profit or loss":**				
	Listed equity investments	4 267 255	9 262 278	4 267 255	1 491 137
	Unlisted equity investments	629 414	3 066 986	629 414	493 755
		4 896 669	12 329 264	4 896 669	1 984 892
9.2	**Held at amortised cost**				
	Short term investments	2 000 000	37 269 323	2 000 000	6 000 000
		6 896 669	49 598 587	6 896 669	7 984 892

Valuation techniques for assets held at fair value are discussed in note 38.2.1.

		Inflation adjusted		Historical cost	
		31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
9.3	**Movement of investment securities**				
	Balance at beginning of year	49 598 587	57 396 449	7 984 892	6 503 226
	Additions during the year:	-	15 528 885	-	2 500 000
	- on short term investments	-	15 528 885	-	2 500 000
	Disposals on short term investments	(4 000 000)	(9 480 857)	(4 000 000)	(1 526 326)
	Fair value adjustments (note 30)	(7 432 594)	(705 621)	2 911 777	507 992
	- on listed equities	(4 995 025)	(518 610)	2 776 117	382 927
	- on unlisted equities	(2 437 569)	(187 011)	135 660	125 065
	Effects of changes in monetary adjustments	(31 269 324)	(13 140 267)	-	-
	Balance at end of year	6 896 669	49 598 587	6 896 669	7 984 892

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

10. GROUP INVESTMENTS

GROUP

10.1 Investments in associates

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
Balance at beginning of year	208 637 337	286 166 641	36 145 227	35 492 476
Effects changes in functional currency	-	-	44 170 095	-
Dividend received	(7 839 007)	(14 011 325)	(4 997 137)	(1 587 534)
Share of current year profits / (losses) after tax	243 246 781	(63 517 979)	370 148 646	2 240 285
Balance at end of year	444 045 111	208 637 337	445 466 831	36 145 227

The following represents the Group's investments in associate companies which have all been accounted for on an equity basis :-

Name of company	2019 % Holding	2018 % Holding	2019 % Holding	2018 %Holding
Cell Insurance (Private) Limited [1]	33.32%	33.32%	33.32%	33.32%
Zimswitch Technologies (Private) Limited [2]	27.68%	27.68%	27.68%	27.68%
Original Investments (Private) Limited [3]	42.00%	42.00%	42.00%	42.00%
Twirlton Investments (Private) Limited [3]	26.00%	26.00%	26.00%	26.00%
Mashonaland Holdings Limited [3]	34.72%	34.72%	34.72%	34.72%
- Shareholder	19.31%	19.31%	19.31%	19.31%
- Policyholders	15.41%	15.41%	15.41%	15.41%

<u>Nature of Business</u>

[1] Short-term insurance
[2] Payments switch
[3] Property

Aggregated amounts relating to associate companies:				
Total assets	1 577 285 701	840 488 317	1 577 285 701	135 310 478
Total liabilities	197 245 347	168 591 087	197 245 347	27 141 532
Revenue	852 059 563	214 451 815	1 296 579 104	34 524 665
Profit	791 995 854	97 638 197	1 205 180 155	15 718 804
Share of profits / (losses) after tax	243 246 781	(63 517 979)	370 148 646	2 240 285
Dividend received	(7 839 007)	(14 011 325)	(4 997 137)	1 587 534

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

		Inflation adjusted		Historical cost	
		31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
10.	**GROUP INVESTMENTS (continued)**				
	COMPANY				
10.1	**Investments in associates**				
	Balance at beginning of year	14 143 880	11 738 953	2 121 828	1 910 241
	Effects changes in functional currency transaltion reserve	-	-	4 991 930	-
	Share of current year profits / (losses) after tax	4 309 723	(2 404 927)	12 712 145	211 587
	Balance at end of year	18 453 603	14 143 880	19 825 903	2 121 828
	<u>Nature of Business</u>				
	¹ Short-term insurance				
	Aggregated amounts relating to associate companies:				
	Total assets	249 824 008	123 034 154	249 316 043	19 091 503
	Total liabilities	189 990 088	79 910 938	190 282 432	12 541 670
	Revenue	113 008 151	28 443 414	13 073 706	4 417 454
	Profit	33 326 011	7 217 668	27 248 716	294 667
	Share of profits / (losses) after tax	4 309 723	2 404 927	12 712 145	211 587
	COMPANY				
10.2	**Investments in subsidiaries**				
	Balance at beginning of year	686 378 217	837 850 608	110 397 321	93 128 334
	Effects changes in functional currency	-	-	104 490 877	-
	Fair value adjustments (note 30)	522 116 106	(151 472 391)	976 251 224	17 268 987
	Balance at end of year	1 208 494 323	686 378 217	1 191 139 422	110 397 321
	Owned by ZB Financial Holdings Limited (Company):-				
	ZB Bank Limited - 100%	733 392 324	440 547 096	715 506 193	70 820 891
	ZB Holdings Limited - 100%	5 674 104	15 129 339	5 707 353	2 435 677
	Intermarket Holdings Limited - 84.26%	464 932 386	218 427 638	465 430 367	35 164 734
	ZB Transfer Secretaries – 100%	2 561 393	7 269 891	1 934 116	1 170 382
	ZB Associated Services - 100%	1 934 116	5 004 253	2 561 393	805 637
	Total investments in subsidiary	1 208 494 323	686 378 217	1 191 139 422	110 397 321

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

10. GROUP INVESTMENTS (continued)

10.2 Investments in subsidiaries

ZB Bank Limited operates as a commercial bank whilst Scotfin Limited is registered to undertake asset finance business. The asset finance business operations are presently being carried out under ZB Bank Limited, leaving Scotfin Limited as a dormant company. ZB Transfer Secretaries (Private) Limited offers transfer secretarial services for share registers domiciled in Zimbabwe. ZB Associated Services (Private) Limited provides security services to the Group and external customers.

ZB Financial Holdings Limited and Intermarket Holdings Limited are investment companies holding interests in businesses involved in subsectors of the financial sector.

Fair value adjustments represent the movement in the net assets of the subsidiary companies.

Other subsidiary companies in the Group are as follows:

	2019 % Holding	2018 % Holding	Nature of Business	Status
Owned by ZB Bank Limited:				
The Trustee Company of Central Africa (Private) Limited	100%	100%	Investment	Dormant
ZB Nominees (Private) Limited	100%	100%	Investment	Dormant
Syfrets Nominees (Private) Limited	100%	100%	Investment	Dormant
Barcelona Investments Limited	100%	100%	Property	Active
Owned by ZB Holdings Limited				
ZB Capital (Private) Limited	100%	100%	Venture capital	Active
Data Centre (Private) Limited	100%	100%	Technology	Dormant
Syfrets Trust and Executor Limited	100%	100%	Estates and trusts Administration	Dormant
Syfin Holdings Limited	100%	100%	Investment	Dormant
Syfrets Corporate Trustee Company (Private) Limited	100%	100%	Investment	Dormant
Owned by Intermarket Holdings Limited:				
ZB Reinsurance Limited	100%	100%	Reinsurance	Active
First Mortgage Investments (Private) Limited	100%	100%	Investments	Dormant
Intermarket Banking Corporation Limited (IBCL)	96%	96%	Commercial bank	Passive
ZB Life Assurance Limited	69%	69%	Life assurance	Active
ZB Building Society	59%	59%	Building society	Active

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

10. GROUP INVESTMENTS (continued)

10.2 Investments in subsidiaries (continued)

	2019 % Holding	2018 % Holding	Nature of Business	Status
Owned by ZB Building Society:				
Finsure Investments (Private) Limited	51%	51%	Property	Active
Wentspring Investments (Private) Limited	100%	100%	Investment	Active
Owned by ZB Life Assurance Limited:				
Intermarket Properties (Cinema) (Private) Limited	100%	100%	Property	Active
Aasaculz (Private) Limited	100%	100%	Property	Active
Citiside (Private) limited	60%	60%	Leisure	Active
Checkweighers Farmers (Private) Limited	65%	65%	Property	Active

10.3 Valuation techniques and significant unobservable inputs

IFRS 13 "Fair Value Measurement", prescribes that the valuation of a financial or non-financial asset should be done according to the unit of account i.e. level of aggregation of assets. However, the unit of account for an investment in an unlisted subsidiary or associate cannot be readily determined as it can either be the investment as a whole or the individual assets held within the entity concerned. Level 1, 2 and 3 inputs as described in note 3.4.4 cannot be effectively used unless the unit of account is specifically identified.

Management has used its judgment in adopting the net asset value model in determining the fair value of unlisted investment securities in the absence of a standard or interpretation.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

10.4 Non-controlling interests (NCI)

31 December 2019

Inflation adjusted

	IHL	ZBBS	ZB Life	IBCL	Intra Group Eliminations	Total
NCI Percentage	16%	41%	31%	4%		
	ZW$	ZW$	ZW$	ZW$	ZW$	ZW$
Non current assets	1 054 049 538	267 126 479	459 571 997	155 297 910		
Current assets	89 640 303	33 788 680	108 304 688	-		
Non current liabilities	(301 399 424)	(12 287 778)	(265 494 034)	(7 754 061)		
Current liabilities	(92 519 545)	(42 695 782)	(9 964 240)	(635 156)		
NCI recorded in subsidiaries	(197 976 615)	(61 712 980)	(1 414 699)	-		
Net assets	551 794 259	184 218 619	289 945 186	146 908 693		
Carrying amount of NCI	86 861 870	76 259 128	91 303 739	6 108 489	23 908 247	284 441 472
Net revenue	365 810 780	210 761 948	39 618 763	132 453 469		
Profit	363 684 581	185 788 928	151 305 052	125 729 978		
Other Comprehensive Income	38 573 538	13 644 757	26 367 156	-		
Total comprehensive income	402 258 119	199 433 685	177 672 208	125 729 978		
Profit / (loss) allocated to NCI	92 553 497	51 460 197	(40 374)	(453)	(8 738 700)	135 234 167
OCI allocated to NCI	12 447 070	-	1 102 857	-	3 009 896	16 559 823
Cash flows from operating activities	(1 396 615)	2 754 063	(375 696)	(78 783)	-	-
Cash flows from investment activities	(6 573 628)	(599 819)	30 339 524	(627)	-	-
Cash flows from financing activities (dividends to NCI)	(154 063)	(127 950)	-	-	-	-
Net (decrease) / increase in cash and cash equivalents	(8 124 305)	2 026 294	29 963 829	(79 410)	-	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

10.4 Non-controlling interests (NCI) (continued)

31 December 2018

Inflation adjusted

	IHL	ZBBS	ZB Life	IBCL	Intra Group Eliminations	Total
NCI Percentage	16%	41%	31%	4%		
	ZW$	ZW$	ZW$	ZW$	ZW$	ZW$
Non current assets	4 112 129 740	170 116 311	225 485 291	57 678 948	-	-
Current assets	172 970 586	134 284 539	143 612 118	-	-	-
Non current liabilities	(249 244 356)	(11 962 490)	(228 850 235)	(2 929 009)		
Current liabilities	(237 128 053)	(153 193 094)	(20 185 924)	(3 867 323)		
NCI recorded in subsidiaries	94 074 489	(28 212 178	(352 215)	-		
Net assets	254 536 751	110 902 201	115 782 819	50 882 617	-	-
Carrying amount of NCI	40 068 445	45 736 068	28 411 102	2 115 708	(16 465 201)	99 866 122
Net revenue	85 239 829	12 024 977	64 667 916	(7 640 395)		
Loss	(115 268 918)	(61 399 917)	(44 563 971)	(5 910 691)		
Other Comprehensive Income/(loss)	102 656	241 847	(207 722)	-		
Total comprehensive loss	(115 166 262)	(61 158 071)	(44 771 693)	(5 910 691)		
Profit/ (loss) allocated to NCI	40 864 948	(10 290 393)	(44 340 034)	-	30 196 391	(65 298 984)
OCI / (loss) allocated to NCI	287 299	-	(431 660)	-	493 047	(225 912)
Cash flows from operating activities	(8 675 148)	126 428 421	(1 702 625)	-	-	-
Cash flows from investment activities	(40 832 444)	(2 846 928)	(644 945)	-	-	-
Cash flows from financing activities (dividends to NCI)	(956 909)	(1 652 639)	-	-	-	-
Net decrease in cash and cash equivalents	(50 464 501)	121 928 854	(2 347 570)	-	-	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

10.4 Non-controlling interests (NCI)

31 December 2019

Historical cost

	IHL	ZBBS	ZB Life	IBCL	Intra Group Eliminations	Total
NCI Percentage	16%	41%	31%	4%		
	ZW$	ZW$	ZW$	ZW$	ZW$	ZW$
Non current assets	1 051 504 895	267 126 479	457 027 351	155 297 910	-	-
Current assets	89 327 998	33 788 680	108 304 688	-		
Non current liabilities	(287 047 612)	(12 287 778)	(251 937 206)	(7 754 061)		
Current liabilities	(92 519 545)	(42 695 782)	(9 964 239)	(635 156)		
NCI recorded in subsidiaries	(208 880 464)	(61 712 980)	(1 553 630)	-		
Net assets	552 385 273	184 218 619	300 818 439	146 908 693		
Carrying amount of NCI	86 954 905	75 971 759	95 555 063	6 108 489	31 200 170	295 790 386
Net revenue	542 903 131	210 761 948	130 946 876	132 453 469		
Profit	573 394 570	185 788 928	216 259 040	125 729 978		
Other Comprehensive Income	54 160 093	13 644 757	38 258 346	-		
Total comprehensive income	627 554 663	199 433 685	254 517 386	125 729 978		
Profit / (loss) allocated to NCI	155 289 851	51 460 197	(25 200)	(453)	14 382 303	221 106 697
OCI allocated to NCI	17 116 685	-	1 413 758	-	(87 843 150)	(69 312 707)
Cash flows from operating activities	(1 396 615)	2 754 063	(375 696)	(78 783)		
Cash flows from investment activities	(6 573 628)	(599 819)	30 339 524	(627)		
Cash flows from financing activities (dividends to NCI)	(154 063)	(127 950)	-	-		
Net (decrease) / increase in cash and cash equivalents	(8 124 305)	2 026 294	29 963 829	(79 410)		

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

10.4 Non-controlling interests (NCI) (continued)

31 December 2018

Historical cost

	IHL	ZBBS	ZB Life	IBCL	Intra Group Eliminations	Total
NCI Percentage	16%	41%	31%	4%		
	ZW$	ZW$	ZW$	ZW$	ZW$	ZW$
Non current assets	108 574 248	27 387 079	38 297 505	9 285 752		
Current assets	27 572 440	21 559 930	23 120 160	-		
Non current liabilities	(40 499 720)	(846 427)	(38 541 668)	(471 542)		
Current liabilities	(38 175 319)	(25 202 195)	(3 249 738)	(622 602)		
NCI recorded in subsidiaries	(15 737 196)	(4 586 869)	(66 554)	-		
Net assets	41 734 453	18 311 518	18 927 622	8 191 608		
Carrying amount of NCI	6 569 718	7 551 670	5 960 308	340 608	1 839 627	22 261 931
Net revenue	27 340 828	6 455 241	14 371 912	1 874 485		
Profit	6 422 855	605 108	2 329 789	1 765 891		
Other Comprehensive Income	453 720	196 698	145 193	-		
Total comprehensive income	6 876 575	801 806	2 474 982	1 765 891	-	-
Profit / (loss) allocated to NCI	1 091 527	179 706	(10 727)	73 426	738 516	2 072 448
OCI / (loss) allocated to NCI	93 811	-	(16 069)	-	72 724	150 466
Cash flows from operating activities	(1 396 615)	16 119 999	(176 223)	-		
Cash flows from investment activities	(6 573 628)	(320 922)	-	-		
Cash flows from financing activities (dividends to NCI)	(154 053)	(187 250)	-	-		
Net (decrease) / increase in cash and cash equivalents	(8 124 306)	15 611 827	(176 223)	-		

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
11. INVENTORIES, TRADE AND OTHER RECEIVABLES				
GROUP				
Inventories	23 641 280	15 594 056	790 244	2 510 492
Items in transit	558 629	22 719 236	558 629	3 657 577
Prepayments	29 233 261	11 453 316	40 480 703	1 843 873
Sundry receivables	6 585 704	25 094 000	4 251 864	4 038 387
Total	60 018 874	74 860 608	46 081 440	12 050 329
COMPANY				
Sundry receivables	9 255 358	33 761 783	9 255 358	5 435 321
Total	9 255 358	33 761 783	9 255 358	5 435 321

Inventories are stated at the lower of cost and net realisable value. Average cost is used to determine the value of inventory.

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
12. INVESTMENT PROPERTIES				
GROUP				
12.1 Made up as follows:				
Land stock held for capital appreciation and completed properties available for lease:				
-Residential	42 523 737	67 063 240	42 523 737	10 796 532
-Commercial	471 888 780	127 626 932	471 888 780	20 546 700
-Industrial	13 209 084	12 298 896	13 209 084	1 980 000
Balance at end of year	527 621 601	206 989 068	527 621 601	33 323 232
COMPANY				
12.1 Made up as follows:				
Land stock held for capital appreciation and completed properties available for lease:				
-Residential	7 499 200	2 981 546	7 499 200	480 000
Balance at end of year	7 499 200	2 981 546	7 499 200	480 000

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
12.2 Reconciliation of carrying amount				
Carrying amount at beginning of year	206 989 068	264 335 764	33 323 232	29 971 963
Effects of changes in functional currency	-	-	50 044 851	-
Additions	-	4 010 024	-	645 575
Transfer to inventories	-	(3 875 991)	-	(624 000)
Fair value adjustment (note 30)	320 632 533	(57 480 729)	444 253 518	3 329 694
Balance at end of year	527 621 601	206 989 068	527 621 601	33 323 232
COMPANY				
12.2 Reconciliation of carrying amount				
Carrying amount at beginning of year	2 981 546	3 292 036	480 000	373 000
Fair value adjustment (note 30)	4 517 654	(310 490)	6 299 200	107 000
Effect of changes in functional currency	-	-	720 000	-
Balance at end of year	7 499 200	2 981 546	7 499 200	480 000

Available for lease properties are leased out under operating lease to various tenants. The initial contracts are for a minimum period of one year after which they may be extended as negotiated. Inflation adjusted rental income generated from investment properties amounted to ZW$6 902 288 (historical cost ZW$2 471 487) (2018: inflation adjusted ZW$7 178 620, historical cost ZW$1 194 232). Inflation adjusted repairs and maintenance costs on investment properties that generated investment income amount to ZW$1 491 121 (historical cost ZW$688 328) (2018: inflation adjusted ZW$1 472 292; historical cost ZW$146 961).

No financial encumberances existed on any of the properties included under investment properties.

12.3 Measurement of fair value

The fair value of the Group's investment properties as at 31 December 2019 was arrived at on the basis of valuations carried out by independent professional valuers, Southbay Real Estate (2018: Bard Real Estate). The valuation, which conforms to International Valuation Standards, was in terms of accounting policy 3.18 and was derived with reference to market information close to the date of the valuation.

The fair values of the Group's investment property are categorised into Level 3 of the fair value hierarchy as described in note 3.4.4.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

12.4 Valuation techniques and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
The **Investment Method** was applied on all income producing properties. Market capitalisation rates were derived from market sales evidence and were determined in consultation with other investors and property brokers in the market. The **Direct Comparison Method** was applied on all residential properties, after Bard Real Estate identified various properties that have been sold or which were on sale and situated in comparable areas using the Main Space Equivalent (MSE) principle. The total MSE of comparable areas was then used to determine the value per square meter of MSE.	Average rentals per square metre – ZW$18 to ZW$50 (2018: ZW$2.5 to ZW$8) Average investment yield – 8% to 15% (2018: 8% to 15%).	The estimated fair value would increase (decrease) if: • Expected market rental growth were higher (lower) • Void period were shorter (longer) and • Occupancy rate were higher (lower))

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

13. RIGHT OF USE ASSETS

The Group recognises right of use assets in respect of non-cancellable operating lease agreements that are classified as neither short-term nor low value leases in terms of accounting policy note 3.12.2. The movement in the right of use asset during the year was as follows:

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Balance at the beginning of year	39 786 213	-	6 405 194	-
Initial adoption of IFRS 16	-	48 366 903	-	7 786 602
Arising from lease reassessment	1 621 936	-	1 621 936	-
Depreciation	(3 171 523)	(8 580 690)	(1 381 408)	(1 381 408)
Impairments	(31 590 904)	-	-	-
Balance at end of year	6 645 722	39 786 213	6 645 722	6 405 194
COMPANY				
Balance at the beginning of year	17 198 979	-	2 768 869	-
Initial adoption of IFRS 16	-	20 362 853	-	3 278 222
Arising from lease reassessment	1 788 842	-	1 788 842	-
Depreciation	(1 999 546)	(3 163 874)	(509 353)	(509 353)
Impairments	(12 939 917)	-	-	-
Balance at end of year	4 048 358	17 198 979	4 048 358	2 768 869

The corresponding lease liabilities matching the above assets are discussed in note 21.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

14. PROPERTY AND EQUIPMENT
31 December 2019

Inflation adjusted

	Freehold properties ZW$	Leasehold improvements ZW$	Equipment furniture & fittings ZW$	Computer equipment ZW$	Marine assets and Motor vehicles ZW$	Capital work in progress ZW$	Total ZW$
GROUP							
Cost or valuation							
Balance at 1 January 2019	196 736 617	61 865 648	55 631 066	116 351 929	65 542 283	5 213 191	501 340 734
Additions	3 738 731	1 230 950	6 695 586	3 878 707	11 663 345	6 029 230	33 236 549
Disposals	-	-	(110 609)	(212 196)	(3 307 563)	-	(3 630 368)
Surplus on revaluation	209 749 363	25 551 898	24 585 587	50 564 847	43 039 382	-	353 491 077
Balance at 31 December 2019	410 224 711	88 648 496	86 801 630	170 583 287	116 937 447	11 242 421	884 437 992
Accumulated depreciation and impairment							
Balance at 1 January 2019	62 722 344	44 168 278	40 098 076	80 447 967	42 541 420	1 653 557	271 631 642
Recognised in statement of profit or loss	379 363	3 856 580	6 194 068	16 211 734	7 853 642	-	34 495 387
Disposals	-	-	(35 300)	(156 542)	(607 806)	-	(799 648)
Impairment	-	-	111 612	26 390	35 999	3 504 689	3 678 690
Balance at 31 December 2019	63 101 707	48 024 858	46 368 456	96 529 549	49 823 255	5 158 246	309 006 071
Carrying value at 31 December 2019	347 123 004	40 623 638	40 433 174	74 053 738	67 114 192	6 084 175	575 431 921
Restated carrying value at 31 December 2018	134 014 273	17 697 370	15 532 990	35 903 962	23 000 863	3 559 634	229 709 092

All properties and equipment were revalued as at 31 December 2019 on the basis of valuations carried out by independent and professional valuers South Bay Real Estate and Bard Real Estate and in terms of accounting policy 3.8.

It has not been possible to fully comply with the requirements of International Accounting Standards (IAS 16: *Property, Plant and Equipment*), as regards disclosure of the carrying cost less accumulated depreciation of properties, had revaluations not been performed. This information is not material in the context of the Group financial statements.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

14. PROPERTY AND EQUIPMENT (continued)

31 December 2018

Inflation adjusted

	Freehold properties ZW$	Leasehold improvements ZW$	Equipment furniture & fittings ZW$	Computer equipment ZW$	Marine assets and Motor vehicles ZW$	Capital work in progress ZW$	Total ZW$
GROUP							
Cost or valuation							
Balance at 1 January 2018	196 736 617	58 707 038	54 995 811	100 590 675	47 097 230	1 969 956	460 097 327
Additions	-	905 584	1 783 427	17 535 751	21 335 952	6 260 570	47 821 284
Disposals	-	-	(2 207 953)	(2 745 907)	(1 867 520)	-	(6 821 380)
Transfers between categories	-	2 253 026	714 287	50 022	-	3 017 335	-
Surplus on revaluation	-	-	345 494	921 388	(1 023 379)	-	243 503
Balance at 31 December 2018	196 736 617	61 865 648	55 631 066	116 351 929	65 542 283	5 123 191	501 340 734
Accumulated depreciation							
Balance at 1 January 2018	3 769 355	30 306 278	31 038 233	65 803 588	32 832 717	-	163 750 171
Recognised in statement of profit or loss	43 505	4 564 227	3 948 378	12 168 647	3 730 992	-	24 455 749
Disposals	-	-	(1 979 665)	(2 415 722)	(1 525 662)	-	(5 921 049)
Impairment	58 909 484	9 297 773	7 091 130	4 891 454	7 503 373	1 653 557	89 346 771
Balance at 31 December 2018	62 722 344	44 168 278	40 098 076	80 447 967	42 541 420	1 653 557	271 631 642
Carrying value at 31 December 2018	134 014 273	17 697 370	15 532 990	35 903 962	23 000 863	3 559 634	229 709 092

All properties and equipment were revalued as at 31 December 2018 on the basis of valuations carried out by independent and professional valuers Bard Real Estate and in terms of accounting policy 3.8.

It has not been possible to fully comply with the requirements of International Accounting Standards (IAS 16: *Property, Plant and Equipment*), as regards disclosure of the carrying cost less accumulated depreciation of properties, had revaluations not been performed. This information is not material in the context of the Group financial statements.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

14. PROPERTY AND EQUIPMENT (continued)

31 December 2019

Historical cost

	Freehold properties ZW$	Leasehold improvements ZW$	Equipment furniture & fittings ZW$	Computer equipment ZW$	Marine assets and Motor vehicles ZW$	Capital work in progress ZW$	Total ZW$
GROUP							
Cost or valuation							
Balance at 1 January 2019	22 078 625	7 309 752	6 348 458	13 501 475	8 176 521	357 320	57 772 151
Effects of changes in functional currency	32 362 498	4 267 983	3 604 179	8 648 590	5 732 956	-	54 616 206
Additions	2 243 818	971 719	2 676 338	1 340 234	6 767 200	5 511 115	19 510 424
Disposals	-	-	(21 629)	(35 343)	(745 114)	-	(802 086)
Surplus on revaluation	291 002 758	34 182 349	33 690 201	64 854 831	54 369 815	-	478 099 954
Balance at 31 December 2019	347 687 699	46 731 803	46 297 547	88 309 787	74 301 378	5 868 435	609 196 649
Accumulated depreciation							
Balance at 1 January 2019	503 623	4 315 198	3 777 393	7 721 341	4 473 656	-	20 791 211
Recognised in statement of profit or loss	61 074	1 667 243	1 917 423	6 568 348	2 828 465	-	13 042 553
Disposals	-	-	(6 195)	(25 512)	(135 182)	-	(166 889)
Impairment	-	-	74 951	2 618	20 284	-	97 853
Balance at 31 December 2019	564 697	5 982 441	5 763 572	14 266 795	7 187 223	-	33 764 728
Carrying value at 31 December 2019	347 123 002	40 749 362	40 533 975	74 042 992	67 114 155	5 868 435	575 431 921
Restated carrying value at 31 December 2018	21 575 002	2 994 554	2 571 065	5 780 134	3 702 865	357 320	36 980 940

All properties and equipment were revalued as at 31 December 2019 on the basis of valuations carried out by independent and professional valuers Bard Real Estate and Southay Real Estates in terms of accounting policy 3.8.

It has not been possible to fully comply with the requirements of International Accounting Standards (IAS 16: *Property, Plant and Equipment*), as regards disclosure of the carrying cost less accumulated depreciation of properties, had revaluations not been performed. This information is not material in the context of the Group financial statements.

No encumberances existed on any of the property and equipment in portfolio as at 31 December 2019.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

14. PROPERTY AND EQUIPMENT (continued)

31 December 2018

Historical cost

	Freehold properties ZW$	Leasehold improvements ZW$	Equipment furniture & fittings ZW$	Computer equipment ZW$	Marine assets and Motor vehicles ZW$	Capital work in progress ZW$	Total ZW$
GROUP							
Cost or valuation							
Balance at 1 January 2018	22 338 396	6 898 589	6 147 540	10 072 703	5 664 226	-	51 121 454
Additions	-	104 530	209 727	2 073 590	2 506 689	709 345	5 603 881
Disposals	-	(2 664)	(368 876)	(400 441)	(259 962)	-	(1 031 943)
Transfers between categories	-	261 028	85 075	5 922	-	(352 025)	-
Surplus on revaluation	(259 771)	48 269	274 992	1 749 701	265 568	-	2 078 759
Balance at 31 December 2018	22 078 625	7 309 752	6 348 458	13 501 475	8 176 521	357 320	57 772 151
Accumulated depreciation							
Balance at 1 January 2018	498 694	3 638 937	3 453 211	6 501 274	4 175 680	-	18 267 796
Recognised in statement of profit or loss	4 929	618 744	531 367	1 560 648	531 941	-	3 247 629
Disposals	-	-	(282 314)	(352 860)	(233 965)	-	(869 139)
Impairment	-	57 517	75 129	12 279	-	-	144 925
Balance at 31 December 2018	503 623	4 315 198	3 777 393	7 721 341	4 473 656	-	20 791 211
Carrying value at 31 December 2018	21 575 002	2 994 554	2 571 065	5 780 134	3 702 865	357 320	36 980 940
Restated carrying value at 31 December 2017	21 839 702	3 259 652	2 694 329	3 571 429	1 488 546	-	32 853 658

All properties and equipment were revalued as at 31 December 2018 on the basis of valuations carried out by independent and professional valuers Bard Real Estate and in terms of accounting policy 3.8.

It has not been possible to fully comply with the requirements of International Accounting Standards (IAS 16: *Property, Plant and Equipment*), as regards disclosure of the carrying cost less accumulated depreciation of properties, had revaluations not been performed. This information is not material in the context of the Group financial statements.

No encumbrances existed on any of the property and equipment in portfolio as at 31 December 2018.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

14. PROPERTY AND EQUIPMENT (continued)

Inflation adjusted

	Leasehold improvements ZW$	Equipment furniture & fittings ZW$	Computer equipment ZW$	Motor vehicles ZW$	Total ZW$
COMPANY					
2019					
Cost or valuation					
Balance at 1 January 2019	185 463	4 883 882	4 004 205	1 670 558	10 744 108
Additions	-	439 585	1 169 356	-	1 608 941
Disposals	-	(14 877)	(4 424)	(9 084)	(28 386)
Revaluation of property	159 290	2 061 142	1 096 305	402 777	3 719 514
Intergroup transfers	-	-	(12 739)	-	(12 739)
Effects of changes in functional currency	-	-	-	-	-
Balance at 31 December 2019	344 753	7 369 732	6 252 702	2 064 251	16 031 439
Accumulated depreciation					
Balance at 1 January 2019	154 347	4 106 362	3 200 022	1 470 049	8 930 780
Recognised in statement of profit or loss	22 626	955 429	825 538	443 272	2 246 865
Balance at 31 December 2019	176 973	5 061 791	4 025 560	1 913 321	11 177 645
Carrying value at 31 December 2019	167 780	2 307 942	2 227 142	150 930	4 853 794
2018					
Cost or valuation					
Balance at 1 January 2018	175 084	5 506 010	4 579 714	1 451 101	11 711 909
Additions	33 890	76 757	54 535	-	165 182
Disposals	(23 511)	(698 885)	(630 044)	-	(1 352 440)
Revaluation of property	-	-	219 457	-	219 457
Balance at 31 December 2018	185 463	4 883 882	4 223 662	1 451 101	10 744 108
Accumulated depreciation					
Balance at 1 January 2018	69 396	3 111 788	3 011 948	1 270 040	7 463 712
Recognised in statement of profit or loss	17 968	458 901	393 939	200 009	1 070 816
Disposals	-	(528 333)	(536 814)	-	(1 065 147)
Impairment	66 444	1 064 005	330 949	-	1 461 398
Balance at 31 December 2018	154 347	4 106 362	3 200 022	1 470 049	8 930 780
Carrying value at 31 December 2018	31 116	777 520	1 023 641	18 948	1 813 328

Notices to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

14. PROPERTY AND EQUIPMENT (continued)

Historical cost

	Leasehold improvements ZW$	Equipment furniture & fittings ZW$	Computer equipment ZW$	Motor vehicles ZW$	Total ZW$
COMPANY					
2019					
Cost or valuation					
Balance at 1 January 2019	20 351	532 522	443 143	171 374	1 167 390
Effects of changes in functional currency	7 514	187 761	194 199	48 420	437 894
Additions	-	70 769	188 255	-	259 024
Disposals	-	(2 395)	(712)	(1 462)	(4 569)
Revaluation of property	158 900	2 080 448	1 850 889	143 055	4 233 292
Intergroup transfers	-	-	(2 051)	-	(2 051)
Balance at 31 December 2019	186 765	2 869 105	2 673 723	361 387	6 090 980
Accumulated depreciation					
Balance at 1 January 2019	15 342	407 350	313 677	139 093	875 462
Recognised in statement of profit or loss	3 643	153 815	132 904	71 362	361 724
Balance at 31 December 2019	18 985	561 165	446 581	210 455	1 237 186
Carrying value at 31 December 2019	167 780	2 307 940	2 227 142	150 932	4 853 794
2018					
Cost or valuation					
Balance at 1 January 2018	19 175	603 011	501 565	158 924	1 282 675
Additions	3 840	8 697	6 179	-	18 716
Disposals	(2 664)	(79 186)	(71 386)	-	(153 236)
Revaluation of property	-	-	6 785	12 450	19 235
Balance at 31 December 2018	20 351	532 522	443 143	171 374	1 167 390
Accumulated depreciation					
Balance at 1 January 2018	7 660	340 798	329 865	139 093	817 416
Recognised in statement of profit or loss	2 036	51 995	44 635	-	98 666
Disposals	-	(59 862)	(60 823)	-	(120 685)
Impairment	5 646	74 419	-	-	80 065
Balance at 31 December 2018	15 342	407 350	313 677	139 093	875 462
Carrying value at 31 December 2018	5 009	125 172	129 466	32 281	291 928

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
15. INTANGIBLE ASSETS				
GROUP				
Computer software				
Carrying amount at beginning of year	70 019 143	62 242 655	10 938 773	6 599 837
Effects of changes in functional currency	-	-	16 214 327	-
Additions at cost	20 651 766	29 044 980	14 030 889	3 276 535
Revaluation	54 682 512	5 429 382	66 193 426	3 009 949
Amortisation	(26 872 672)	(16 126 751)	(12 892 720)	(1 942 806)
Exchange rate movements	-	-	23 880 447	-
Impairment	(115 607)	(10 571 123)	-	(4 742)
Balance at end of year	118 365 142	70 019 143	118 365 142	10 938 773
COMPANY				
Computer software				
Carrying amount at beginning of year	142 717	1 554 753	22 976	47 306
Effects of changes in functional currency	-	-	11 489	-
Amortisation	-	(1 295 686)	-	(19 588)
Impairment	(108 252)	(116 350)	-	(4 742)
Balance at end of year	34 465	142 717	34 465	22 976
17. DEPOSITS AND OTHER ACCOUNTS				
GROUP				
17.1 Summary of deposits by type				
Balances of banks	15 436 329	91 821 288	15 436 329	14 782 338
Current accounts	418 123 193	517 596 779	418 123 193	83 328 068
Savings and call accounts	801 263 510	1 354 606 247	801 263 510	218 078 485
Fixed deposits	137 291 989	725 618 858	137 291 989	116 817 608
	1 372 115 021	2 689 643 172	1 372 115 021	433 006 499
GROUP				
17.2 Maturity analysis				
On demand	1 000 467 203	1 820 465 721	1 000 467 203	293 077 348
Within 1 month	338 807 415	413 074 224	338 807 415	66 500 949
Between 1 and 6 months	21 175 406	362 957 240	21 175 406	58 432 600
Between 6 and 12 months	7 456 605	26 273 382	7 456 605	4 229 760
After 12 months	4 208 392	66 872 605	4 208 392	10 765 842
	1 372 115 021	2 689 643 172	1 372 115 021	433 006 499

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

	Inflation adjusted				Historical cost			
	31 Dec 2019 ZW$	% Contribution	31 Dec 2018 ZW$	% Contribution	31 Dec 2019 ZW$	% Contribution	31 Dec 2018 ZW$	% Contribution
Group								
17.3 Deposit concentration								
Private individuals	206 205 280	15%	436 822 933	16%	206 205 280	15%	70 324 261	16%
Agriculture	74 054 459	5%	186 296 718	7%	74 054 459	5%	29 991 967	7%
Mining	75 583 068	6%	14 243 379	1%	75 583 068	6%	2 293 046	1%
Manufacturing	111 058 092	8%	273 572 881	10%	111 058 092	8%	44 042 584	10%
Distribution	39 328 020	3%	69 285 138	3%	39 328 020	3%	11 154 236	3%
Construction	15 746 372	1%	29 556 766	1%	15 746 372	1%	4 758 353	1%
Transport	12 305 956	1%	24 494 605	1%	12 305 956	1%	3 943 394	1%
Services	511 431 535	37%	957 740 103	35%	511 431 535	37%	154 186 881	35%
Financial	145 902 818	11%	349 246 751	13%	145 902 818	11%	56 225 344	13%
Communication	180 499 421	13%	348 383 898	13%	180 499 421	13%	56 086 433	13%
	1 372 115 021	100%	2 689 643 172	100%	1 372 115 021	100%	433 006 499	100%

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

		Inflation adjusted		Historical cost	
		31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
	GROUP				
17.4	**Secured and unsecured deposits analysis**				
	Secured deposits	57 461 457	338 617 859	57 461 457	54 514 195
	Unsecured deposits	1 314 653 564	2 351 025 313	1 314 653 564	378 492 304
		1 372 115 021	2 689 643 172	1 372 115 021	433 006 499

For secured deposits security was provided in the form of treasury bills which are included in the note 7.

		Inflation adjusted		Historical cost	
		31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
18.	**TRADE AND OTHER PAYABLES**				
	GROUP				
	Amounts due to other banks	2 761 050	6 819 385	2 761 050	1 097 855
	Unearned premium reserve	17 812 525	12 115 282	17 812 525	1 950 443
	Incurred but not yet reported claims reserve	12 113 789	14 616 488	12 113 789	2 353 113
	Income received in advance	11 533 433	71 116 987	11 533 433	11 449 146
	Interest accrued on deposits	9 777 832	5 375 385	9 777 832	865 385
	Items in transit	40 978 189	36 459 597	40 978 189	5 869 642
	Accrued expenses and provisions	2 832 879	17 226 390	2 832 879	2 773 282
	Policyholders claims intimated but not paid	483 758	2 683 509	483 758	432 019
	Other trade payables	63 509 623	83 276 760	63 509 623	13 406 541
	Sundry creditors	41 306 313	7 972 368	41 306 313	1 283 474
		203 109 391	257 662 151	203 109 391	41 480 900
	COMPANY				
	Items in transit	-	24 969 900	-	4 019 912
	Trade payables	15 069 551	76 155 682	15 069 551	12 260 327
		15 069 551	101 125 582	15 069 551	16 280 239
19.	**CURRENT TAX LIABILITIES**				
	GROUP				
	Balance at beginning of year	836 145	144 213	134 611	23 217
	Recognised in statement of profit or loss (note 32)	49 146 985	11 882 934	17 553 698	1 482 917
	Tax payments	(44 830 458)	(11 191 002)	(12 535 637)	(1 371 523)
		5 152 672	836 145	5 152 672	134 611

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

20. DEFERRED TAX (ASSETS) / LIABILITIES

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
20.1 Deferred tax				
Deferred tax asset	(901 474)	(1 876 716)	(109 241)	(160 567)
Deferred tax liability	110 224 377	32 625 765	97 058 868	3 771 699
Net deferred tax liabilities	109 322 903	30 749 049	96 949 627	3 611 132
COMPANY				
20.1 Deferred tax				
Deferred tax asset	-	(981 953)	-	(59 334)
Deferred tax liability	1 257 343	-	1 632 301	-
Net deferred tax liabilities / (assets)	1 257 343	(981 953)	1 632 301	(59 334)

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

20.1 DEFERRED TAX (continued)

Inflation adjusted

	Balance at 1 January ZW$	Recognised in profit or loss ZW$	Recognised in OCI ZW$	Other transactions affecting equity ZW$	Balance at 31 December ZW$
GROUP					
2019					
Property and equipment	10 745 175	24 162 048	52 299 280	-	87 026 503
Fair value adjustments to financial assets	2 226 221	4 209 675	-	-	6 435 896
Assessed losses	(2 773 108)	(127 735)	-	-	(2 900 843)
Fair value gains on available for sale treasury bills	6 140 389	-	(1 969 414)	-	4 170 975
Other	23 395 503	-	-	-	23 395 503
Changes on initial application of IFRS9	(8 985 131)	-	-	-	(8 985 131)
	30 749 049	28 243 988	50 329 866	-	109 322 903
GROUP					
2018					
Property and equipment	9 384 863	175 669	1 184 643	-	10 745 175
Fair value adjustments to financial assets	5 519 053	(3 292 832)	-	-	2 226 221
Assessed losses	(4 513 706)	1 740 598	-	-	(2 773 108)
Fair value gains on available for sale treasury bills	5 188 002	-	952 387	-	6 140 389
Other	2 661 806	10 958 939	-	9 774 758	23 395 503
Changes on initial application of IFRS9	-	-	-	(8 985 131)	(8 985 131)
	18 240 018	9 582 374	2 137 030	789 627	30 749 049

Notices to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

20.1 DEFERRED TAX (continued)

Historical cost

	Balance at 1 January ZW$	Recognised in profit or loss ZW$	Recognised in OCI ZW$	Other transactions affecting equity ZW$	Balance at 31 December ZW$
GROUP					
2019					
Property and equipment	2 836 551	(18 924 473)	57 725 872	13 787 486	55 425 436
Fair value adjustments to financial assets	1 262 913	20 488 111	-	-	21 751 024
Assessed losses	(340 715)	320 151	-	-	(20 564)
Fair value gains on available for sale treasury bills	1 017 639	-	(1 969 414)	-	(951 775)
Other	281 263	21 910 762	-	-	22 192 025
Changes on initial application of IFRS9	(1 446 519)	-	-	-	(1 446 519)
	3 611 132	23 794 551	55 756 458	13 787 486	96 949 627
2018					
Property and equipment	1 510 872	28 281	1 297 398	-	2 836 551
Fair value adjustments to financial assets	888 514	374 399	-	-	1 262 913
Assessed losses	(726 663)	385 948	-	-	(340 715)
Fair value gains on available for sale treasury bills	835 218	-	153 325	-	988 543
Other	428 525	(118 166)	-	-	310 359
Changes on initial application of IFRS9	-	-	-	(1 446 519)	(1 446 519)
	2 936 466	670 462	1 450 723	(1 446 519)	3 611 132

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

20.1 DEFERRED TAX (continued)

Inflation adjusted

	Balance at 1 January ZW$	Recognised in profit or loss ZW$	Recognised in OCI ZW$	Other transactions affecting equity ZW$	Balance at 31 December ZW$
COMPANY					
2019					
Property and equipment	690 315	(401 400)	919 464	-	1 208 379
Fair value adjustments to financial assets	1 003 164	(954 200)	-	-	48 964
Assessed loss	(2 675 432)	2 675 432	-	-	-
	(981 953)	1 319 832	919 464	-	1 257 343
2018					
Property and equipment	1 082 563	(448 758)	56 510	-	690 315
Fair value adjustments to financial assets	134 852	868 312	-	-	1 003 164
Assessed loss	(5 515 114)	2 839 682	-	-	(2 675 432)
	(4 297 699)	3 259 236	56 510	-	(981 953)

Historical cost

	Balance at 1 January ZW$	Recognised in profit or loss ZW$	Recognised in OCI ZW$	Other transactions affecting equity ZW$	Balance at 31 December ZW$
COMPANY					
2019					
Property and equipment	78 216	341 332	1 046 469	117 319	1 583 336
Fair value adjustments to financial assets	113 661	(64 696)	-	-	48 965
Assessed loss	(251 211)	251 211	-	-	-
	(59 334)	527 847	1 046 469	117 319	1 632 301
2018					
Property and equipment	137 211	(63 948)	4 953	-	78 216
Fair value adjustments to financial assets	14 768	98 893	-	-	113 661
Assessed loss	(624 836)	373 625	-	-	(251 211)
	(472 857)	408 570	4 953	-	(59 334)

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

21. LEASE LIABILITIES

The Group leases various office buildings under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

In terms of note 3.12 the Group recognises a lease liability in respect of discounted future payment commitments and accrued notional interest cost, net of any actual payments made during the period for all non-cancellable operating lease commitments that are assessed as neither short-term nor low value leases.

The movement in the operating lease liability during the year was as follows:

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Balance at the beginning of year	40 757 651	-	6 561 587	-
Initial adoption of IFRS 16	-	49 238 092	-	7 926 856
Add accrued interest posted to profit or loss	1 028 907	3 705 242	448 157	596 508
Less lease commitments paid during the year	(6 469 189)	(12 185 683)	(2 817 760)	(1 961 777)
Arising from lease reassessment	2 453 738	-	2 453 738	-
Arising from monetary adjustments	(31 125 385)	-	-	-
Balance at end of year	6 645 722	40 757 651	6 645 722	6 561 587
COMPANY				
Balance at beginning of year	17 729 066	-	2 854 208	-
Initial adoption of IFRS 16	-	22 044 078	-	3 343 115
Add accrued interest posted to profit or loss	1 308 046	2 290 072	210 583	259 473
Less lease commitments paid during the year	(4 648 603)	(6 605 084)	(748 380)	(748 380)
Arising from lease reassessment	1 731 947	-	1 731 947	-
Arising from monetary adjustments	(12 072 098)	-	-	-
Balance at end of year	4 048 358	17 729 066	4 048 358	2 854 208

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

21. LEASE LIABILITIES (continued)

The future aggregate minimum lease payments under the above non-cancellable operating leases are as follows:

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Below 1 year	-	-	-	-
Between 1 and 5 years	1 826 869	17 336 950	1 826 869	2 791 081
More than 5 years	4 818 853	23 420 701	4 818 853	3 770 506
Balance at end of year	6 645 722	40 757 651	6 645 722	6 561 587
COMPANY				
More than 5 years	4 048 358	17 729 066	4 048 358	2 854 208
Balance at end of year	4 048 358	17 729 066	4 048 358	2 854 208

There were no material operating lease additions or modifications during the year.

22. LONG TERM BORROWINGS

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Comprising of:				
Face value of loan	20 000 000	124 231 076	20 000 000	20 000 000
Valuation discount	(4 627 963)	(33 293 708)	(4 627 963)	(5 359 965)
Balance at end of year	15 372 037	90 937 368	15 372 037	14 640 035
Valuation discount:				
Balance at beginning of the year	33 293 708	37 624 053	5 359 965	6 057 109
Amortisation during the year (note 31)	(1 680 576)	(4 330 345)	(732 002)	(697 144)
Effects of monetary adjustments	(26 985 169)	-	-	-
Balance at end of year	4 627 963	33 293 708	4 627 963	5 359 965
COMPANY				
Comprising of:				
Face value of loan	20 000 000	124 231 076	20 000 000	20 000 000
Valuation discount	(4 627 963)	(33 293 708)	(4 627 963)	(5 359 965)
Balance at end of year	15 372 037	90 937 368	15 372 037	14 640 035
Valuation discount:				
Balance at beginning of the year	33 293 708	37 624 053	5 359 965	6 057 109
Amortisation during the year (note 31)	(1 680 576)	(4 330 345)	(732 002)	(697 144)
Effect of monetary adjustments	(26 985 169)	-	-	-
Balance at end of year	4 627 963	33 293 708	4 627 963	5 359 965

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

22. LONG TERM BORROWINGS (continued)

This relates to a loan facility acquired from the Government of Zimbabwe which will be redeemed in full in 2025 at a face value of $20 million. The loan was issued at zero percent interest rate. The loan was used to recapitalise ZB Bank Limited, a subsidiary of the holding company.

The loan was measured at fair value at the date of initial recognition and the balance is being amortised at the effective interest rate on an annual basis. The fair value at initial recognition was determined using the Discounted Cash Flows method, applying a discount rate of 5% on future cash flows. The valuation method falls under Level 3 of the fair value hierarchy in terms of IFRS 13, 'Fair Value Measurement' as the discount rate used is an internal estimate developed from non-verifiable data.

23. LIFE ASSURANCE FUNDS

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Balance at beginning of year	219 050 940	245 838 487	37 439 715	31 811 327
Changes in policyholders' liabilities	20 570 759	(26 787 547)	179 186 905	5 628 388
-Gross premium income	50 224 080	31 289 426	20 926 700	13 037 261
-Investment and other income	116 329 337	8 409 252	48 470 557	3 503 855
-Capital gains	184 487 000	8 902 320	184 487 000	3 709 300
-Benefits paid and surrenders	(21 381 840)	(12 533 268)	(8 909 101)	(5 222 195)
-Marketing and administration expenses	(180 619 178)	(57 238 041)	(34 289 000)	(7 059 318)
-Surplus distribution	(128 468 640)	(5 617 236)	(53 528 600)	(2 340 515)
Effects of changes in functional currency	-	-	22 029 349	-
Balance at end of year	239 621 699	219 050 940	238 655 969	37 439 715

Life assurance funds are due to contributing policyholders at the life company as determined by the terms and conditions or practices applicable to each policy. Policy contracts issued by the life company transfer insurance or financial risk, or, in some instances, both, from one party to another.

Insurance contracts result in the Group accepting significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Investment contracts, on the other hand, are those that transfer financial risk with no significant insurance risk. Financial risk is the risk of possible future change in one or more of a specified interest rate, financial instrument price, commodity price, index of prices or rates, credit rating or any other variable.

Insurance contracts are valued in terms of the Financial Soundness Valuation (FSV) basis, on a gross premium valuation methodology and the liability is reflected in the statement of financial position. The liability is based on assumptions of the best estimate of future experience, plus compulsory margins for prudent liabilities, plus additional discretionary margins. Such valuation is carried out annually by independent actuaries.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

23. LIFE ASSURANCE FUNDS (continued)

Life fund liabilities are supported by the following net assets:

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Listed equities	23 151 454	74 800 096	23 151 454	12 042 091
Unlisted equities	32 006 434	16 796 153	32 006 434	2 704 018
Gold fund	5 003 638	2 332 308	5 003 638	375 479
Government and public utilities stock	4 397 427	26 494 277	4 397 427	4 265 322
Investment properties	21 689 679	9 211 486	21 689 679	1 482 960
Funds on deposit	6 377 722	33 116 527	6 377 722	5 331 440
Equity accounted investments	150 956 992	59 641 797	149 928 982	11 776 387
Trade and other receivables	1 581 241	1 533 887	1 643 521	246 941
Gross assets	245 164 587	223 926 531	244 198 857	38 224 638
Less: Deferred tax liabilities	(3 019 088)	(1 749 745)	(3 019 088)	(281 692)
Trade and other payables	(2 179 351)	(2 912 181)	(2 179 351)	(468 833)
Income tax payable	(344 449)	(213 665)	(344 449)	(34 398)
Net assets	239 621 699	219 050 940	238 655 969	37 439 715

The assets and liabilities indicated above are included under appropriate sections in the consolidated statement of financial position.

The movement in the life assurance funds is accounted for through profit or loss.

24 OFFSHORE BORROWINGS

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Balance at beginning of year	36 942 265	-	5 947 347	-
New loans	-	36 942 265	-	5 947 347
Effect of monetary adjustments	37 875 655	-	-	-
Exchange rates movements	-	-	68 870 573	-
Balance at end of year	74 817 920	36 942 265	74 817 920	5 947 347

The offshore borrowings are in respect of loans advanced to ZB Bank Limited by Afreximbank at interest rates ranging from 9.49% to 9.56%. The loans mature on 5 October 2022. The funds were used for on lending to the Bank's customers.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

25. EQUITY AND RESERVES

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
25.1 Share capital				
Company:				
Authorised:				
1 000 000 000 ordinary shares of US$0.01 each	82 522 493	82 522 493	10 000 000	10 000 000
Issued and fully paid:				
175 190 642 ordinary shares of US$0.01 each	16 209 071	16 209 071	1 751 906	1 751 906
Analysis of number of shares in issue issued shares	175 190 642	175 190 642	175 190 642	175 190 642
Treasury shares	(17 667 740)	(17 667 740)	(17 667 740)	(17 667 740)
Net trading shares	157 522 902	157 522 902	157 522 902	157 522 902
COMPANY				
Company:				
Authorised:				
1 000 000 000 ordinary shares of US$0.01 each	82 522 493	82 522 493	10 000 000	10 000 000
Issued and fully paid:				
175 190 642 ordinary shares of US$0.01 each	16 290 071	16 209 071	1 751 906	1 751 906
Analysis of number of shares in issue issued shares	175 190 642	175 190 642	175 190 642	175 190 642
Treasury shares	(17 667 740)	(17 667 740)	(17 667 740)	(17 667 740)
Net trading shares	157 522 902	157 522 902	157 522 902	157 522 902

Subject to the limitations imposed by the Companies Act (Chapter 24:03) and the Regulations of the Zimbabwe Stock Exchange, the Articles of Association permit the directors to allot the unissued shares amounting to 824 809 358.

Fully paid shares carry one vote per share and carry a right to dividends.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

25.2 Fully paid ordinary shares and share premium

Inflation adjsuted

	GROUP Share capital ZW$	Share premium ZW$	COMPANY Share capital ZW$	Share premium ZW$
GROUP				
Balance at beginning of year	16 209 071	250 566 538	16 209 071	250 566 538
Balance at end of year	16 209 071	250 566 538	16 209 071	250 566 538
Historical cost				
Balance at beginning of year	1 751 906	27 081 696	1 751 906	27 081 696
Balance at end of year	1 751 906	27 081 696	1 751 906	27 081 696

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
25.3 Other components of equity				
General reserve (see note 25.3.1 below)	2 928 590	2 928 590	5 870 251	5 870 251
Properties and equipment revaluation reserve (see note 25.3.2 below)	374 389 410	35 074 924	479 073 735	15 454 177
Fair value gains on financial assets at FVTOCI (see note 25.3.3 below)	19 849 055	25 686 567	(2 987 053)	2 850 459
	397 167 055	63 690 081	481 956 933	24 174 887
COMPANY				
25.3 Other components of equity				
Properties and equipment revaluation reserve (see note 25.3.2 below)	2 962 997	162 947	3 201 105	14 282
	2 962 997	162 947	3 201 105	14 282

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

		Inflation adjusted		Historical cost	
		31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
	GROUP				
25.3.1	**General reserves**				
	Balance at beginning of year	2 928 590	(23 782 372)	5 870 251	5 885 904
	Movement in regulatory reserve in respect of doubtful advances	-	(97 229)	-	(15 653)
	Transfer to retained income	-	26 808 191	-	-
	Balance at the end of year	2 928 590	2 928 590	5 870 251	5 870 251

The general reserve is used to set aside capital to the extent of any excess that may arise out of general provisions computed in terms of prudential guidelines, and the application of discretionary security limits as established by supervisory authorities over any provisions computed in terms of International Financial Reporting Standards. Differences may arise as a result of:

a) Application of predetermined provisioning rates for an asset class that may not correspond to observable cash flow patterns, and
b) Application of discretionary discounts on, or complete exclusion of certain securities which may not be in line with demonstrable evidence of typical levels of security recovery values.

25.3.1 General reserves

The general reserve is also used to reserve portions of capital to cater for short term uncertainties relating to the valuation of items that may have a material impact on the statement of profit or loss from year to year.

The adjustment for regulatory reserves in respect of doubtful debts in the prior year arose from the synchronisation of prudential provisions for loan losses against those applied in the IFRS financial statements. In the circumstances, IFRS expected loan loss provisions where higher than the required level of required regulatory provisions, resulting in the release of general reserves amounting to $nil (2018: $15 653).

The investment fluctuation reserve caters for unforeseen movements in the value of assets which make up the capital in the life assurance business. It also caters for differences in the intrinsic values of the assets in relation to their short term trading values.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

		Inflation adjusted		Historical cost	
		31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
	GROUP				
25.3.2	**Property and equipment revaluation reserve**				
	Balance at beginning of year	35 074 924	31 973 152	15 454 177	11 996 022
	Surplus on property and equipment revaluation	353 491 077	243 503	478 099 954	2 078 759
	Surplus on intangible asset revaluation	54 682 512	5 429 382	66 193 426	3 009 949
	Revaluation movement against non-controlling interests	(16 559 823)	225 914	(22 947 950)	(150 466)
	Deferred tax effect of property revaluation	(52 299 280)	(1 184 643)	(57 725 872)	(1 297 398)
	Transfer to retained income	-	(1 612 384)	-	(182 689)
	Balance at end of year	374 389 410	35 074 924	479 073 735	15 454 177
	COMPANY				
25.3.2	**Property and equipment** revaluation reserve				
	Balance at beginning of year	162 947	-	14 282	-
	Surplus on property and equipment revaluation	3 719 514	219 457	4 233 292	19 235
	Deferred tax effect of property revaluation	(919 464)	(56 510)	(1 046 469)	(4 953)
	Balance at end of year	2 962 997	162 947	3 201 105	14 282

The property and equipment revaluation reserve arise on the revaluation of both movable and immovable property which is carried out regularly in terms of accounting policy note 3.8. Where revalued property or equipment is sold, the portion of the revaluation reserve that relates to the asset is effectively realized and is transferred directly to retained income.

The Companies Act (Chapter 24:03) does not restrict the distribution of the property and equipment revaluation reserve except that, in the event of cash distributions, adequate liquidity must be available to meet the cash payout without leaving the organization in an illiquid position. Generally, there are no restrictions on the payment of "bonus shares" out of the property and equipment revaluation reserve. Amounts may also be effectively distributed out of the properties and equipment revaluation reserve as part of a share buy-back.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

GROUP

25.3.3 Fair value gains on financial assets held at FVTOCI

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
Balance at the beginning of year	25 686 567	22 940 367	2 850 459	2 408 347
Fair value gains / (losses) on the medium term treasury bills	(7 806 926)	3 698 587	(7 806 926)	595 437
Deferred tax effect of fair-valuation on financial assets at FVTOCI	1 969 414	(952 387)	1 969 414	(153 325)
Balance at end of year	19 849 055	25 686 567	(2 987 053)	2 850 459

The Group purchased treasury bills from the secondary market which were assets classified as 'at fair value through other comprehensive income'. The bills have coupon rates ranging from 2% to 5% with maturity periods ranging from 1 year to 4 years.

GROUP

25.4 Retained income

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
Balance at beginning of year	274 886 912	404 325 891	45 103 526	29 525 484
Changes on initial application of IFRS9	-	(19 499 071)	-	(2 225 855)
Changes on initial application of IFRS16	-	(1 194 649)	-	(135 710)
Profit attributable to equity holders of parent	298 403 687	(93 739 853)	543 967 157	19 717 014
Transfer from general reserves in respect of regulatory reserve for doubtful debts (notes 25.3.1 and 25.5)	-	242 503	-	26 559
Transfer from property revaluation reserve [2] (note 25.3.2)	-	10 194 078	-	182 689
Transfer from other reserves [3] (notes 25.3.1 and 25.5)	-	-	-	896 014
Dividends paid	(15 356 471)	(25 441 987)	(2 472 236)	(2 882 669)
Balance at end of year	557 934 128	274 886 912	586 598 447	45 103 526

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[2] The transfer from property revaluation is in respect of reduction in property and equipment revaluation upon disposal or retirement of the underlying assets.
[3] The transfer from other reserves is in respect of reduction in minority interests on sale of treasury shares at subsidiary company.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

		Inflation adjusted		Historical cost	
		31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
	COMPANY				
25.4	**Retained income**				
	Balance at beginning of year	332 594 962	421 897 840	67 314 332	47 940 996
	Changes on initial application of IFRS16	-	(572 732)	-	(64 892)
	Profit attributable to equity holders of parent	638 692 109	(63 288 159)	998 472 656	22 320 897
	Dividends paid	(15 356 471)	(25 441 987)	(2 472 236)	(2 882 669)
	Balance at end of year	955 930 600	332 594 962	1 063 314 752	67 314 332
25.5	**Non-controlling interest**				
	GROUP				
	Balance at beginning of year	133 745 923	195 612 867	22 261 931	21 121 867
	Changes on initial application of IFRS9	-	(298 862)	-	(17 323)
	Changes on initial application of IFRS 16	-	(13 254)	-	(4 544)
	Profit attributable to non controlling interest	135 234 167	(24 434 037)	221 106 697	2 072 448
	Increase on revaluation of property	16 559 823	(225 914)	22 947 950	150 466
	Transfer to other reserves	-	(8 581 694)	-	(896 014)
	Movement in regulatory reserve in respect of doubtful debts	-	(26 953 465)	-	(10 906)
	Dividends paid	(1 098 442)	(1 359 718)	(176 845)	(154 063)
	Effects of changes in functional currency	-	-	29 650 652	-
	Balance at end of year	284 441 471	133 745 923	295 790 385	22 261 931
25.6	**Foreign Currency Translation Reserve**				
	GROUP				
	Arising from investment properties	-	-	50 044 851	-
	Arising from property and equipment	-	-	-	-
	movements	-	-	54 616 206	-
	Arising from intangible assets	-	-	16 214 327	-
	Share of associate companies	-	-	44 170 095	-
	Transfer to non controlling interests	-	-	29 650 652	-
	Other movements	-	-	21 432 639	-
	Balance at the end of year	-	-	113 962 188	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
COMPANY				
25.6 Foreign Currency Translation Reserve (continued)				
Arising from investment properties	-	-	104 490 877	-
Arising from property and equipment movements	-	-	720 000	-
Arising from intangible assets	-	-	437 894	-
Share of associate companies	-	-	11 489	-
Transfer to non controlling interests	-	-	4 991 930	-
Other movements	-	-	3 309 998	-
Balance at the end of year	-	-	113 962 188	-

25.7 Tax effect relating to each component of other comprehensive income

Inflation adjusted

	Before tax amount ZW$	Tax (expense) benefit ZW$	Net of tax amount ZW$
GROUP			
2019			
Gain on property and equipment revaluation	353 491 077	(52 299 280)	301 191 797
Gain on intangible asset revaluation	54 682 512	-	54 682 512
Fair value loss on financial assets at FVTOCI	(7 806 926)	1 969 414	(5 837 512)
	400 366 663	(50 329 866)	350 036 797
2018			
Gain on property and equipment revaluation	243 503	(1 184 643)	941 140
Gain on intangible asset revaluation	5 429 382	-	5 429 382
Fair value gain on financial assets at FVTOCI	3 698 587	(952 387)	2 746 200
	9 371 472	(2 137 030)	7 234 442

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

25.7 Tax effect relating to each component of other comprehensive income (continued)

Historical cost

	Before tax amount ZW$	Tax (expense) benefit ZW$	Net of tax amount ZW$
GROUP			
2019			
Gain on property and equipment revaluation	478 099 954	(50 705 626)	427 394 328
Gain on intangible asset revaluation	66 193 426	(7 020 246)	59 173 180
Fair value loss on financial assets at FVTOCI	(7 806 926)	1 969 414	(5 837 512)
	536 486 454	(55 756 458)	480 729 996
2018			
Gain on property and equipment revaluation	2 078 759	(529 993)	1 548 766
Gain on intangible asset revaluation	3 009 949	(767 405)	2 242 544
Fair value gain on financial assets at FVTOCI	595 437	(153 325)	442 112
	5 684 145	(1 450 723)	4 233 422

Inflation adjusted

COMPANY			
2019			
Gain on property and equipment revaluation	3 719 514	(919 464)	2 800 050
2018			
Gain on property and equipment revaluation	219 457	(56 510)	162 947

Historical cost

COMPANY			
2019			
Gain on property and equipment revaluation	4 233 292	(1 046 469)	3 186 823
2018			
Gain on property and equipment revaluation	19 235	(4 953)	14 282

26. SHARE BASED PAYMENTS

There were no share based payments or share option schemes that were currently active as at the reporting date.

A dividend distribution vehicle for staff, the ZB Financial Holdings Staff Trust, is in place and holds 5 273 438 shares of the issued share capital of the Company.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

27. NET INTEREST AND RELATED INCOME

		Inflation adjusted		Historical cost	
		31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
	GROUP				
27.1	**Interest and related income**				
	Interest and related income comprises interest on:				
	Advances	92 055 218	64 723 951	43 799 916	7 027 483
	Mortgages	9 090 675	15 518 742	3 254 181	1 912 765
	Overdraft accounts	6 425 416	6 132 894	3 262 047	749 880
	Trading income	66 602 591	150 508 194	26 348 060	16 029 812
	Cash and short-term funds	852 142	3 870 552	441 915	135 647
	Loans to other banks	295 669	7 752 552	67 571	886 250
	Other	13 003 615	4 034 660	4 311 322	3 830 216
	Total interest and related income	188 325 326	252 541 545	81 485 012	30 572 053
27.2	**Interest and related expenses**				
	Interest and related expenses comprise interest on:				
	Retail deposits	20 846 904	10 419 501	1 998 192	890 552
	Fixed deposits	7 497 925	36 446 039	7 231 664	4 486 646
	Other interest payable categories	13 424 280	6 606 639	5 935 904	1 181 618
	Total interest and related expenses	41 769 109	53 472 179	15 165 760	6 558 816
	Net interest and related income	146 556 217	199 069 366	66 319 252	24 013 237
27.3	**Loan (impairments)/credits**				
	Loans and advances	(59 304 548)	(46 789 127)	(40 196 625)	(6 091 086)
	Insurance debtors	(18 933 835)	6 781 580	(11 170 139)	394 943
	Loans and other advances	(78 238 383)	(40 007 547)	(51 366 764)	(5 696 143)
	Other financial assets	38 923	(774 670)	25 427	(110 295)
	Guarantees	139 443	2 537 255	91 550	361 246
	Loan commitements	(349 635)	2 115 746	(229 550)	301 233
	Net recoveries against loans previously written off	86 872	4 594 249	57 035	654 114
	Write offs / (recoveries) against through profit or loss	2 673 611	(3 023 810)	1 755 465	(430 520)
		(75 649 169)	(34 558 777)	(49 666 837)	4 920 365

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

28. NET INSURANCE PREMIUM INCOME

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
28.1 Gross insurance premium income				
Reinsurance business				
Fire	87 743 013	53 858 134	42 223 652	9 922 011
Motor	78 076 633	22 984 962	44 270 054	4 234 403
Hail	2 391 419	7 124 226	1 355 953	1 312 460
Miscellaneous Accident	7 765 688	5 885 707	4 403 205	1 084 294
Marine	2 137 925	3 594 991	1 212 220	662 287
Engineering	6 419 729	3 289 229	3 640 036	605 958
Liability	7 365 103	2 548 797	4 176 070	469 552
Personal Accident	2 291 032	2 358 372	1 299 033	434 471
Healthcare	35 932	1 798 812	20 374	331 386
Other	333 788	541 731	189 260	99 800
Total	194 560 262	103 984 961	102 789 857	19 156 622
Life assurance business				
Premium – single	7 955 689	3 023 219	3 062 764	365 585
Premium – recurrent	49 032 226	109 700 568	18 876 322	13 265 622
	56 987 915	112 723 787	21 939 086	13 631 207
Gross insurance premium income	251 548 177	216 708 748	124 728 943	32 787 829
28.2 Total insurance expenses				
Reinsurance business				
Movement in IBNR	11 082 945	5 191 975	9 760 676	7 976 406
Movement in unearned premium Reserve	31 688 183	4 789 598	14 261 735	-
Movement in provision for outstanding claims	1 617 009	(1 278 705)	-	(150 000)
Net claims paid	40 738 206	47 512 427	15 842 508	5 693 807
Commissions and fees	53 104 879	28 165 621	29 183 008	3 388 480
	138 231 222	84 380 916	69 047 927	16 908 693
Life assurance business				
Death and disability benefits	9 040 311	18 503 115	2 984 614	2 248 838
Maturities	4 353 950	2 676 942	3 152 484	314 498
Annuities	547 257	1 353 265	187 441	162 706
Surrenders and Group pension withdrawals	7 283 660	20 935 137	2 584 523	2 496 154
Reassurance premium cost	2 928 620	5 735 152	1 012 391	712 897
	24 153 798	49 203 611	9 921 453	5 935 093
Total insurance expenses	162 385 020	133 584 527	78 969 380	22 843 786
Net insurance premium income	89 163 157	83 124 221	45 759 563	9 944 043

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

29. OTHER OPERATING INCOME

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Commission and fees	276 908 066	331 154 296	128 151 706	39 955 894
Exchange income	127 063 720	4 562 178	127 063 720	734 757
Dividends from investment Securities	4 843 196	10 432 648	3 441 814	1 944 996
Profit / (loss) on disposal of property and equipment	2 588 916	402 664	(527 906)	(102 552)
Rent received	6 902 288	7 178 620	2 471 487	1 194 232
Other	6 381 594	13 111 997	4 892 819	1 510 979
	424 687 780	366 842 403	265 493 640	45 238 306
COMPANY				
Dividends from investment securities	41 296 496	42 801 215	7 363 069	5 175 768
Cost recovery for shared services	49 648 492	53 751 438	19 431 570	8 261 424
Management fees	18 934 997	21 886 317	1 468 142	803 753
	109 879 985	118 438 970	28 262 781	14 240 945

30. FAIR VALUE ADJUSTMENTS

GROUP				
On financial instruments (note 9.3)	(90 481 903)	(32 330 049)	58 443 874	5 922 348
On investment properties (note 12.2)	320 632 533	(57 480 729)	444 253 518	3 329 694
	230 150 630	(89 810 778)	502 697 392	9 252 042
COMPANY				
On financial instruments (note 9.3)	(7 432 594)	(705 621)	2 911 777	507 992
On investment properties (note 12.2)	4 517 654	(310 490)	6 299 200	107 000
On investment in subsidiaries (note 10.2)	522 116 106	(151 472 391)	976 251 224	17 268 987
	519 201 166	(152 488 502)	985 462 201	17 883 979

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

31. OPERATING EXPENSES

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Commission and fees	9 045 960	16 214 945	3 537 671	1 958 700
Staff expenses	182 531 859	221 357 561	66 998 173	24 964 120
Communication expenses	18 962 479	9 699 961	11 495 609	1 146 059
National Social Security Authority expenses	1 833 887	3 806 071	526 598	462 805
Pension fund expenses	5 838 160	10 457 440	1 884 332	1 261 033
Computers and information technology expenses	54 921 514	44 002 647	21 810 453	2 742 340
Occupation expenses	28 736 078	26 135 851	6 626 189	2 788 827
Transport expenses	14 123 670	8 339 181	5 823 703	1 011 669
Travelling expenses	10 015 241	6 252 892	4 192 682	764 282
Depreciation of property and equipment	34 495 387	24 455 749	13 042 553	3 247 629
Amortisation of intangible assets	26 872 672	16 126 751	12 892 720	1 942 806
Depreciation of right of use asset	3 171 523	8 580 690	1 381 408	1 381 408
Finance cost on operating lease liabilities	1 028 907	3 705 242	448 157	596 508
Impairment of property and equipment	3 678 690	89 346 771	97 853	144 925
Impairment of intangible assets	115 607	10 571 123	-	4 742
Administration expenses	99 102 940	63 158 592	61 343 134	11 530 519
Amortisation of valuation discount on the long term borrowings	(1 680 576)	(4 330 345)	(732 002)	(697 144)
Directors fees	2 473 477	3 382 174	934 938	419 224
Audit fees	6 168 339	4 882 008	2 838 477	525 867
	501 435 814	566 145 304	215 142 648	56 196 319
Included in administration expenses are the following:				
Auditors' remuneration	6 168 339	4 882 008	2 838 477	525 867
- for current year audit	684 240	2 480 531	314 866	139 218
- for half year review	838 690	309 084	385 939	49 764
- for prior year final	4 645 409	2 092 393	2 137 672	336 885

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

31. OPERATING EXPENSES (continued)

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
COMPANY				
Staff expenses	45 110 564	40 022 018	13 747 961	4 839 488
Communication expenses	868 217	827 023	264 599	100 008
National Social Security Authority Expenses	310 255	666 047	94 554	80 542
Pension fund expenses	1 126 290	1 944 962	343 250	235 196
Computers and information technology expenses	1 959 985	1 615 444	597 328	195 349
Occupation expenses	4 114 900	5 399 078	1 254 063	652 888
Transport expenses	6 465 338	2 290 952	1 970 386	277 035
Travelling expenses	5 595 648	2 631 218	1 705 338	318 182
Depreciation of property and equipment	2 246 865	1 070 817	361 724	98 666
Amortisation of intangible assets	-	1 295 686	-	19 588
Depreciation of right of use asset	1 999 546	3 163 874	509 353	509 353
Finance cost on operating lease liabilities	1 308 046	2 290 072	210 583	259 473
Impairment of property and equipment	-	1 461 398	-	80 065
Impairment of intangible assets	108 252	116 350	-	4 742
Administration expenses	21 249 092	19 639 104	6 983 834	2 575 041
Amortisation of valuation discount on the long term borrowings	(1 680 576)	(4 330 345)	(732 002)	(697 144)
Directors fees	412 303	484 363	125 654	58 572
	91 194 725	80 588 061	27 436 625	9 607 044
Included in administration expenses are the following:				
Auditors' remuneration	884 967	1 857 852	269 704	49 662
- for current year audit	37 532	1 459 399	11 438	39 011
- for half year review	24 875	138 828	7 581	3 711
- for prior year final	822 560	259 625	250 685	6 940

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

32. INCOME TAX EXPENSE

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Current income tax	49 146 985	11 882 934	17 553 698	1 482 917
Deferred tax expense	28 243 988	9 582 374	23 794 551	670 462
Current year	27 927 273	9 582 374	23 757 356	670 462
Tax rate change adjustment	316 715	-	37 195	-
	77 390 973	21 465 308	41 348 249	2 153 379

Zimbabwean corporation tax is calculated at an effective rate of 25.75 per cent (2018: 25.75 per cent) of the estimated taxable profit for the year.

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Reconciliation of current income tax				
Profit before taxation	511 028 827	(96 708 582)	806 422 106	23 942 841
Expected tax on profits at basic rates	131 589 923	(24 902 460)	207 653 692	6 165 282
Increase / (reduction) arising from:				
-Exempt income	(5 586 518)	(13 795 090)	(24 017 170)	(7 195 966)
-Expenditure not allowed	(2 686 878)	(4 046 253)	(1 705 603)	(1 145 489)
-General provisions and deferred income	3 070 782	641 148	13 661 932	1 395 331
-Capital allowances in excess of depreciation	17 960 051	9 118 522	35 827 794	6 706 779
-Prepaid expenses	(940 449)	(1 455 559)	(840 579)	(470 676)
-Fair value adjustments	(82 879 445)	(54 276 178)	(189 269 012)	(3 301 882)
Change in tax rate	316 715	-	37 195	-
	77 390 973	21 465 308	41 348 249	2 153 379
COMPANY				
Deferred tax expense	1 319 832	3 259 236	527 846	408 570
Current year	1 309 718	3 259 236	527 235	408 570
Change in tax rate	10 114	-	611	-
	1 319 832	3 259 236	527 846	408 570

Zimbabwean corporation tax is calculated at an effective rate of 25.75 per cent (2018: 25.75 per cent) of the estimated taxable profit for the year. Tax rate change adjustment was as a result of decrease in normal tax rate from 25% to 24%. This was announced in the 2020 budgetatary statement by the Minister of Finance.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

32. INCOME TAX EXPENSE (continued)

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
COMPANY				
Reconciliation of current income tax				
Profit before taxation	537 886 384	(114 637 593)	986 288 357	22 517 880
Expected tax on profits at basic rates	138 505 744	(29 519 180)	253 969 252	5 798 354
Increase / (reduction) arising from:				
-Exempt income	(25 773 713)	(8 278 510)	(7 363 069)	(1 332 760)
-Expenditure not allowed	816 962 984	67 941 463	19 143 416	271 126
-Capital allowances in excess of depreciation	326 042	189 142	93 144	30 450
-Assessed losses utilized	226 431	597 601	64 687	96 208
- Fair value adjustments	(928 937 770)	(27 671 280)	(265 380 195)	(4 454 808)
Change in tax rate	10 114	-	611	-
	1 319 832	3 259 236	527 846	408 570

33. EARNINGS PER SHARE

GROUP

Basic and fully diluted earnings per share (ZW cents)

The inflation adjusted calculation of basic and fully diluted profit for share for the period ended 31 December 2019 of ZW189 cents (2018: ZW60 cents) is based on the attributable profit after tax of ZW$298 403 687 (2018: ZW$93 739 853) and weighted average number of shares of 157 522 902 (2018:157 522 902)

The historical cost calculation of basic and fully diluted profit for the period ended 31 December 2019 of ZW345 cents (2018:ZW13 cents) is based on the attributable profit after tax of ZW$543 967 157 (2018:ZW$19 717 014) and weighted average number of shares of 157 522 902 (2018:157 522 902).

COMPANY

Basic and fully diluted earnings per share (ZW cents)

The inflation adjusted calculation of basic and fully diluted profit for share for the period ended 31 December 2019 of ZW$405 cents (2018: ZW$40 cents) is based on the attributable profit after tax of ZW$638 692 109 (2018: ZW$63 288 159) and weighted average number of shares of 157 522 902 (2018:157 522 902)

The historical cost calculation of basic and fully diluted profit for the period ended 31 December 2019 of ZW634 cents (2018: ZW14 cents) is based on the attributable profit after tax of ZW$998 472 656 (2018: ZW$22 320 897) and weighted average number of shares of 157 522 902 (2018:157 522 902).

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

34. CASH FLOWS FROM OPERATING ACTIVITIES

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Cash flows from operating activities				
Profit / (loss) before taxation	511 028 827	(96 708 582)	806 422 106	23 942 841
Non cash items:				
-Fair value adjustments on equity investments (note 9.3)	90 481 903	32 330 049	(58 443 874)	(5 922 348)
-Fair value adjustments on investment properties (note 12.1)	(320 632 533)	57 480 729	(444 253 518)	(3 329 694)
Exchange gain on intangible assets	-	-	(23 880 448)	-
-Net exchange gains on bank balances and unlisted equities (note 9.3)	(29 391 095)	(7 094)	(29 391 095)	(1 142)
-Depreciation of property and equipment (note 14)	34 495 387	24 455 749	13 042 553	3 247 629
-Depreciation of right of use asset (note 13)	3 171 523	8 580 690	1 381 408	1 381 408
-Interest received (note 27.1)	(188 325 326)	(252 541 545)	(81 485 012)	(30 572 053)
-Interest paid (note 27.2)	41 769 109	53 472 179	15 165 760	6 558 816
-Interest expense on lease liability (note 21)	1 028 907	3 705 242	448 157	596 508
-Lease payments (note 21)	831 802	-	831 802	-
-Dividend received (note 29)	(4 843 196)	(10 432 648)	(3 441 814)	(1 944 996)
-Amortisation of intangible assets (note 15)	26 872 672	16 126 751	12 892 720	1 942 806
-Impairment of property and equipment (note 14)	3 678 690	89 346 771	97 853	144 925
-Impairment of intangible assets (note 15)	115 607	10 571 123	-	4 742
-(Gain) / loss on disposal of Equipment (note 29)	(2 588 916)	(402 664)	527 906	102 552
-(Gain) / loss on disposal of investments (note 9.3)	(3 592 340)	4 611 126	(2 417 274)	(614 852)
-Impairment of investments (note 9.3)	38 923	725 044	25 427	116 725
-Dividend received from associated companies (note 10.1)	7 839 007	14 011 325	4 997 137	1 587 534
-Share of associate companies (profits) / losses (note 10.1)	(243 246 781)	63 517 979	(370 148 646)	(2 240 285)
Effects of inflation adjustments	1 152 804 947	204 512 891	-	-
Operating cash flows before changes in working capital funds	1 081 537 117	223 355 115	(157 628 855)	(4 998 884)

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

34. CASH FLOWS FROM OPERATING ACTIVITIES (continued)

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Changes in working funds:				
Decrease / (increase) in money markets investments	34 553 595	255 931 356	(43 989 126)	(45 578 047)
Decrease / (increase) in other assets	14 841 734	49 015 446	(34 031 113)	1 397 079
Decrease / (increase) in advances and other accounts	306 653 300	136 652 877	(328 673 457)	(20 626 717)
(Decrease) / (increase) in deposits and other accounts	(1 393 093 482)	(405 978 880)	939 840 524	86 597 784
Increase to amounts clearing to other banks	12 450 590	6 389 418	18 840 007	1 028 634
(Decrease) / increase in other liabilities	(67 003 347)	(14 688 402)	144 064 356	10 318 051
(Decrease) / increase in life assurance funds	20 570 759	(26 787 547)	201 216 252	5 628 388
Effects of exchange gains	127 063 720	4 562 178	127 063 720	734 757
Fair value (losses) / gains on financial assets at FVTOCI	(7 806 926)	3 698 587	(7 806 926)	595 437
Increase in offshore borrowings	37 875 655	36 942 264	59 949 552	5 947 347
Net cash generated from operating activities	167 642 715	269 092 412	918 844 934	41 043 829

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

34. CASH FLOWS FROM OPERATING ACTIVITIES (continued)

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
COMPANY				
Cash flows from operating activities				
Profit / (loss) before taxation	640 011 941	(60 028 923)	999 000 502	22 729 467
Non cash items:				
-Fair value adjustments on investment in subsidiaries (note 10.2)	(522 116 106)	151 472 391	(976 251 224)	(17 268 987)
-Fair value adjustments on equity investments (note 9.3)	7 432 594	705 621	(2 911 777)	(507 992)
-Fair value adjustments on investment properties (note 12.1)	(4 517 654)	310 490	(6 299 200)	(107 000)
-Depreciation of property and equipment (note 14)	2 246 865	1 070 817	361 724	98 666
-Depreciation of right of use asset (note 13)	1 999 546	3 163 874	509 353	509 353
-Interest expense on lease liability (note 21)	1 308 046	2 290 072	210 583	259 473
-Lease payments (note 21)	4 648 603	6 605 084	748 380	748 380
-Dividend received (note 29)	(41 296 496)	(42 801 215)	(7 363 069)	(5 175 768)
-Amortisation of intangible assets (note 15)	-	1 295 686	-	19 588
-Impairment of property and equipment (note 14)	-	1 461 398	-	80 065
-Impairment of intangible assets (note 15)	108 252	116 350	-	4 742
-Share of associate companies profits (note 10.1)	(4 309 723)	(2 404 927)	(12 712 145)	(211 587)
Effects of inflation adjustments	(86 082 227)	(30 400 836)	-	-
Operating cash flows before changes in working capital funds	(566 359)	32 855 882	(4 706 873)	1 178 400
Changes in working funds:				
Increase /(reduction) in short term borrowings	35 269 323	(6 378 874)	732 002	(829 182)
Increase in money markets investments	4 000 000	-	4 000 000	-
Decrease / (increase) in other assets	24 506 428	20 699 209	(3 820 038)	(501 776)
Decrease in other liabilities	(86 056 031)	(52 706 595)	(2 376 011)	(401 125)
Net cash used in operating activities	(22 846 639)	(5 530 378)	(6 170 920)	(553 683)

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

35. RELATED PARTY TRANSACTIONS

Transactions between the Group and other non-subsidiary related parties are carried out at arm's length and follow the normal vetting processes as established in the Group.

35.1 Intercompany balances

The following balances represent the extent of intercompany business as at the reporting date.

		Inflation adjusted		Historical cost	
		31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
	COMPANY				
35.1.1	Balances owing to subsidiary companies	15 374 847	98 144 476	15 374 847	15 800 310
35.1.2	Balances due from subsidiary companies	9 935 743	70 578 203	9 935 743	11 362 407
35.1.3	Income received from subsidiary companies	20 799 772	58 063 518	20 799 772	9 347 664

Intercompany balances are generally settled on a net basis over a three month cycle. Balances relating to shared expenses are settled on an on-going basis when they arise. Interest is charged on balances remaining unsettled at ruling rates.

		Inflation adjusted		Historical cost	
		31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
	GROUP				
35.1.4	**Deposits from related parties**				
	Balances with National Social Security Authority (NSSA)	-	2 998 969	-	482 805
	Balances with ZBFH Pension Fund	376 868	27 325 097	376 868	4 399 076
		376 868	30 324 066	376 868	4 881 881

NSSA is identified as a related party to the Group in the sense that it owns a significant shareholding (37.79%) in the issued share capital of the Holding company.

The ZBFH Pension Fund is considered a related party due to the fact that it is a post employment benefit plan for the benefit of the Group's employees and its activities are administered under the same common control as the Group.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

35.1.5 Lending to other related parties

Also included in advances and other accounts is the following exposures to employees of the Group:

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
Loans to employees	24 873 983	58 745 592	24 873 983	9 457 401

Loans to employees are carried at amortised cost, at interest rates ranging from 6% to 12% p.a and with repayment periods of one year to twenty five years. The loans are fully secured against terminal benefits, and hence no allowance has been made for impairment.

Outside lending to staff transacted in terms of general conditions of employment, there were no other advances made to related parties.

35.2 Remuneration of directors and key management personnel

The remuneration of directors and key management personnel of the Group, is set out below:

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Directors' remuneration				
- fees by the Holding Company	412 303	484 363	125 654	58 572
- fees by subsidiaries	2 061 174	2 897 811	809 284	360 652
Short term employee benefits to key management	25 502 238	9 633 632	11 107 912	4 196 084
	27 975 715	13 015 806	12 042 850	4 615 308
COMPANY				
Directors' remuneration				
- fees by the Holding Company	412 303	484 363	125 654	58 572
Short term employee benefits to key management	6 880 597	2 717 275	2 962 110	1 183 553
	7 292 900	3 201 638	3 087 764	1 242 125

Key management includes members of the Group's Executive Management, subsidiary companies management and holders of strategic position in the general management grade. Total number of staff included in those grades equaled 24 (2018: 24).

The Group has no material post-employment benefits or other long term benefits including share-based payments or terminal benefits of any other form.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

36. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

		Inflation adjusted		Historical cost	
		31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
	GROUP				
36.1	**Contingent liabilities**				
	In respect of treasury bills held in trust on behalf of customers (see note 7.4)	-	239 735	-	38 595
	In respect of guarantees (see note 8.1)	141 807 400	99 621 062	141 807 400	16 038 026
	In respect of letters of credit	64 981 111	-	64 981 111	-
	In respect of undrawn commitments	100 353 711	142 597 768	100 353 711	22 956 859
		307 142 222	242 458 565	307 142 222	39 033 480
36.2	**Capital commitments**				
	In respect of expenditure authorised and contracted	-	-	-	-
	In respect of expenditure authorised but not contracted	308 684 620	229 848 182	308 684 620	37 003 331
		308 684 620	229 848 182	308 684 620	37 003 331

Capital commitments will be funded from operating cash flows.

36.3 Legal contingencies

The Company acquired a controlling interest in Intermarket Holdings Limited (IHL) between 2006 and 2007 through a series of transactions that provided a rescue package to deal with liquidity and solvency challenges that affected IHL at the time. Transnational Holdings Limited (THL), previously a controlling shareholder in IHL, has been contesting this acquisition since 2007 and the matter remains to be resolved at the Supreme Court having been determined in favour of the Company at the High Court of Zimbabwe in 2008.

In May 2016, the Government of Zimbabwe, then a significant shareholder in the Company, brokered a resolution framework in which it ceded part of their shareholding on the understanding that the Company would allocate another parcel of shares to THL. The latter proposal was rejected by the Shareholders resulting in the need for an alternative resolution framework to be developed.

A resolution framework including the possible unbundling of the contentious assets remains a possibility. Should that be the preferred route this could lead to considerations to account for the contentious assets in terms of International Financial Reporting Standard ("IFRS") 5 – Non-current Assets Held for Sale and Discontinued Operations. Through a series of technical consultations, management are satisfied that as at year end, any proposed means of resolving the matter had not triggered the requirements of IFRS 5 hence the financial results of IHL and its subsidiaries were fully consolidated in the Group's financial results up to and at 31 December 2019.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

37. PENSION ARRANGEMENTS

All permanent staff, other than those over age, are contributory members of the following independently administered pension funds which are defined contribution plans:

37.1 ZB Financial Holdings Limited Pension Fund:

All members of the Group, except for those under the ZB Life Pension Fund, belong to a Defined Contribution scheme which is administered separately and whose assets are under the control of a board of trustees. The Company makes full contributions of 12.9% of pensionable earnings for managerial employees and 7.7% for non managerial employees. The pension fund had a membership of 601 as at 31 December 2019 (2018: 650 members).

37.2 ZB Life Pension Fund:

All eligible employees are members of ZB Life Assurance Limited defined contribution pension scheme administered by the Company. The Company makes full contributions of 18% of pensionable earnings for managerial employees and 12% for non managerial employees who then contribute 6% to make a total contribution of 18%. The pension fund had a membership of 57 as at 31 December 2019 (2018: 61 members).

The Group's liability in respect of the fund is limited to the level of contributions at the rates specified in the rules of the plans.

37.3 National Social Security Authority:

This Defined Contribution scheme was promulgated under the National Social Security Authority Act 1989. The Group's obligations under the scheme are limited to specific contributions as legislated from time to time and are presently 3.5% of pensionable emoluments (2018: 3.5%) per month per employee.

37.4 Contributions by the Group to pension arrangments:

Total expenses recognised in the statement of profit or loss in relation to the pension arrangements amounted to the following:

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Payments to the ZB Financial Holdings Limited Pension Fund	5 838 160	10 457 440	1 884 332	1 261 033
Payments to the ZB Life Pension Fund	1 833 887	3 806 071	1 515 086	183 144
Payments to the National Social Security Authority	4 562 063	942 923	526 598	462 805
Total expense	12 214 110	15 206 434	3 926 016	1 906 982
COMPANY				
Payments to the ZB Financial Holdings Limited Pension Fund	1 126 290	1 944 962	343 250	235 196
Payments to the National Social Security Authority	310 255	666 047	94 554	80 542
Total expense	1 436 545	2 611 009	437 804	315 738

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

38.1 Capital risk management

The primary objectives in managing capital at the Group are:

- To guarantee the ability of entities within the Group to continue as going concerns whilst providing an equitable return to the Group's shareholders and benefit to customers and other stakeholders.
- To maintain a strong fall back position which is commensurate with the level of risk undertaken by the entities within the Group in the normal course of their business.
- To comply with the regulatory capital requirements as prescribed by relevant authorities.

The Group's capital consists of equity attributable to the shareholders of the parent Company, comprising the issued share capital, reserves and retained income as disclosed in note 25 (all referred to as shareholders equity) and debt, which includes direct loans plus the residual funding from deposit taking activities after deducting the associated liquidity buffer (referred to as operational funding).

The Group's operating target is to maintain operating assets at a level that is lower than the available operating funds at all times in order to restrict recourse on shareholders' equity for operational funding. Gearing was maintained at above 18%, throughout the year, The Group borrowed funds with a maturity value of ZW$20 million in 2025.

The gearing level, and the loan instrument used (see note 22) are considered comfortable for the Group's operations and are not expected to cause a strain in cash resources in the foreseeable future.

The banking and insurance operations in the Group are subject to prescribed minimum regulatory capital requirements and minimum capital adequacy and solvency ratios as prescribed from time to time.

Management of the Group monitors the level of capital adequacy on a continual basis, employing techniques adopted from the guidelines developed by the Basel Committee and contained in the Basel II capital accord as implemented by the supervisory authorities for each of the affected entities. For the life assurance business, regular actuarial reviews are undertaken to establish the solvency of the business.

An Internal Capital Adequacy Assessment Plan (ICAAP) has been developed for Banking operations and defines capital targets which are generally set above regulatory levels, stress test scenarios and risk appetite across different lines of operations.

38.2 Financial risk management

The Group maintains active trading positions in a variety of non-derivative financial instruments in anticipation of customer demand. The Group manages its trading activities by the type of risk involved and on the basis of the categories of trading instruments held. Regular feedback on risk related matters is provided to the Board through the Board Governance, Risk and Compliance Committee.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.1 Classification and measurement of financial assets and liabilities

The following table shows the carrying amounts and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is not a reasonable approximation of fair value.

Inflation adjusted

31 December 2019		CARRYING AMOUNT				FAIR VALUE			
	Note	Designated at FVPL ZW$	Designated at AMCO ZW$	Designated at FVTOCI ZW$	Total ZW$	Level 1 ZW$	Level 2 ZW$	Level 3 ZW$	Total ZW$
Financial assets measured at fair value									
Listed equity securities	9	67 902 718	-	-	67 902 718	67 902 718	-	-	67 902 718
Government public utility stock		25 999 261	-	-	25 999 261	-	-	25 999 261	25 999 261
Unit trusts	9	7 237 963	-	-	7 237 963	-	7 237 963	-	7 237 963
Unlisted equity investments	9	38 872 180	-	-	38 872 180	-	-	38 872 180	38 872 180
Treasury bills	7	62 896 699	-	111 906 738	174 803 437	-	62 896 699	111 906 738	174 803 437
Total		202 908 821	-	111 906 738	314 815 559				
Financial assets not measured at fair value									
Trade and other receivables	11	-	60 018 874	-	60 018 874				
Cash and cash equivalents	5	-	960 702 956	-	960 702 956				
Treasury bills	7	-	42 245 433	-	42 245 433				
Total		202 908 821	1 062 967 263	111 906 738	1 377 782 822				
Financial liabilities									
Deposit and other accounts	17	-	(1 372 115 021)	-	(1 372 115 021)				
Trade and other payables	18	-	(203 109 391)	-	(203 109 391)				
Total		-	(1 575 224 412)	-	(1 575 244 412)				

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.1 Classification and measurement of financial assets and liabilities (continued)

The following table shows the carrying amounts and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is not a reasonable approximation of fair value.

Inflation adjusted

31 December 2018		CARRYING AMOUNT				FAIR VALUE			
	Note	Designated at FVPL ZW$	Designated at AMCO ZW$	Designated at FVTOCI ZW$	Total ZW$	Level 1 ZW$	Level 2 ZW$	Level 3 ZW$	Total ZW$
Financial assets measured at fair value									
Listed equity securities	9	144 822 142	-	-	144 822 142	144 822 142	-	-	144 822 142
Government public utility stock	9	154 145 392	-	-	154 145 392	-	-	154 145 392	154 145 392
Unit trusts	9	3 373 774	-	-	3 373 774	-	3 373 774	-	3 373 774
Unlisted equity investments	9	48 693 675	-	-	48 693 675	-	-	48 693 675	48 693 675
Treasury bills	7	141 298 768	-	837 121 963	978 420 731	-	141 298 768	837 121 963	978 420 731
Total		492 333 751	-	837 121 963	1 329 455 714				
Financial assets not measured at fair value									
Trade and other receivables	11	-	74 860 608	-	74 860 608				
Cash and cash equivalents	5	-	893 651 588	-	893 651 588				
Treasury bills	7	-	228 778 298	-	228 778 298				
Total		492 333 751	1 197 290 494	837 121 963	2 526 746 208				
Financial liabilities									
Deposit and other accounts	17	-	(2 689 643 172)	-	(2 689 643 172)				
Trade and other payables	18	-	(257 662 151)	-	(257 662 151)				
Total		-	(2 947 305 323)	-	(2 947 305 323)				

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.1 Classification and measurement of financial assets and liabilities (continued)

The following table shows the carrying amounts and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is not a reasonable approximation of fair value.

Historical cost

31 December 2019		CARRYING AMOUNT				FAIR VALUE			
	Note	Designated at FVPL ZW$	Designated at AMCO ZW$	Designated at FVTOCI ZW$	Total ZW$	Level 1 ZW$	Level 2 ZW$	Level 3 ZW$	Total ZW$
Financial assets measured at fair value									
Listed equity securities	9	67 902 718	-	-	67 902 718	67 902 718	-	-	67 902 718
Government public utility stock	9	25 999 261	-	-	25 999 261	-	-	25 999 261	25 999 261
Unit trusts	9	7 237 963	-	-	7 237 963	-	7 237 963	-	7 237 963
Unlisted equity investments	9	38 872 180	-	-	38 872 180	-	-	38 872 180	38 872 180
Treasury bills	7	62 896 699	-	111 906 738	174 803 437	-	62 896 699	111 906 738	174 803 437
Total		202 908 821	-	111 906 738	314 815 559				
Financial assets not measured at fair value									
Trade and other receivables	11	-	46 081 440	-	46 081 440				
Cash and cash equivalents	5	-	960 702 956	-	960 702 956				
Treasury bills	7	-	42 245 433	-	42 245 433				
Total		202 908 821	1 049 029 829	111 906 738	1 363 845 388				
Financial liabilities									
Deposit and other accounts	17	-	-	(1 372 115 021)	(1 372 115 021)				
Trade and other payables	18	-	-	(203 109 391)	(203 109 391)				
Total		-	-	(1 575 224 412)	(1 575 224 412)				

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.1 Classification and measurement of financial assets and liabilities (continued)

The following table shows the carrying amounts and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is not a reasonable approximation of fair value.

Historical cost

31 December 2018		CARRYING AMOUNT				FAIR VALUE			
	Note	Designated at FVPL ZW$	Designated at AMCO ZW$	Designated at FVTOCI ZW$	Total ZW$	Level 1 ZW$	Level 2 ZW$	Level 3 ZW$	Total ZW$
Financial assets measured at fair value									
Listed equity securities	9	23 314 962	-	-	23 314 962	23 314 962	-	-	23 314 962
Government public utility stock	9	21 361 580	-	-	21 361 580	-	-	21 361 580	21 361 580
Unit trusts	9	543 145	-	-	543 145	-	543 145	-	543 145
Unlisted equity investments	9	7 839 210	-	-	7 839 210	-	-	7 839 210	7 839 210
Treasury bills	7	22 747 733	-	134 768 528	157 516 261	-	22 747 733	134 768 528	157 516 261
Total		75 806 630	-	134 678 528	210 575 158				
Financial assets not measured at fair value									
Trade and other receivables	11	-	2 510 497	-	2 510 497				
Cash and cash equivalents	5	-	143 869 250	-	143 869 250				
Treasury bills	7	-	36 831 090	-	36 831 090				
Total		75 806 630	183 210 837	134 768 528	393 785 995				
Financial liabilities									
Deposit and other accounts	17	-	(433 006 499)	-	(433 006 499)				
Trade and other payables	18	-	(13 904 205)	-	(13 904 205)				
Total		-	(446 910 704)	-	(446 910 704)				

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.2 Valuation techniques for securities held at fair value

38.2.2.1 Level 1 valuation

Listed equity investments are valued in relation to prices ruling at the stock market at which the stock is listed at the close of business on 31 December 2019.

38.2.2.2 Level 2 valuation

These investments are valued using inputs other than quoted prices which are observable for the asset. The unit trust investments are valued in relation to gold prices on the international market. Treasury bills are valued by discounting cash flows using the market rate for similar instruments as the discounting rate.

38.2.2.3 Level 3 valuation

Unlisted investments were valued at net asset value. In applying this method judgement was used. The following factors are relevant in understanding the basis:

Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Net Asset Value: The valuation model determines the fair value of investment securities (non-listed entities) with reference to the net asset value, which was determined by the directors as a proxy valuation method. The market approach as prescribed by IFRS 13 – Fair valuation requires the identification of a similar or identical quoted assets with similar risk profiles. A discounted approach cash flow technique or earnings may have been used to value such investments by identifying a risk-adjusted discount rate and maintainable earnings (earnings-multiple approach). The market and income approaches may not be appropriate for valuing non-listed entities in the Zimbabwean environment as a result of the lack of comparative quoted equity instruments as well as the absence of market data relating to historical correlation of unquoted equity instruments in similar industries and market related discounts.	The fair values of investment securities are based on net asset values which make use of the net movements in the assets and liabilities of investee entities. Net asset values have been verified by independent auditors, but are not observable from market data.	The estimated fair value would increase or decrease due to the following: • Increase or decrease in fair value or historical cost adjustments of underlying assets and liabilities held by investees. • Decrease as a result of economic obsolescence of underlying assets. • Financial performance of the investee.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.3 Definition of financial risk

The Group defines financial risk collectively to include liquidity risk, market risk and credit risk.

38.2.3.1 Liquidity risk

Definition

There are two types of liquidity risk, funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Group is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals, the inability to roll over maturing debt or meet contractual commitments to lend. Market liquidity risk is the risk that the Group will be unable to sell assets, without incurring an unacceptable loss, in order to generate cash required to meet payment obligations under a stress liquidity event.

Through the robust Liquidity Risk Management Framework, the Group manages the funding and market liquidity risk to ensure that the Group's operations continue uninterrupted under normal and stressed conditions. The key objectives that underpin the Liquidity Risk Management Framework include maintaining financial market confidence at all times, protecting key stakeholder interests and meeting regulatory requirements.

Liquidity risk governance and policy

The board of directors retains ultimate responsibility for the effective management of liquidity risk. Through the Board Risk Committee (a board subcommittee), the board has delegated its responsibility for the management of liquidity risk to ALCO and the ZB Group Executive Committee.

The Group's Liquidity Risk Management Framework articulates the board-approved risk appetite in the form of limits and guidelines, and sets out the responsibilities, processes, reporting and assurance required to support the management of liquidity risk. The Liquidity Risk Management Framework is reviewed annually by ALCO and approved by the Board Governance, Risk and Compliance Committee..

The Group's daily liquidity requirements are managed by an experienced centralised Treasury department. Within the context of the board-approved Liquidity Risk Management Framework, Group Treasury department is responsible for proactively managing liquidity risk at an operational, tactical and strategic level.

In terms of the overall liquidity risk management process independent oversight and assurance are provided by Group Business Risk Management and Group Internal Audit, which conduct independent reviews.

Identification techniques

This risk is identified through the analyses of contractual maturity mismatch between assets and liabilities and stress testing.

Measurement methods

Liquidity risk is measured using the gap analysis techniques and the term structure of assets and liabilities.

The Group uses liquidity management tools such as the liquidity ratio, maturity gap analysis (contractual and behavioural), daily cash flow summary & forecasting and stress testing to measure liquidity risk.

38.2.3.1 Liquidity risk (continued)

Impact evaluation

The level of aggregate inherent liquidity risk is considered moderate and the aggregate liquidity risk management systems in place are acceptable, hence the overall composite liquidity risk is moderate. The direction of the risk is stable.

The Group's Liquidity Risk Management Framework takes into account all sources and uses of liquidity and seeks to optimise the balance sheet by balancing the trade off between liquidity risk on the one hand and cost or profitability on the other.

The Group is compliant with the minimum regulatory prudential liquidity ratio of 30% and the internal benchmark of 35%. The Group has taken a deliberate strategy to hold high levels of liquidity in view of limited lender of last resort capacity in the market and the transitory nature of deposits.

Stress testing results indicate that the Group is not susceptible to significant liquidity shocks since it can withstand a 10% fall in deposits.The Group maintained levels of liquid resources at acceptable levels throughout the year.

Strategies for management/mitigation

The Group Treasury is responsible for ensuring that the Group always has sufficient intraday liquidity to meet any obligations it may have in the clearing and settlement systems. In addition, net daily funding requirements are forecasted by estimating daily rollovers and withdrawals and managing the funding pipeline of new deals. The Treasury function is responsible for maintaining close interaction with the Group's larger depositors in order to manage their cash-flow requirements and the consequential impact on the Group's intraday liquidity position.

A portfolio of marketable and high quality liquid assets, which could be liquidated to meet unforeseen or unexpected funding requirements, is maintained.

The Group conducts regular scenario analysis and stress testing in order to assess the adequacy of the Group's liquidity buffers and contingency funding plan required to meet idiosyncratic and market-wide stress liquidity events. The objective of scenario analysis and stress testing is to identify potential weaknesses or vulnerabilities, thus enabling the Group to formulate strategies designed to mitigate potential weaknesses.

The Group has a Contingency Funding Plan (CFP) in place which is designed to protect depositors, creditors and shareholders under adverse liquidity situations. The CFP has been formulated in the belief that early detection, advance preparations and prompt responses can contribute to liquidity crisis avoidance or minimisation, and that accurate, timely and coordinated communication both internally and externally is essential for managing a crisis situation.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.3.1 Liquidity risk (continued)

Monitoring and controlling mechanisms

The Group utilises metrics that capture specific information related to the Group's cash flows, balance sheet structure, available unencumbered collateral, and certain market indicators to monitor liquidity risk.

In utilising these metrics, the Group takes action when potential liquidity difficulties are signalled through a negative trend in the metrics, or when a deteriorating liquidity position is identified, or when the absolute result of the metric identifies a current or potential liquidity problem.

The metrics include; contractual maturity mismatch, concentration of funding, available unencumbered assets, liquidity ratios by significant currency, market-wide information, information on the financial sector and Group-specific information.

Adequacy of risk management systems

The aggregate liquidity risk management systems in place are acceptable and the direction of the risk is stable.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.3.1 Liquidity risk (continued)

Inflation adjusted

LIQUIDITY GAP ANALYSIS
As at 31 december 2019

The tables below set out the remaining contractual maturities of the Group's financial assets and financial liabilities.

	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Gross nominal inflow/(outflow) ZW$	Carrying amount ZW$
GROUP						
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	759 643 196	43 802 208	144 405 357	-	947 850 761	960 702 956
Money market investments	27 034 835	6 637 686	-	-	33 672 521	32 002 494
Treasury bills	11 430 817	26 952 521	86 312 516	115 855 444	240 551 298	217 048 870
Mortgages and other advances	45 312 335	104 639 211	86 781 787	276 257 960	512 991 293	450 580 815
Investment securities	-	-	-	178 719 675	178 719 675	140 012 122
	843 421 183	182 031 626	317 499 660	570 833 079	1 913 785 548	1 800 347 257
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(1 329 191 767)	(26 398 720)	(7 432 189)	(102 782 080)	(1 465 804 756)	(1 372 115 021)
Trade and other payables	(87 952 086)	(35 452 488)	(21 949 727)	(57 755 090)	(203 109 391)	(203 109 391)
Long term loan	-	-	-	(20 000 000)	(20 000 000)	(15 372 037)
Offshore borrowings	-	(17 030 102)	(17 030 102)	(48 465 855)	(82 526 059)	(74 817 920)
Current tax liability	(5 152 672)	-	-	-	(5 152 672)	(5 152 672)
Lease payments	-	-	-	(4 048 358)	(4 048 358)	(4 048 358)
	(1 422 296 525)	(78 881 310)	(46 412 018)	(233 051 383)	(1 780 641 236)	(1 674 615 200)
Period gap	(578 875 342)	103 150 316	271 087 642	337 781 696	133 144 312	125 731 858
Cumulative gap	(578 875 342)	(475 725 026)	(204 637 384)	133 144 312	-	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.3.1 Liquidity risk (continued)

Inflation adjusted

LIQUIDITY GAP ANALYSIS
As at 31 december 2018

The tables below set out the remaining contractual maturities of the Group's financial assets and financial liabilities.

	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Gross nominal inflow/(outflow) ZW$	Carrying amount ZW$
GROUP						
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	381 628 413	231 354 844	284 415 335	-	897 398 592	893 651 588
Money market investments	65 034 260	310 578	-	1 242 311	66 587 149	66 556 090
Treasury bills	12 426 512	286 824 411	266 095 835	782 239 918	1 347 586 676	1 207 199 029
Mortgages and other advances	150 320 981	69 293 448	54 109 249	533 245 677	806 969 355	757 234 115
Investment securities	-	-	-	351 034 983	351 034 983	351 034 983
	609 410 166	587 783 281	604 620 419	1 667 762 889	3 469 576 754	3 275 675 805
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(2 222 503 225)	(398 551 878)	(24 428 656)	(49 438 422)	(2 694 922 181)	(2 689 643 172)
Trade and other payables	(101 646 618)	(49 126 167)	(9 566 451)	(97 321 607)	(257 660 843)	(257 662 151)
Long term loan	-	-	-	(124 231 076)	(124 231 076)	(90 937 368)
Offshore borrowings	-	-	-	(46 383 567)	(46 383 567)	(36 942 265)
Current tax liability	(836 143)	-	-	-	(836 143)	(836 143)
Lease payments	-	-	-	(17 729 067)	(17 729 067)	(17 729 067)
	(2 324 985 987)	(447 678 045)	(33 995 107)	(335 103 738)	(3 141 762 877)	(3 093 748 858)
Period gap	(1 715 575 821)	140 105 236	570 625 312	1 332 659 151	327 813 878	181 926 947
Cumulative gap	(1 715 575 821)	(1 575 470 584)	(1 004 845 273)	327 813 878	-	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.3.1 Liquidity risk (continued)

Historical cost

LIQUIDITY GAP ANALYSIS
As at 31 december 2019

The tables below set out the remaining contractual maturities of the Group's financial assets and financial liabilities.

	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Gross nominal inflow/(outflow) ZW$	Carrying amount ZW$
GROUP						
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	759 643 196	43 802 208	144 405 357	-	947 850 761	960 702 956
Money market investments	27 034 835	6 637 686	-	-	33 672 521	32 002 494
Treasury bills	11 430 817	26 952 521	86 312 516	115 855 444	240 551 298	217 048 870
Mortgages and other advances	45 312 335	104 639 211	86 781 787	276 257 960	512 991 293	450 580 815
Investment securities	-	-	-	178 719 675	178 719 675	140 012 122
	843 421 183	182 031 626	317 499 660	570 833 079	1 913 785 548	1 800 347 257
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(1 329 191 767)	(26 398 720)	(7 432 189)	(102 782 080)	(1 465 804 756)	(1 372 115 021)
Trade and other payables	(87 952 086)	(35 452 488)	(21 949 727)	(57 755 090)	(203 109 391)	(203 109 391)
Long term loan	-	-	-	(20 000 000)	(20 000 000)	(15 372 037)
Offshore borrowings	-	(17 030 102)	(17 030 102)	(48 465 855)	(82 526 059)	(74 817 920)
Current tax liability	(5 152 672)	-	-	-	(5 152 672)	(5 152 672)
Lease payments	-	-	-	(4 048 358)	(4 048 358)	(4 048 358)
	(1 422 296 525)	(78 881 310)	(46 412 018)	(233 051 383)	(1 780 641 236)	(1 674 615 399)
Period gap	(578 875 342)	103 150 316	271 087 642	337 781 696	133 144 312	125 731 858
Cumulative gap	(578 875 342)	(475 725 026)	(204 637 384)	133 144 312	-	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.3.1 Liquidity risk (continued)

Historical cost

LIQUIDITY GAP ANALYSIS
As at 31 december 2018

The tables below set out the remaining contractual maturities of the Group's financial assets and financial liabilities.

	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Gross nominal inflow/(outflow) ZW$	Carrying amount ZW$
GROUP						
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	61 438 478	37 245 889	45 788 114	-	144 472 481	143 869 250
Money market investments	10 469 886	50 000	-	200 000	10 719 886	10 714 886
Treasury bills	2 000 548	46 175 952	42 838 852	125 933 050	216 948 402	194 347 351
Mortgages and other advances	24 200 222	11 155 574	8 711 065	85 847 389	129 914 250	121 907 358
Investment securities	-	-	-	56 513 232	56 513 232	56 513 232
	98 109 134	94 627 415	97 338 031	268 493 671	558 568 251	527 352 077
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(357 801 492)	(64 162 992)	(3 932 777)	(7 959 107)	(433 856 368)	(433 006 499)
Trade and other payables	(16 364 121)	(7 908 837)	(1 540 106)	(15 667 836)	(41 480 900)	(41 480 900)
Long term loan	-	-	-	(20 000 000)	(20 000 000)	(14 640 035)
Offshore borrowings	-	-	-	(7 467 305)	(7 467 305)	(5 947 347)
Current tax liability	(134 611)	-	-	-	(134 611)	(134 611)
Lease payments	-	-	-	(2 854 208)	(2 854 208)	(2 854 208)
	(374 300 224)	(72 071 829)	(5 472 883)	(53 948 456)	(505 793 392)	(498 063 600)
Period gap	(276 191 090)	22 555 586	91 865 148	214 545 215	52 774 859	29 288 477
Cumulative gap	(276 191 090)	(253 635 504)	(161 770 356)	52 774 859	-	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.2.1 Liquidity risk (continued):

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Liquidity ratios				
Total liquid assets	1 209 754 320	2 167 406 707	1 209 754 320	348 931 486
Total liabilities to the public	1 372 115 021	2 689 643 174	1 372 115 021	433 006 499
Liquidity ratio	88.17%	80.58%	88.17%	80.58%
Average for the year	87%	81%	87%	81%
Maximum for the year	78%	83%	78%	83%
Minimum for the year	71%	79%	71%	79%
Minimum statutory liquidity ratio	30%	30%	30%	30%

Regulated banking operations, ZB Bank Limited and ZB Building Society reported liquidity ratios that were above the minimum regulated ratios as follows:

	31 Dec 2019	31 Dec 2018
ZB Bank Limited	78%	83%
ZB Building Society	89%	89%

38.2.3.2 Market risk

Market risk is the risk of losses in on- and off-balance sheet positions arising from movements in market prices. The Bank is exposed to market risk through holding interest rate, foreign exchange rate and stock price sensitive positions.

38.2.3.3 Interest rate risk

Definition

The changes in interest rates affect the Group's earnings by altering interest sensitive income and expenses. Interest rate changes also affect the underlying value of the Group's assets, liabilities, and off-balance sheet instruments through changes in the present value of future cash flows (and, in some cases, the cash flows themselves).

Interest rate risk in the banking book (IRRBB)

IRRBB comprises:

- Repricing risk (mismatch risk) – timing difference in the maturity (for fixed rate) and repricing (for floating rate) of the Bank's assets, liabilities and off-balance-sheet positions.
- Reset or basis risk – imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.
- Yield curve risk – changes in the shape and slope of the yield curve.
- Embedded optionality – the risk pertaining to interest-related options embedded in bank products.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.3.3 Interest rate risk (continued)

IRRBB governance and policy

The board of directors retains ultimate responsibility for the effective management of IRRBB. Through the Board Risk Committee (a board subcommittee), the board has delegated its responsibility for the management of IRRBB to ALCO and the ZB Group Executive Committee. The ALCO proactively manages IRRBB through Treasury department.

The board assumes ultimate responsibility for IRRBB and has defined the Bank's overall risk appetite for IRRBB. Appropriate limits have been set to measure this risk for both earnings and economic value, within which this risk must be managed. Compliance with these limits is measured and reported to the ALCO and the board on a monthly basis and quarterly basis respectively.

Identification techniques

Interest rate risk is identified using the term structure of assets and liabilities. To evaluate the impact of interest rate risk on the net interest margin, the Group monitors the size of the gap between rate sensitive assets and rate sensitive liabilities (both on and off balance sheet positions) in terms of the remaining period to repricing.

Measurement methods

The Group employs various analytical techniques to measure interest rate sensitivity within the banking book on both an earnings and economic value basis. This includes a repricing profile analysis, and stress testing of earnings-at-risk for multiple stressed-interest-rate scenarios. The size of the interest rate movement used in the analysis is based on a variety of factors, which include historical experience, simulation of potential future interest rate movements, and the judgment of Group management.

Impact evaluation

As at 31 December 2019, the Group considered the risk to be moderate. Adequate systems are in place to ameliorate the risk.

The level of aggregate inherent interest rate risk is considered moderate and the aggregate interest rate risk management systems in place are acceptable, hence the overall composite interest rate risk is moderate. The direction of the risk is stable.

As at 31 December 2019, the Group had a liability sensitive book, which exposes the Group to losses if interest rates increase. The Group is exposed to a decrease in Net Interest Income (NII) of approximately $7.0 million before tax should interest rates increase by 3%, measured over a 12-month period. NII sensitivity, as currently modelled, exhibits very little convexity and results in an increase in pretax NII of approximately the same quantum should rates fall by 3%.

Stress testing results indicate that the Group is resilient to a minor interest rate shock of 3%, as the capital adequacy level will decrease from 26.25% to 25.75%, which is above the minimum prudential threshold of 12%.

IRRBB strategies are evaluated regularly to align with interest rate views and defined risk appetite. This ensures that optimal on- and off-balance-sheet strategies are applied, either positioning the balance sheet or protecting interest income through different interest rate cycles.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.3.3 Interest rate risk (continued)

Strategies for management / mitigation

As at 31 December 2019, the Group considered the risk to be moderate. Adequate systems are in place to ameliorate the risk.

The level of aggregate inherent interest rate risk is considered moderate and the aggregate interest rate risk management systems in place are acceptable, hence the overall composite interest rate risk is moderate. The direction of the risk is stable.

Monitoring and controlling mechanisms

ALCO meets regularly to discuss the future direction of interest rates after the economic fundamentals have been analysed. Decisions are then taken on rate sensitive assets and liabilities. If economic fundamentals turn out differently, ad-hoc ALCO meetings are convened to discuss the said issues and chart a way forward.

The Group monitors interest rate risk through the Treasury Middle Office using re-pricing gap analysis, net interest margin and stress testing. These tools are considered adequate for the level and complexity of the Bank's interest rate risk exposure.

Adequacy and effectiveness of risk management systems

The interest rate risk management systems noted above are adequate and effective in dealing with the interest rate risk.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.3.3 Interest rate risk (continued)

Inflation adjusted

	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Carrying amount ZW$
GROUP					
INTEREST RATE GAP ANALYSIS					
As at 31 December 2019					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	960 702 956	-	-	-	960 702 956
Money market investments	32 002 494	-	-	-	32 002 494
Treasury bills	11 404 015	24 444 016	84 307 420	96 893 419	217 048 870
Advances and other accounts	52 123 844	73 991 952	83 653 524	240 811 495	450 580 815
	1 056 233 309	98 435 968	167 960 944	337 704 914	1 660 335 135
FINANCIAL LIABILITIES BY TYPE:					
Deposits and other accounts	(1 345 966 748)	(6 151 668)	(12 393 678)	(7 602 927)	(1 372 115 021)
Long term borrowings	-	-	-	(15 372 037)	(15 372 037)
Offshore borrowings	-	(17 030 102)	(9 321 963)	(48 465 855)	(74 817 920)
	(1 345 966 748)	(23 181 770)	(21 715 641)	(71 440 819)	(1 462 304 978)
Period gap	(289 733 439)	75 254 198	146 245 303	266 264 095	198 030 157
Cumulative gap	(289 733 439)	(214 479 241)	(68 233 938)	198 030 157	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.3.3 Interest rate risk (continued)

Inflation adjusted

	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Carrying amount ZW$
GROUP					
INTEREST RATE GAP ANALYSIS					
As at 31 December 2018					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	893 651 588	-	-	-	893 651 588
Money market investments	66 245 513	310 577	-	-	66 556 090
Mortgages and other advances	12 423 108	284 753 179	254 375 608	655 647 134	1 207 199 029
Treasury bills	150 292 283	67 678 711	51 964 785	487 298 335	757 234 114
	1 122 612 492	352 742 467	306 340 393	1 142 945 469	2 924 640 821
FINANCIAL LIABILITIES BY TYPE:					
Deposits and other accounts	(2 258 193 186)	(395 766 152)	(24 246 831)	(11 437 003)	(2 689 643 172)
Long term borrowings	-	-	-	(90 937 368)	(90 937 368)
Offshore borrowings	-	-	-	(36 942 265)	(36 942 265)
	(2 258 193 186)	(395 766 152)	(24 246 831)	(139 316 636)	(2 817 522 805)
Period gap	(1 135 580 694)	(43 023 685)	282 093 561	1 003 628 834	107 118 016
Cumulative gap	(1 135 580 694)	(1 178 604 379)	(896 510 817)	107 118 016	-

Notices to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.3.3 Interest rate risk (continued)

Historical cost

	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Carrying amount ZW$
GROUP					
INTEREST RATE GAP ANALYSIS					
As at 31 December 2019					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	960 702 956	-	-	-	960 702 956
Money market investments	32 002 494	-	-	-	32 002 494
Treasury bills	11 404 015	24 444 016	84 307 420	96 893 419	217 048 870
Advances and other accounts	52 123 844	73 991 952	83 653 524	240 811 495	450 580 815
	1 056 233 309	98 435 968	167 960 944	337 704 914	1 660 335 135
FINANCIAL LIABILITIES BY TYPE:					
Deposits and other accounts	(1 345 966 748)	(6 151 668)	(12 393 678)	(7 602 927)	(1 372 115 021)
Long term borrowings	-	-	-	(15 372 037)	(15 372 037)
Offshore borrowings	-	(17 030 102)	(9 321 963)	(48 465 855)	(74 817 920)
	(1 345 966 748)	(23 181 770)	(21 715 641)	(71 440 819)	(1 462 304 978)
Period gap	(289 733 439)	75 254 198	146 245 303	266 264 095	198 030 157
Cumulative gap	(289 733 439)	(214 479 241)	(68 233 938)	198 030 157	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.3.3 Interest rate risk (continued)

Historical cost

	Up to 1 month ZW$	2 to 6 months ZW$	7 to 12 months ZW$	Above 12 months ZW$	Carrying amount ZW$
GROUP					
INTEREST RATE GAP ANALYSIS					
As at 31 December 2018					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	143 869 250	-	-	-	143 869 250
Money market investments	10 664 886	50 000	-	-	10 714 886
Mortgages and other advances	24 195 602	10 895 617	8 365 827	78 450 312	121 907 358
Treasury bills	2 000 000	45 842 504	40 952 009	105 552 838	194 347 351
	180 729 738	56 788 121	49 317 836	184 003 150	470 838 845
FINANCIAL LIABILITIES BY TYPE:					
Deposits and other accounts	(363 547 230)	(63 714 517)	(3 903 505)	(1 841 247)	(433 006 499)
Long term borrowings	-	-	-	(14 640 035)	(14 640 035)
Offshore borrowings	-	-	-	(5 947 347)	(5 947 347)
	(363 547 230)	(63 714 517)	(3 903 505)	(22 428 629)	(453 593 881)
Period gap	(182 817 492)	(6 926 396)	45 414 331	161 574 521	17 244 964
Cumulative gap	(182 817 492)	(189 743 888)	(144 329 557)	17 244 964	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.3.3 Interest rate risk (continued)

Sensitivity analysis

GROUP

A 2% change in the rate for rate sensitive assets would result in the reported profits increasing or decreasing by ZW$7.0 million (2018: ZW$7.0 million).

A 2% change in the rate for rate sensitive liabilities would result in the reported profits increasing or decreasing by ZW$6.4 million (2018: ZW$6.4 million).

COMPANY

A 2% change in the rate for rate sensitive assets would result in the reported profits increasing or decreasing by ZW$7.0 million (2018: ZW$7.0 million).

A 2% change in the rate for rate sensitive liabilities would result in the reported profits increasing or decreasing by ZW$6.4 million (2018: ZW$6.4 million).

38.2.3.4 Foreign exchange risk

Definition

Foreign exchange risk is the potential adverse impact on earnings and economic value due to currency rate movements. This involves settlement risk which arises when the Group incurs financial loss due to foreign exchange positions taken in both the trading and banking books.

The Group recognises various types of foreign exchange risk which include;

i. exchange rate risk which is the risk of loss as a result of adverse movements in the exchange rate;
ii. interest rate risk which arises from maturity mismatches on foreign currency positions;
iii. credit risk which is due to counterparty default on foreign exchange loans or contracts; and
iv. sovereign risk which arises from country risk or political risk

Identification techniques

Foreign exchange risk arises as a result of holding foreign currency positions in the banking book (e.g. in the form of loans, deposits or cross-border investments) and trading in foreign currencies through spot and forward transactions as a market maker or position taker.

The risk is identified through the analysis of the Bank's open foreign exchange positions.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.3.4 Foreign exchange risk (continued)

Measurement methods

For measuring and monitoring foreign exchange rate risk, the Group has established a comprehensive framework of limits.

At a minimum, the Group has the following limits for its foreign exchange operations:

i. open position limits for individual currencies to which the Bank has material exposures, both during the day and overnight.
ii. open position limits on the aggregate of all currencies, both during the day and overnight;
iii. stop loss and/or management-action-trigger limits; and limits for settlement risk of all counterparties.

Impact evaluation

The level of inherent foreign exchange rate risk is considered low and the aggregate foreign exchange rate risk management systems in place are acceptable, hence the overall composite foreign exchange rate risk is low. The direction of the risk is stable.

The Group had significant exposures to USD, ZAR, GBP, BWP & the EUR and the positions/holdings are within the ALCO prescribed limits as at 31 December 2019.

As at 31 December 2019, the Group had an aggregate net open position of $0.3million which is very low at 0.003% of the Group's capital, and is in compliance with the internal maximum of 10%.

Any foreign exchange rate movement will therefore have a small effect on the Group's capital adequacy level.

Strategies for management/mitigation

The risk is managed through ALCO directives, compliance with the requirements of the Reserve Bank of Zimbabwe and market analysis techniques.

The Group's management principal goal is to ensure that foreign exchange losses that could arise from the open positions will not substantially diminish total earnings and that the capital cushion of the Group will not be undermined.

The Group manages foreign exchange rate risk by switching its currencies in line with ALCO driven strategies on foreign exchange rates.

The foreign exchange limits are reviewed at least annually or more frequently in line with changes in the operating environment.

Monitoring and controlling mechanisms

The risk is controlled through the use of dealer limits placed on the overall foreign exchange position.

Treasury Middle Office performs the risk review function in relation to day-to-day activities. The function reconciles regularly positions of traders to ensure that they are within assigned limits. Internal reports comparing actual positions against internal limits are routinely prepared for ALCO.

Adequacy and effectiveness of risk management system

Management is confident that the foreign exchange risk management systems in place are adequate, effective and are complied with in all material respects by all staff members.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.3.4 Foreign exchange risk (continued)

Foreign currency position
The carrying amount of the Group's foreign denominated monetary assets and liabilities as at 31 December 2019 were as follows:

	COMPANY		GROUP	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
Botswana pula	71 694 288	534 746	71 694 288	86 089
British pound	553 878 653	916 117	553 878 653	147 486
Malawian kwacha	7 823	2 944	7 823	474
Euro	266 068 406	4 295 153	266 068 406	691 478
South African rand	1 242 496 725	6 350 612	1 242 496 725	1 022 387
Zambian kwacha	4 320 177	1 882	4 320 177	303
USD	25 019 658	-	25 019 658	-
Total assets	2 138 466 072	12 101 454	2 138 466 072	1 948 217
Botswana pula	(71 034 058)	(1 407 259)	(71 034 058)	(226 555)
British pound	(271 590 933)	(200 416)	(271 590 933)	(32 265)
Euro	(254 088 698)	(294 900)	(254 088 698)	(47 476)
South African rand	(1 248 026 474)	(8 102 463)	(1 248 026 474)	(1 304 418)
Total liabilities	651 312 785	(10 005 038)	651 312 785	(1 610 714)
	(2 789 778 857)	2 096 416	2 789 778 857	337 503

The Group's main exposure to foreign currency risk arises from the commitments for licence and support fees for information technology platforms that were sourced from foreign suppliers.

Sensitivity analysis

GROUP

A 10% change in exchange rates would result in the reported profit being reduced or increased by ZW$95 987 616 (2018: ZW$25 060) and equity being reduced or increased by ZW$129 276 250 (2018: ZW$33 750).

COMPANY

A 10% change in exchange rates would result in the reported profit being reduced or increased by ZW$95 987 616 (2018: ZW$25 060) and equity being reduced or increased by ZW$129 276 250 (2018: ZW$33 750).

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.3.5 Equity price risk

Definition

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments that derive their value from a particular equity investment or index of equity prices.

Identification techniques

The Group tracks the performance of all its equity investments using the price listings from Zimbabwe Stock Exchange on a daily basis.

Measurement methods

Based on the price lists from the members of the Zimbabwe Stock Exchange, the Group quantifies the risk.

Impact evaluation

Equity price risk is assessed as moderate. Trends on the Zimbabwe Stock Exchange have not been easily predictable while current exit prices would crystallize losses on the statement of financial position.

Strategies for management / mitigation

The Group manages its exposure to equity price risk by maintaining a diversified portfolio.

Adequacy and effectiveness of risk management system
The risk management system has proved adequate and effective in managing equity price risk.

Sensitivity analysis

GROUP

A 10% increase / decrease in the value of listed shares as at 31 December 2019 would result in an increase / decrease of ZW$19 844 377 (2018: ZW$2 317 672) to the reported Group's profit and an increase / decrease of US$19 780 207 (2018: ZW$2 310 178) in equity.

COMPANY

A 10% increase / decrease in the value of listed shares as at 31 December 2019 would result in an increase / decrease of ZW$19 844 377 (2018: ZW$2 317 672) to the reported Group's profit and an increase / decrease of US$19 780 207 (2018: ZW$2 310 178) in equity.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk

Definition

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets as well as settlement balances with market counterparties.

Past due but not impaired loans

Past due but not impaired loans are those for which interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms and the Group's forbearance policy

Loans with renegotiated terms are loans that have been restructured due to the deterioration in the borrower's financial position, where the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group has provided initially. The Group implements forbearance policy in order to maximise collection opportunities and minimize the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis in situations where the debtor is currently in default on its debt, or where there is a risk of default, there is evidence that the debtor made all the reasonable effort to pay under the original contractual terms and it is expected to be able to meet revised terms.

Loans with renegotiated terms and the Group's forbearance policy

The revised terms usually include extending maturity, changing timing of interest repayments and amendments to the terms of loan covenants.

Both retail and corporate loans are subject to the forbearance policy. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

The Group's credit committees regularly reviews reports on forbearance activities on a quarterly basis.

Credit–related commitments

The Group makes available to its customers guarantees that may require that the Group makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to similar risks to loans and are mitigated by the same control processes and policies.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

Write off policy

The Group writes off a loan and any related allowances for impairment losses, after assessment by the Group's Bad Debts Review Committee and / or the Loans Review Committee determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that the proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans write off decisions generally are based on a product specific past due status.

Impairment assessment

- The Group's impairment assessment and measurement approach is defined as follows:
- The Group's definition and assessment of default and cure
- An explanation of the Group's internal grading system
- How the Group defines, calculates and monitors the probability of default, exposure at default and loss given default
- When the Group considers there has been a significant increase in credit risk of an exposure
- The Group's policy of segmenting financial assets where ECL is assessed on a collective basis
- The details of the ECL calculations for Stage 1, Stage 2 and Stage 3 assets.

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit -impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Group considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near–default
- The borrower requesting emergency funding from the Group
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Group
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates that there has been a significant increase in credit risk compared to initial recognition.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

The Group's internal rating and PD estimation process

The Group's independent Credit Risk Department operates its internal rating models. The Group runs separate models for its key portfolios in which its customers are rated using an internal 22 tier rating scale. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from rating agencies. These information sources are first used to determine the PDs within the Group's Basel II framework. The internal credit grades are assigned based on these Basel II grades. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenario as appropriate.

Treasury, trading and interbank relationships

The Group's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Group's credit risk department analyses publicly available information such as financial information and other external data, such as the rating of rating agencies, and assigns the internal rating.

For these relationships, the Group assesses individual credit requirements guided by a risk assessment framework that focuses on counterparty risk profile as guided by an internal rating system overseen by the Group's Treasury Middle Office function.

Corporate and small business lending

For corporate loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond prices or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Group and the complexity and size of the customer. Some of the less complex small business loans are rated within the Group's models for retail products.

A discretionary and Committee approving structure is in place to manage the various credit requirements

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

Consumer lending and retail mortgages

Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing
- Retail mortgages: GDP growth, unemployment rates, changes in personal income / salary levels based on records of current accounts, personal indebtedness and expected interest repricing.
- A discretionary approval structure facilitates approvals.

Exposure at default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the life time of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding with the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Group's models.

Loss given default (LGD)

For corporate and investment banking financial instruments, LGD values are assessed at least every three months by account managers and reviewed and approved by the Group's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Group segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g. product type, wider range of collateral types) as well as borrower characteristics.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

Exposure at default (EAD) (continued)

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group. The Group estimates regulatory and IFRS 9 LGDs using different methods. Under IFRS9, LGD rates are estimated for the Stage1, Stage2, Stage3 and POCI, IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

Significant increase in credit risk

The Group continuously monitors all assets with credit profiles to track changes in default risk using delinquency profiles.. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following factors exist for retail, wholesale and treasury portfolios:

- The remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised, so that it exceeds the relevant threshold
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last 3 months
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default

Early signs of cash flow / liquidity problems such as delay in servicing of trade creditors/loans.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Grouping financial assets measured on a collective basis

Dependant on the factors below, the Group calculates ECLs either on a collective or an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets
- The Corporate lending portfolio
- The large and unique exposures of the Small business lending portfolio
- The treasury,trading and interbank relationships (such as Due from banks, Cash collateral on securities borrowed and reverse repurchase agreements and debt instruments at amortised cost / FVTOCI
- Exposures that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result of a credit driven debt restructuring.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

Grouping financial assets measured on a collective basis (continued)

Asset classes where the Group may calculate ECL on a collective basis include:
- The smaller and more generic balances of the Group's Small business lending
- Stage 1 and 2 Retail mortgages and Consumer lending
- Purchased POCI exposures managed on a collective basis.

The Group groups these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

For retail mortgages these are:
- Product type (buy to let/owner occupied)
- Property type (low density, medium density, high density, commercial)
- Geographic location
- Loan-to-value ratios
- Internal grade
- Exposure value

For consumer lending these are:
- Product type (overdraft, unsecured personal loan, credit card, etc.)
- Internal grade
- Geographic location/residence of the borrower
- Utilisation
- In the case of credit cards, whether or not borrowers repay their balances in full every month
- Exposure value

For small business lending these are:
- Borrower's industry
- Internal credit grade
- Geographic location
- Exposure value
- Collateral type

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

Identification techniques

Prior to granting facilities, the Group conducts an assessment through a credit assessment framework that incorporates use of rating and scoring systems which classifies an account depending on inherent risk profiles. Non qualifying applications are avoided. Thereafter facilities extended to clients are reviewed on a regular basis and reclassified accordingly depending on actual performance. The Bank also has a cocktail of tools used to identify risks on an ongoing basis.

Measurement methods

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

The table below shows the credit quality and the maximum exposure for credit risk based on the Bank's internal credit rating system and period-end stage classification.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

	Inflation adjusted 2019				Inflation adjusted 2018			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Total loans and advances	451 906 701	20 029 074	3 677 918	475 613 693	744 241 035	24 922 090	35 853 821	805 016 946
Guarantees	141 807 400	-	-	141 807 400	99 621 062	-	-	99 621 062
Loan commitments	100 353 711	-	-	100 353 711	142 597 768	-	-	142 597 768
Letters of credit	64 981 111	-	-	54 981 111	-	-	-	-
Treasury bills	217 048 870	-	-	217 048 870	1 207 199 029	-	-	1 207 199 029
Insurance debtors	29 499 099	-	12 430 855	41 929 954	33 145 516	-	7 831 005	40 976 521
Other financial assets	11 095 143	861 716	-	11 956 859	152 101 387	-	5 183 206	157 284 593
Total financial assets	1 016 692 035	20 890 790	16 108 773	1 053 691 598	2 378 905 797	24 922 090	48 868 032	2 452 695 919
Total loans and advances								
Performing								
Good (AAA to- BBB-)	451 906 701	202 490	79 291	452 188 482	742 388 290	721 771	971 965	744 082 026
Special Mention (BB+ to CCC-)	-	19 826 584	9 649	19 836 233	1 852 745	24 200 319	46 375	26 099 439
Non performing (CC TO D)	-	-	3 588 978	3 588 978	-	-	34 835 481	34 835 481
Total loans and advances	451 906 701	20 029 074	3 677 918	475 613 693	744 241 035	24 922 090	35 853 821	805 016 946
Corporate Lending								
Good (AAA to- BBB-)	312 422 061	-	-	312 422 061	342 060 399	-	-	342 060 399
Special Mention (BB+ to CCC-)	-	19 033 094	-	19 033 094	-	10 957 280	-	10 957 280
Non performing (CC TO D)	-	-	2 390 544	2 390 544	-	-	25 006 020	25 006 020
Total corporate lending	312 422 061	19 033 094	2 390 544	333 845 699	342 060 399	10 957 280	25 006 020	378 023 699

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

	Inflation adjusted 2019				Inflation adjusted 2018			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Small business lending								
Good (AAA to- BBB-)	6 351 238	11	44	6 351 293	6 320 554	10 939	-	6 331 493
Special Mention (BB+ to CCC-)	1 779	243 959	-	245 738	-	745 772	-	745 772
Non performing (CC TO D)-	-	-	158 255	158 255	-	-	565 966	565 966
Total small business lending	6 353 017	243 970	158 299	6 755 286	6 320 554	756 711	565 966	7 643 231
Consumer Lending								
Good (AAA to- BBB-)	105 459 474	77 492	25 175	105 562 141	270 231 307	546 530	130 882	270 908 719
Special Mention (BB+ to CCC-)	219 198	502 841	6 515	728 554	-	10 612 185	25 579	10 637 764
Non performing (CC TO D) -	-	-	719 351	719 351	-	-	5 604 039	5 604 039
Total consumer lending	105 678 672	580 333	751 041	107 010 046	270 231 307	11 158 715	5 760 500	287 150 522
Mortgage Lending								
Good (AAA to- BBB-)	27 673 928	124 987	54 072	27 852 987	123 776 030	164 302	841 083	124 781 415
Special Mention (BB+ to CCC-)	102 763	46 690	3 134	152 587	1 852 745	1 885 082	20 796	3 758 623
Non performing (CC TO D)	-	-	320 828	320 828	-	-	3 659 456	3 659 456
Total mortgage lending	27 776 691	171 677	378 034	28 326 402	125 628 775	2 049 384	4 521 335	132 199 494

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

	Inflation adjusted 2019				Inflation adjusted 2018			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Guarantees								
Good (AAA to- BBB-)	141 807 400	-	-	141 807 400	99 621 062	-	-	99 621 062
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Total guarantees	141 807 400	-	-	141 807 400	99 621 062	-	-	99 621 062
Loan commitments								
Good (AAA to- BBB-)	100 353 711	-	-	100 353 711	142 597 768	-	-	142 597 768
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Total loan commitments	100 353 711	-	-	100 353 711	142 597 768	-	-	142 597 768
Letter of credit								
Good (AAA to- BBB-)	64 981 111	-	-	64 981 111	-	-	-	-
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Total loan commitments	64 981 111	-	-	64 981 111	-	-	-	-
Other financial assets								
Debentures								
Non perfoming (CC to D)	-	861 716	-	861 716	-	-	5 183 206	5 183 206
Bonds								
Good (AAA to BBB-)	11 095 143	-	-	11 095 143	152 101 387	-	-	152 101 387
Total other financial assets	11 095 143	861 716	-	11 956 859	152 101 387	-	5 183 206	157 284 593

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

	Historical cost 2019				Historical cost 2018			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Total loans and advances	451 906 701	20 029 074	3 677 918	475 613 693	119 815 598	4 012 215	5 772 118	129 599 931
Guarantees	141 807 400	-	-	141 807 400	16 038 026	-	-	16 038 026
Loan commitments	100 353 711	-	-	100 353 711	22 956 859	-	-	22 956 859
Letters of credit	64 981 111	-	-	64 981 111	-	-	-	-
Treasury bills	217 048 870	-	-	217 048 870	194 347 351	-	-	194 347 351
Insurance debtors	29 499 099	-	12 430 855	41 929 954	5 336 107	-	1 260 716	6 596 823
Other financial assets	11 095 143	861 716	-	11 956 859	24 486 850	-	834 446	25 321 296
Total financial assets	1 016 692 035	20 890 790	16 108 773	1 053 691 598	382 980 791	4 012 215	7 867 280	394 860 286
Total loans and advances								
Performing								
Good (AAA to- BBB-)	451 906 701	202 490	79 291	452 188 482	119 517 324	116 198	156 477	119 789 999
Special Mention (BB+ to CCC-)	-	19 826 584	9 649	19 836 233	298 274	3 896 017	7 466	4 201 757
Non performing (CC TO D)	-	-	3 588 978	3 588 978	-	-	5 608 175	5 608 175
Total loans and advances	451 906 701	20 029 074	3 677 918	475 613 693	119 815 598	4 012 215	5 772 118	129 599 931
Corporate Lending								
Good (AAA to- BBB-)	312 422 061	-	-	312 422 061	55 068 411	-	-	55 068 411
Special Mention (BB+ to CCC-)	-	19 033 094	-	19 033 094	-	1 764 016	-	1 764 016
Non performing (CC TO D)	-	-	2 390 544	2 390 544	-	-	4 025 727	4 025 727
Total corporate lending	312 422 061	19 033 094	2 390 544	333 845 699	55 068 411	1 764 016	4 025 727	60 858 154

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

	Historical cost 2019				Historical cost 2018			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Small business lending								
Good (AAA to- BBB-)	6 351 238	11	44	6 351 293	1 017 548	1 761	-	1 019 309
Special Mention (BB+ to CCC-)	1 779	243 959	-	245 738	-	120 062	-	120 062
Non performing (CC TO D)	-	-	158 255	158 255	-	-	91 115	91 115
Total small business lending	6 353 017	243 970	158 299	6 755 286	1 017 548	121 823	91 115	1 230 486
Consumer Lending								
Good (AAA to- BBB-)	105 459 474	77 492	25 175	105 562 141	43 504 623	87 986	21 071	43 613 680
Special Mention (BB+ to CCC-)	219 198	502 841	6 515	728 554	-	1 708 459	4 118	1 712 577
Non performing (CC TO D)	-	-	719 351	719 351	-	-	902 196	902 196
Total consumer lending	105 678 672	580 333	751 041	107 010 046	43 504 623	1 796 445	927 385	46 228 453
Mortgage Lending								
Good (AAA to- BBB-)	27 673 928	124 987	54 072	27 852 987	19 926 742	26 451	135 406	20 088 599
Special Mention (BB+ to CCC-)	102 763	46 690	3 134	152 587	298 274	303 480	3 348	605 102
Non performing (CC TO D)	-	-	320 828	320 828	-	-	589 137	589 137
Total mortgage lending	27 776 691	171 677	378 034	28 326 402	20 225 016	329 931	727 891	21 282 838

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

	Historical cost 2019				Historical cost 2018			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Guarantees								
Good (AAA to- BBB-)	141 807 400	-	-	141 807 400	16 038 026	-	-	16 038 026
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Total guarantees	141 807 400	-	-	141 807 400	16 038 026	-	-	16 038 026
Loan commitments								
Good (AAA to- BBB-)	100 353 711	-	-	100 353 711	22 956 856	-	-	22 956 859
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Total loan commitments	100 353 711	-	-	100 353 711	22 956 859	-	-	22 956 859
Letters of credit								
Good (AAA to- BBB-)	64 981 111	-	-	64 981 111	-	-	-	-
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Total loan commitments	64 981 111	-	-	64 981 111	-	-	-	-
Other financial assets								
Debentures								
Non perfoming (CC to D)	-	861 716	-	861 716	-	-	834 446	834 446
Bonds								
Good (AAA to BBB-)	11 095 143	-	-	11 095 143	24 486 850	-	-	24 486 850
Total other financial assets	11 095 143	861 716	-	11 956 859	24 486 850	-	834 446	25 321 296

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

An analysis of changes in the ECLs in relation to loans and advances are as follows:

	Inflation adjusted 2019				Inflation adjusted 2018			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Total loans and advances	49 548 363	2 200 977	2 782 637	54 531 977	75 548 061	2 920 860	2 459 425	80 928 346
Insurance debtors	-	-	12 430 855	12 430 855	-	-	7 831 006	7 831 006
Total impairment allowances	49 548 363	2 200 977	15 213 492	66 962 832	75 548 061	2 920 860	10 290 431	88 759 352
In respect of guarantees	139 817	-	-	139 817	1 437 149	-	-	1 437 149
In respect of loan commitments	744 517	-	-	744 517	3 198 745	-	-	3 198 745
In respect of other financial assets	759	90 539	-	91 298	269 948	-	455 096	725 044
Total impairment allowances	50 433 456	2 291 516	15 213 492	67 938 464	80 453 903	2 920 860	10 745 527	94 120 290

Treasury bills were assessed for impairment at 31 December 2019 and, having been considered to carry low credit risk, no IFRS 9 impairment charge was raised. There was no objective evidence to suggest that future cash flows on the treasury bills could end up being less than those anticipated at the point of initial recognition.

Total loans and advances								
Good (AAA to- BBB-)	49 493 008	67 015	31 830	49 591 853	75 204 059	66 625	332 119	75 602 803
Special Mention (BB+ to CCC-)	55 355	2 133 962	4 833	2 194 150	344 002	2 854 235	8 908	3 207 145
Non performing (CC TO D)	-	-	2 745 974	2 745 974	-	-	2 118 400	2 118 400
	49 548 363	2 200 977	2 782 637	54 531 977	75 548 061	2 920 860	2 459 427	80 928 348
Impairment allowance for loans and advances by lending category:								
Corporate Lending								
Good (AAA to- BBB-)	33 784 674	-	-	33 784 674	43 558 956	-	-	43 558 956
Special Mention (BB+ to CCC-)	-	1 953 379	-	1 953 379	-	2 093 760	-	2 093 760
Non performing (CC TO D)	-	-	2 304 445	2 304 445	-	-	17 249	17 249
Impairment allowance for corporate lending	33 784 674	1 953 379	2 304 445	38 042 498	43 558 956	2 093 760	17 249	45 669 965

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

	Inflation adjsuted 2019				Inflation adjusted 2018			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Small business Lending								
Good (AAA to- BBB-)	629 354	11	10	629 375	606 906	814	-	607 720
Special Mention (BB+ to CCC-)	2 338	21 983	557	24 878	-	100 056	-	100 056
Non performing (CC TO D)	-	-	47 715	47 715	-	-	230 647	230 647
Impairment allowance for small business lending	631 692	21 994	48 282	701 968	606 906	100 869	230 647	938 423
Consumer lending								
Good (AAA to- BBB-)	11 615 536	22 333	8 618	11 646 487	12 704 193	22 678	32 722	12 759 593
Special Mention (BB+ to CCC-)	37 733	139 254	2 967	179 954	72 520	151 730	2 572	226 822
Non performing (CC TO D)	-	-	245 024	245 024	-	-	759 189	759 189
Impairment allowance for consumer lending	11 653 269	161 587	256 609	12 071 465	12 776 713	174 408	794 483	13 745 604
Mortgage Lending								
Good (AAA to- BBB-)	3 463 444	44 671	23 202	3 531 317	18 334 004	43 133	299 397	18 676 534
Special Mention (BB+ to CCC-)	15 284	19 346	1 309	35 939	271 482	508 689	6 336	786 507
Non performing (CC TO D)	-	-	148 790	148 790	-	-	1 111 315	1 111 315
Impairment allowance for mortgage lending	3 478 728	64 017	173 301	3 716 046	18 605 486	551 822	1 417 048	20 574 356

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

	Inflation adjusted 2019				Inflation adjusted 2018			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Impairment allowances on guarantees and loan Commitments included in provisions under other liabilities								
Guarantees								
Good (AAA to- BBB-)	139 817	-	-	139 817	1 437 149	-	-	1 437 149
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Impairment allowances for guarantees	139 817	-	-	139 817	1 437 149	-	-	1 437 149
Loan commitments								
Good (AAA to- BBB-)	744 517	-	-	744 517	3 198 745	-	-	3 198 745
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Impairment allowances for loan commitments	744 517	-	-	744 517	3 198 745	-	-	3 198 745
Other financial assets								
Debentures								
Non performing (CC TO D)	759	-	-	759	-	-	455 096	455 096
Bonds								
Good (AAA to BBB-)	-	90 539	-	90 539	269 948	-	-	269 948
Impairment allowances for other financial assets	759	90 539	-	91 298	269 948	-	455 096	725 044

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

An analysis of changes in the ECLs in relation to loans and advances are as follows:

	Historical cost 2019				Historical cost 2018			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Total loans and advances	49 548 363	2 200 977	2 782 637	54 531 977	12 162 506	470 230	395 944	13 028 680
Insurance debtors	-	-	12 430 855	12 430 855	-	-	1 260 716	1 260 716
Other financial assets	-	-	-	-	-	-	-	-
Total impairment allowances	49 548 363	2 200 977	15 213 492	66 962 832	12 162 506	470 230	1 656 660	14 289 396
In respect of guarantees	139 817	-	-	139 817	231 367	-	-	231 367
In respect of loan commitments	744 517	-	-	744 517	514 967	-	-	514 967
In respect of other financial assets	759	90 539	-	91 298	43 459	-	73 266	1 176 725
Total impairment allowances	50 433 456	2 291 516	15 213 492	67 938 464	12 952 299	470 230	1 729 926	15 152 455

Treasury bills were assessed for impairment at 31 December 2018 and, having been considered to carry low credit risk, no IFRS 9 impairment charge was raised. There was no objective evidence to suggest that future cash flows on the treasury bills could end up being less than those anticipated at the point of initial recognition.

	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
Total loans and advances								
Good (AAA to- BBB-)	49 493 008	67 015	31 830	49 591 853	12 107 125	10 726	53 468	12 171 319
Special Mention (BB+ to CCC-)	55 355	2 133 962	4 833	2 194 150	55 381	459 504	1 434	516 319
Non performing (CC TO D)	-	-	2 745 974	2 745 974	-	-	341 042	341 042
	49 548 363	2 200 977	2 782 637	54 531 977	12 162 506	470 230	395 944	13 028 680
Impairment allowance for loans and advances by lending category:								
Corporate Lending								
Good (AAA to- BBB-)	33 784 674	-	-	33 784 674	7 012 570	-	-	7 012 570
Special Mention (BB+ to CCC-)	-	1 953 379	-	1 953 379	-	337 075	-	337 075
Non performing (CC TO D)	-	-	2 304 445	2 304 445	-	-	2 777	2 777
Impairment allowance for corporate lending	33 784 674	1 953 379	2 304 445	38 042 498	7 012 570	337 075	2 777	7 352 422

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

	Historical cost 2019				Historical cost 2018			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Small business Lending								
Good (AAA to- BBB-)	629 354	11	10	629 375	97 706	131	-	97 837
Special Mention (BB+ to CCC-)	2 338	21 983	557	24 878	-	16 108	-	16 108
Non performing (CC TO D)	-	-	47 715	47 715	-	-	37 132	37 132
Impairment allowance for small business lending	631 692	21 994	48 282	701 968	97 706	16 239	37 132	151 077
Consumer lending								
Good (AAA to- BBB-)	11 615 536	22 333	8 618	11 646 487	2 045 252	3 651	5 268	2 054 171
Special Mention (BB+ to CCC-)	37 733	139 254	2 967	179 954	11 675	24 427	414	36 516
Non performing (CC TO D)	-	-	245 024	245 024	-	-	122 222	122 222
Impairment allowance for consumer lending	11 653 269	161 587	256 609	12 071 465	2 056 927	28 078	127 904	2 212 909
Mortgage Lending								
Good (AAA to- BBB-)	3 463 444	44 671	23 202	3 531 317	2 951 597	6 944	48 200	3 006 741
Special Mention (BB+ to CCC-)	15 284	19 346	1 309	35 939	43 706	81 894	1 020	126 620
Non performing (CC TO D)	-	-	148 790	148 790	-	-	178 911	178 911
Impairment allowance for mortgage lending	3 478 728	64 017	173 301	3 716 046	2 995 303	88 838	228 131	3 312 272

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

	Historical cost 2019				Historical cost 2018			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Impairment allowances on guarantees and loan commitments included in provisions under other liabilities								
Guarantees								
Good (AAA to- BBB-)	139 817	-	-	139 817	231 367	-	-	231 367
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Impairment allowances for guarantees	139 817	-	-	139 817	231 367	-	-	231 367
Loan commitments								
Good (AAA to- BBB-)	744 517	-	-	744 517	514 967	-	-	514 967
Special Mention (BB+ to CCC-)	-	-	-	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-	-	-	-
Impairment allowances for loan commitments	744 517	-	-	744 517	514 967	-	-	514 967
Other financial assets								
Debntures								
Non performing (CC TO D)	759	-	-	759	-	-	73 266	73 266
Bonds								
Good (AAA to BBB-)	-	90 539	-	90 539	43 459	-	-	43 459
Impairment allowances for other financial assets	759	90 539	-	91 298	43 459	-	73 266	116 725

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

An analysis of changes in the gross carrying amount are as follows:

	Inflation adjusted 2019				Inflation adjusted 2018			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Total loans and advances	451 906 701	20 029 074	3 677 918	475 613 693	744 241 035	24 922 090	35 853 821	805 016 946
Guarantees	141 807 400	-	-	141 807 400	99 621 062	-	-	99 621 062
Loan commitments	100 353 711	-	-	100 353 711	142 597 768	-	-	142 597 768
Letters of credit	64 981 111	-	-	64 981 111	-	-	-	-
Treasury bills	217 048 870	-	-	217 048 870	1 207 199 029	-	-	1 207 199 029
Insurance debtors	29 499 099	-	12 430 855	41 929 954	33 145 516	-	7 831 005	40 976 521
Other financial assets	11 095 143	861 716	-	11 956 859	152 101 387	-	5 183 206	157 284 593
Total financial assets	1 016 692 035	20 890 790	16 108 773	1 053 691 598	2 378 905 797	24 922 090	48 868 032	2 452 695 919
Gross carrying amount as at 1 January 2019	2 378 905 797	24 922 090	48 868 032	2 452 695 919	1 419 316 711	357 988 624	90 808 848	1 868 114 183
Effects of inflation adjustments	(1 989 354 717)	(20 909 874)	(47 571 042)	(2 057 835 633)	-	-	-	-
New assets	881 365 359	29 826 217	8 699 650	919 891 226	956 372 059	70 110 654	16 122 708	1 042 605 421
Repayments	(248 921 865)	(7 538 917)	(2 086 312)	(258 547 094)	(218 222 097)	(164 976 925)	(50 483 621)	(433 682 643)
Transfers to Stage 1	-	(148 817)	5 451 356	5 302 539	-	(235 977 309)	14 538 185	(221 439 124)
Transfers to Stage 2	148 817	-	(5 259 909)	5 408 726	235 977 309	-	2 222 954	238 200 263
Transfers to stage 3	(5 451 356)	(5 259 909)	-	(10 711 265)	(14 538 185)	(2 222 954)	-	(16 761 139)
Amounts written off	-	-	(2 512 820)	(2 512 820)	-	-	(24 341 042)	(24 341 042)
Balance at 31 December 2019	1 016 692 035	20 890 790	16 108 773	1 053 691 598	2 378 905 797	24 922 090	48 868 032	2 452 695 919

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

An analysis of changes in the ECLs are as follows:

	Inflation adjusted 2019				Inflation adjusted 2018			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Total loans and advances	49 548 363	2 200 977	2 782 637	54 531 977	75 548 061	2 920 860	2 459 425	80 928 346
Insurance debtors	-	-	12 430 855	12 430 855	-	-	7 831 006	7 831 006
Total loans and other advances	49 548 363	2 200 977	15 213 492	66 962 832	75 548 061	2 920 860	10 290 431	88 759 352
In respect of guarantees	139 817	-	-	139 817	1 437 149	-	-	1 437 149
In respect of loan commitments	744 517	-	-	744 517	3 198 745	-	-	3 198 745
In respect of other financial assets	759	90 539	-	91 298	269 948	-	455 096	725 044
Total impairment allowances	50 433 456	2 291 516	15 213 492	67 938 464	80 453 903	2 920 860	10 745 527	94 120 290
Balance at 31 December 2018	80 453 903	2 920 860	10 745 527	94 120 290	15 222 810	1 413 924	30 675 454	47 312 188
Effects of inflation adjustments	(63 385 557)	(2 450 651)	3 797 106	(62 039 102)	-	-	-	-
Initial adoption of IFRS 9	-	-	-	-	13 713 111	30 898 337	(16 895 532)	27 715 916
New assets	45 543 267	3 441 920	686 526	49 671 713	100 500 214	2 640 073	2 782 788	105 923 075
Repayments	(11 045 052)	(480 052)	(533 868)	(12 058 972)	(28 459 010)	(24 837 240)	(11 883 982)	(65 180 232)
Transfers to Stage 1	-	33 381	1 099 724	1 133 105	-	(7 635 658)	28 158 880	20 523 222
Transfers to Stage 2	(33 381)	-	1 173 942	1 140 561	7 635 658	-	(441 424)	7 194 234
Transfers to stage 3	(1 099 724)	(1 173 942)	-	(2 273 666)	(28 158 880)	441 424	-	(27 717 456)
Amounts written off	-	-	(1 755 465)	(1 755 465)	-	-	(21 650 657)	(21 650 657)
Balance at 31 December 2019	50 433 456	2 291 516	15 213 492	67 938 464	80 453 903	2 920 860	10 745 527	94 120 290

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

An analysis of changes in the gross carrying amount are as follows:

	Historical cost 2019				Historical cost 2018			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Total loans and advances	451 906 701	20 029 074	3 677 918	475 613 693	119 815 598	4 012 215	5 772 118	129 599 931
Guarantees	141 807 400	-	-	141 807 400	16 038 026	-	-	16 038 026
Loan commitments	100 353 711	-	-	100 353 711	22 956 859	-	-	22 956 859
Letters of credit	64 981 111	-	-	64 981 111	-	-	-	-
Treasury bills	217 048 870	-	-	217 048 870	194 347 351	-	-	194 347 351
Insurance debtors	29 499 099	-	12 430 855	41 929 954	5 336 107	-	1 260 716	6 596 823
Other financial assets	11 095 143	861 716	-	11 956 859	24 486 850	-	834 446	25 321 296
Total financial assets	1 016 692 035	20 890 790	16 108 773	1 053 691 598	382 980 791	4 012 215	7 867 280	394 860 286
Gross carryin amount as at 1 January 2019	382 980 791	4 012 215	7 867 280	394 860 286	228 496 243	57 632 701	14 619 345	300 748 289
New assets	879 014 628	29 826 218	2 129 360	910 970 206	153 966 638	11 287 136	2 595 600	167 849 374
Repayments	(248 921 865)	(7 538 917)	(2 086 312)	(258 547 094)	(35 131 644)	(26 559 687)	(8 127 374)	(69 818 705)
Transfers to Stage 1	-	(148 817)	5 451 356	5 302 539	-	(37 990 061)	2 340 507	(35 649 554)
Transfers to Stage 2	148 817	-	5 259 909	5 408 726	37 990 061	-	357 874	38 347 935
Transfers to stage 3	(5 451 356)	(5 259 909)	-	(10 711 265)	(2 340 507)	(357 874)	-	(2 698 381)
Amounts written off	-	-	(2 512 820)	(2 512 820)	-	-	(3 918 672)	(3 918 672)
Effects of changes in functional currency	8 921 020	-	-	8 921 020	-	-	-	-
Balance at 31 December 2019	1 016 692 035	20 890 790	16 108 773	1 053 691 598	382 980 791	4 012 215	7 867 280	394 860 386

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

An analysis of changes in the ECLs are as follows:

	Historical cost 2019				Historical cost 2018			
	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$	STAGE 1 ZW$	STAGE 2 ZW$	STAGE 3 ZW$	TOTAL ZW$
GROUP								
Total loans and advances	49 548 363	2 200 977	2 782 637	54 531 977	12 162 506	470 230	395 944	13 028 680
Insurance debtors	-	-	12 430 855	12 430 855	-	-	1 260 716	1 260 716
Total impairment allowances	49 548 363	2 200 977	15 213 492	66 962 832	12 162 506	470 230	1 656 660	14 289 396
In respect of guarantees	139 817	-	-	139 817	231 367	-	-	231 367
In respect of loan commitments	744 517	-	-	744 517	514 967	-	-	514 967
In respect of other financial assets	759	90 539	-	91 298	43 459	-	73 266	116 725
	50 433 456	2 291 516	15 213 492	67 938 464	12 952 299	470 230	1 729 926	15 152 455
Balance at 31 December 2018	12 952 299	470 230	1 729 928	15 152 455	2 450 725	227 628	4 938 451	7 616 804
Initial adoption of IFRS 9	-	-	-	-	2 207 678	4 974 333	(2 720 017)	4 461 994
New assets	48 270 182	3 441 900	13 499 232	49 671 713	16 179 559	425 026	448 002	17 052 587
Repayments	(11 045 052)	(480 052)	(533 868)	(12 058 972)	(4 581 625)	(3 998 553)	(1 913 206)	(10 493 384)
Transfers to Stage 1	-	33 381	1 099 724	1 133 105	-	(1 229 267)	4 533 307	3 304 040
Transfers to Stage 2	(33 381)	-	1 173 942	1 140 561	1 229 267	-	(71 065)	1 158 202
Transfers to stage 3	(1 099 724)	(1 173 942)	-	(2 273 666)	(4 533 305)	71 063	-	(4 462 242)
Amounts written off	-	-	(1 755 465)	(1 755 465)	-	-	(3 485 546)	(3 485 546)
Effects of changes in functional currency	1 389 132	-	-	1 389 132	-	-	-	-
Balance at 31 December 2019	50 433 456	2 291 516	15 213 492	67 938 464	12 952 299	470 230	1 729 926	15 152 455

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
ECL Movement				
Balance at beginning of period	88 759 352	47 312 188	14 289 396	7 616 804
Impact of changes in functional currency at 1 Jan 2019	2 115 832	-	1 389 132	-
Impact of IFRS 9 adoption at 1 Jan 2018	-	27 715 915	-	4 461 994
Increase / (decrease) in respect of impairments are:	-	-	-	-
Loans and advances	78 238 383	40 007 547	51 366 764	5 696 143
Write offs against provision	(2 721 949)	(21 650 650)	(82 460)	(3 485 545)
Effects of inflation movements	(99 428 786)	(4 625 648)	-	-
	66 962 832	88 759 352	66 962 832	14 289 396
Analysis of ECL on loans and advances				
Balance at beginning of period	80 928 346	37 027 973	13 028 680	5 961 145
Impact of IFRS9 adoption at 1 Jan 2018	-	27 715 915	-	4 461 994
Impact of changes in functional currency at 1 Jan 2019	-	-	1 389 132	-
Increase / (decrease) ECL for the year	59 304 548	46 789 127	40 196 625	6 091 086
Write offs against provision	(2 721 949)	(21 650 650)	(82 460)	(3 485 545)
Effects of inflation movements	(82 978 968)	(8 954 019)	-	-
Balance at end of period	54 531 977	80 928 346	54 531 977	13 028 680
Analysis of ECL on insurance debtors				
Balance at beginning of period	7 831 006	10 284 215	1 260 716	1 655 659
Increase / (decrease) ECL for the year	18 933 835	(6 781 580)	11 170 139	(394 943)
Effects on inflation movements	(14 333 986)	4 328 371	-	-
Balance at end of period	12 430 855	7 831 006	12 430 855	1 260 716
Analysis of ECL on guarantees and letters of credit Guarantees				
Balance at beginning of period	1 437 149	-	231 367	-
Impact of IFRS 9 adoption at 1 Jan 2018	-	3 681 048	-	592 613
Decrease ECL for the year	(139 443)	(2 537 255)	(91 550)	(361 246)
Effect of inflation movements	(1 157 889)	293 356	-	-
Balance at end of period	139 817	1 437 149	139 817	231 367

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
Analysis of ECL on loan commitments				
Balance at beginning of period	-	-	-	-
Impact of IFRS 9 adoption at 1 Jan 2018	3 198 745	5 069 870	514 967	816 200
Increase / (decrease) ECL for the year	349 635	(2 115 746)	229 550	(301 233)
Effects of inflation movements	(2 803 863)	244 621	-	-
Balance at end of period	744 517	3 198 745	744 517	514 967
Analysis of ECL on other financial assets				
Balance at beginning of period	725 044	-	116 725	-
(Decrease) / increase ECL for the year	(38 923)	774 670	(25 427)	116 725
Effect of Inflation movements	(594 823)	(49 626)	-	-
Balance at end of period	91 298	725 044	91 298	116 725

Impact evaluation

Credit risk was rated high due to the volatile operating environment as well as unavailability of foreign exchange.

The default and downgrade risk components of credit risk are more prevalent. Bankruptcy risk wherein collateral fails to realise exposure is marginal. Settlement risk posed by counterparties remains manageable.

Strategies for management / mitigation

The Group has a credit risk management process which operates through a hierarchy of exposure discretions. All exposures above a certain level require the approval of the Board Credit Committee which comprises executive and non-executive directors. Exposures below the Board Credit Committee's discretion are approved according to a system of tiered exposure discretions delegated to management committees.

A substantial portion of the Group's individual and corporate borrowings is insured for non-performance whilst security of various other forms is obtained for large exposures.

Monitoring and controlling mechanisms

Regular credit audits and reviews are conducted and problem accounts are highlighted and management action is taken as appropriate.

Adequacy and effectiveness of risk management systems

The credit risk management and control techniques alluded to above are adequate and effective and all staff members are required to adhere to them.

Risk Communication

Risk communication is prioritised to ensure that management / stakeholders have all the available risk information to aid their decision making as well as to facilitate assessment of the effectiveness and efficiency of the risk management function.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.2.4 Credit risk (continued)

Financial guarantees

The Group has issued financial guarantees in respect of clients graded 1 to 4, and for which the maximum amount payable by the Group, assuming all guarantees are called on is ZW$95 739 127 (2018: ZW$16 038 026).

Sensitivity analysis

A 10% change in the assets classified as good to marginal category to a "loss" classification would result in the reported profit being reduced by ZW$10 065 941 (2018: ZW$8 381 063) and the total assets in the statement of financial position reducing by ZW$13 556 890 (2018:ZW$12 128 889).

38.3 Other business risks

38.3.1 Operational risk

Definition

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements.

Operational risk is not typically taken in pursuit of an expected return, but exists as part of the normal course of business at all levels. The main sources of operational risk include;

- Legal risk
- Compliance and regulatory risk
- Financial crime

Legal risk

Legal risk arises from the necessity that the Group conducts its activities in conformity with the business and contractual legal principles applicable in each of the jurisdictions where it conducts its business. The possibility of a failure to meet these legal requirements may result in unenforceable contract disputes, litigation, fines, penalties, claims for damages or other adverse consequences.

Compliance and regulatory risk

Compliance and regulatory risk refers to the risk of failure to comply with laws, rules, regulations and other ethical and statutory standards. Compliance and regulatory risk has become increasingly significant and there continues to be considerable demand for compliance with various new and amended regulatory requirements. The Group remains committed to the highest regulatory and compliance standards, especially due to the increasing scale and complexity of laws and regulations.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.3.1 Operational risk (continued)

Operational risk management

The Group business units act as the first line of defence and are responsible for the identification, measurement, monitoring and reporting of operational risk. Operational risk is reported and monitored through the Operational Risk function within the Group Business Risk department and overseen by the Board Risk Committee. The Operational Risk function acts as the second line of defence.

The primary responsibilities of the Operational Risk unit are to develop, maintain and champion the Group Operational Risk Management Framework, policies and enablers to support operational risk management in the business as well as the implementation of the Basel II and regulatory requirements and international best practice for operational risk management.

In addition, the Group has an independent Compliance function that forms part of the second line of defence within its risk management governance structure and the Group Internal Audit, being the third line of defence, provides assurance to the Board.

Measurement methods

The risk is measured by the extent of loss due to system failure reported during the period.

The primary operational risk measurement processes include Operational Risk Self Assessments (ORSA), internal loss data collection processes and governance, the tracking of key risk indicators (KRIs) and scenario analysis, which are designed to function in an integrated and mutually reinforcing manner.

Impact evaluation

The level of inherent operational risk is considered high and the aggregate operational risk management systems in place are acceptable, hence the overall composite operational risk is moderate. The direction of the risk is stable.

The Group's operational risk is heightened by the partial compliance to the Anti – Money Laundering (AML) and Counter Terrorist Financing (CFT) regulations; however there is a comprehensive, formal, well-documented and closely monitored plan to be fully compliant to the AML/CFT regulations.

Operational risk losses as at 31 December 2018 were within the set risk tolerance levels and a scenario where operational risk losses rise by 100% will have a minor impact on the Bank's Capital Adequacy Ratio.

The Group has put in place acceptable tools and techniques for managing operational risk.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.3.1 Operational risk (continued)

Strategies for management / mitigation

The Group minimises people risk by ensuring that controls are incorporated into the recruitment and selection processes of all employees, including contractors, temporary employees and consultants. This process aims to minimise the Group's vulnerability to fraud, embezzlement, theft, corruption and mismanagement of job responsibilities. Fraud prevention measures include internal and external whistle blowing reporting lines and the Group maintains a policy of zero tolerance towards any dishonesty among staff members.

Staff members are continuously trained on new and amended regulatory requirements, and clearly defined policies and procedures that ensure compliance with all statutory requirements and regulatory obligations are in place.

The Group has a well-structured insurance programme for its financial and non-financial risks to mitigate its operational and fraud exposures. A business continuity management system which is aimed at ensuring resilient business activities in emergencies and disasters is in place.

Monitoring and controlling mechanisms

A well-defined and embedded reporting process is in place. Risk profiles, loss trends and risk mitigation actions are reported to and monitored by the risk governance structures of the Group.

Adequacy and effectiveness of risk management systems

The Group has put in place acceptable risk management systems to protect the Group's assets and mitigate operational risk.

38.3.2 Reputational risks

Definition

Reputational risk arises when a situation, occurrence, business practice or event has the potential to materially influence the public and stakeholder's perceived trust and confidence in the Group. Reputational risk may arise from a variety of sources, such as fraud and non-compliance with statutory or regulatory requirements. Other sources of reputational risk may arise from failing to safeguard non-public customer information through outsourcing relationships, a high volume of customer complaints, or public regulatory sanctions.

Reputational risk management

Reputational risk is, to a large degree, mitigated by adequately managing the other key risks the Group faces. External communication to stakeholders is controlled by risk management policies, with a designated Group spokesperson.

The Group Corporate Services unit plays a major role in managing the Group's image and reputation. Key functions include marketing and communications.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.3.2 Reputational risks (continued)

Impact evaluation

The level of inherent reputational risk is considered high and the aggregate reputational risk management systems in place are acceptable, hence the overall composite reputational risk is moderate. The direction of the risk is stable.

The continued delay in the resolutions of the ZB Group shareholders' issues is heightening the reputational risk of the Group due to negative market perception.

The ZB Group has in place a Marketing Committee to oversee reputational risk, among other deliverables, including policy direction and guidance on brand visibility, innovation, new product development, product profitability and pricing.

Strategies for management through mitigation

The Group manages this risk through staff training and development, regular and independent audits.

Monitoring and controlling mechanisms

Any losses incurred are reported to the Board Audit, Board Risk and Board Executive Committees. Lessons learnt are used in staff training to avoid recurrences.

Adequacy and effectiveness of the risk management system

The management system for legal, reputational and compliance risks is adequate and effective and all staff members adhere to the system.

38.3.3 Technological risk

Definition

Technology risk stems from risks associated with misalignment with business strategy; an uncoordinated or inefficient information technology (IT) strategy; failure of projects to deliver desired change, data protection and information privacy; effects of physical disasters on information systems; IT outsourcing, IT performance and information systems governance.

Information technology risk deals with the management of all risks associated with the ownership, involvement, operation, influence, adoption and use of IT at the Group.

Identification techniques

An Information Technology Committee which reviews developments and proposes enhancements to the technological platform is in place. The Group also has Business Continuity Plans (BCP) and Disaster Recovery Plans (DRPs) and these are tested and maintained up to date. Access to computer systems is restricted to authorized personnel through a hierarchy of authority levels. A comprehensive information security policy drives and guides every aspect of acquisition and use of information technologies.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.3.3 Technological risk (continued)

Impact evaluation

The level of inherent IT risk is considered high and the aggregate IT risk management systems in place are acceptable, hence the overall composite IT risk is moderate. The direction of the risk is increasing.

The Group's exposure to IT risk has been heightened by the unavailability of foreign currency to acquire new technologies and payment for software licenses.

Measurement methods

The Group measures the risk through setting and monitoring the maximum tolerance limits for system downtimes, ensuring that the reports are available at the appropriate times and generally that operational efficiency is being achieved. An enterprise wide risk management framework identifies and measures each domain of information technology risk, appropriating the level of inherent risk and the direction.

Strategies for management/mitigation

The Group manages this risk through continuous learning and staff development, regular and independent audits. Issues are also escalated to system vendors in accordance with the service level agreements in place and these are resolved expeditiously. Further, the Group updates BCPs and DRPs regularly and also conducts business continuity and disaster recovery simulations annually. The information technology policy document is reviewed, updated and shared on a regular basis, in view of the on-going changes in IT.

Monitoring and controlling mechanisms

The deadlines for the production of all reports are monitored strictly. Any system breakdowns are attended to and reported promptly to ensure that appropriate corrective action is instituted. The Group constantly reviews new technologies and adopts them where appropriate. All computer rooms are temperature controlled and well ventilated. Access is restricted to authorized persons only. There are various levels of access to the system based on the seniority of the officers concerned.

Adequacy and effectiveness of risk management systems

The management system for identifying, monitoring and controlling technological risk is adequate and effective and all staff members adhere to the system.

38.3.4 Solvency risk

Definition

Solvency risk is the risk that the Group may incur liabilities that are far in excess of its ability to pay leading to financial distress.

Identification techniques

The Group strictly monitors the assets and liabilities and has set limits to the liabilities that can be incurred and the placements arising there from. The loan/deposit ratio is monitored regularly and corrective action instituted where appropriate.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.3.4 Solvency risk (continued)

Impact evaluation

The Group considers this risk as moderate as there are adequate systems of identifying, monitoring and controlling solvency risk. However, funding pressures remain pronounced whilst revenue expansion, as source of funding, is constrained.

Measurement methods

The Group measures this risk through setting maximum levels for loan/deposit ratios and reviewing the relationship between liabilities and assets through maturity profiles and term structures.

Strategies for management/mitigation

The Group manages the risks through setting limits for the loan/deposit ratio and ensuring that these limits are not exceeded.

Adequacy and effectiveness of risk management systems

The management system for identifying, monitoring and controlling solvency risk is adequate and effective and all staff members adhere to the system.

38.3.5 Underwriting risk

Definition

Underwriting risk in reinsurance business is the probability of losses incurred in a given reinsurance period exceeding premium in the corresponding period. On the other hand in life assurance business underwriting risk is the risk that the actual exposure to mortality and disability risks will exceed the best estimate of the statutory valuator, thereby causing financial loss.

Impact evaluation

The underwriting risk in reinsurance business would only materialize in the case of a catastrophe. The risk in case of a catastrophe has been reinsured and is limited to ZW$75 000 (2018: ZW$75 000) and concentration of insurance risk is in fire and motor classes, as management consider these classes to be profitable. There is no concentration of risk in terms of exposure to single customers.

Measurement methods

In life assurance business, all applications for life and disability cover are assessed using sound underwriting techniques and methods, including HIV testing, where necessary. Mortality and disability investigations are periodically carried out and actuarial assumptions are adjusted accordingly.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.3.5 Underwriting risk (continued)

Strategies for management/mitigation

In reinsurance business, this is normally mitigated by the purchase of reinsurance from the London insurance market annually. All mortality and disability risks above periodically determined retention levels are reassured with professional reassurance firms.

Details of underwriting risk in reinsurance business are as follows:

	Inflation adjusted		Historical cost	
	31 Dec 2019 ZW$	31 Dec 2018 ZW$	31 Dec 2019 ZW$	31 Dec 2018 ZW$
GROUP				
Total insurance risk before retrocession	6 000 000	37 269 323	6 000 000	6 000 000
Retroceded risk	(5 000 000)	(31 057 769)	(5 000 000)	(5 000 000)
Insurance risk after reinsurance	1 000 000	(6 211 554)	1 000 000	1 000 000

38.4 Risk rating

38.4.1 Regulatory risk rating

The Reserve Bank of Zimbabwe conducts regular offsite and onsite examinations of the institutions that it regulates. The last on-site examination of the Group was concluded on the 9th of December 2014 using data as at 30 September 2014.

Being a Bank Holding Group (BHG), the condition of ZB Financial Holdings Limited was assessed using the RFI/(C)D rating system which is an acronym for **R**isk Management; **F**inancial Condition; Potential **I**mpact of the parent Group and non-depository subsidiaries on the subsidiary depository institutions; **C**omposite rating based on an evaluation and rating of its managerial and financial condition; and assessment of the subsidiary **D**epository institutions.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.4.1 Regulatory risk rating (continued)

ZB Bank Limited and ZB Building Society were assessed using the Risk Assessment System (RAS) and the CAMELS [5] rating model.

The individual components of the rating systems were rated as follows:

RFI/(C)D/CAMELS/CEFM Component	Latest Rating	
	ZB Bank	ZB Building Society
Capital Adequacy	4	4
Asset Quality	4	2
Management	3	3
Earnings	4	3
Liquidity and Funds Under Management	2	2
Sensitivity to Market Risk	2	2
Composite rating	**4**	**3**

Key: 1 = Strong; 2 = Satisfactory; 3 = Fair; 4 = Weak; 5 = Critical

Summary of Risk Assessment

RAS Component	Latest Rating	
	ZB Bank	ZB Building Society
Aggregate inherent risk	High	Moderate
Quality of aggregate risk management systems	Acceptable	Acceptable
Overall composite risk	High	Moderate
Direction of overall composite risk	**Increasing**	**Stable[4]**

Overall Risk Matrix – ZB Bank Limited

Type of Risk	Level of Aggregate Inherent Risk	Adequacy of Aggregate Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit Risk	High	Inadequate	High	Increasing
Liquidity Risk	Moderate	Acceptable	Moderate	Stable
Interest Rate Risk	Moderate	Acceptable	Moderate	Stable
Foreign Exchange Risk	Low	Acceptable	Low	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Increasing
Operational Risk	High	Acceptable	Moderate	Stable
Legal & Compliance Risk	High	Inadequate	High	Increasing
Reputational Risk	High	Acceptable	High	Stable
Overall Risk	**High**	**Acceptable**	**High**	**Increasing**

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[4] "CAMELS" stands for Capital Adequacy Asset Quality Management Earnings, Liquidity management and Sensitivity to market risk

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.4.1 Regulatory risk rating (continued)

Overall Risk Matrix – ZB Building Society

Type of Risk	Level of Aggregate Inherent Risk	Adequacy of Aggregate Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit Risk	Low	Acceptable	Low	Stable
Liquidity Risk	Moderate	Acceptable	Moderate	Stable
Interest Rate Risk	Moderate	Acceptable	Low	Stable
Foreign Exchange Risk	Low	Acceptable	Low	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	Moderate	Acceptable	High	Increasing
Legal & Compliance Risk	High	Weak	High	Increasing
Reputational Risk	Moderate	Acceptable	Moderate	Stable
Overall Risk	**Moderate**	**Acceptable**	**Moderate**	**Stable**

Interpretation of risk matrix

Level of Inherent Risk

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

Moderate - could reasonably be expected to result in a loss which could be absorbed by a banking institution in the normal course of business.

High - reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the institution.

Adequacy of Risk Management Systems

Weak - risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written policies and procedures.

Acceptable - management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognized and are being addressed. Management information systems are generally adequate.

Strong - management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place. The policies comprehensively define the bank's risk tolerance, responsibilities and accountabilities are effectively communicated.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

38.4.1 Regulatory risk rating (continued)

Overall Composite Risk

Low - would be assigned to low inherent risk areas. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk.
Moderate - risk management systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organization.
High - risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the bank's overall condition.

Direction of Overall Composite risk

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

38.4.2 External credit ratings

Some of the Group's significant trading companies subscribe to an internationally recognised rating agency, Global Credit Rating Group (GCR) and the ratings for the last three (3) years were as follows:

Long-term debt rating scale:

Entity	2019	2018	2017
ZB Bank Limited	BB	BB	BB-
ZB Building Society	B-	BB-	BB
ZB Reinsurance Company	BBB	A-	A-

The ratings for ZB Bank Limited and ZB Building Society expire in September 2020, whilst the rating for ZB Reinsurance expires in May 2020.

39. COMPLIANCE WITH REGULATIONS

39.1 Regulatory capital requirements

Commercial banks and building societies in Zimbabwe were required to maintain a minimum capital level of ZW$25 million and ZW$20 million respectively as at 31 December 2019. ZB Bank Limited and ZB Building Society (ZBBS) met this requirements as at 31 December 2019.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

39.2 Corrective orders and regulatory penalties

The Company was issued with a corrective order on 7 March, 2017 following a targeted corporate governance inspection by the Reserve Bank of Zimbabwe (RBZ) in terms of Section 48(4) of the Banking Act (Chapter 24:20).

A compliance review was carried out in March, 2018 and noted progress made as well as residual matters that still require further action by the company.

The company has made significant progress in addressing outstanding matters and has kept the RBZ abreast with progress being made.

39.3 Other compliance issues

The directors are not aware of any other material cases of non-compliance with regulations governing the operations of all companies within the Group.

40. SUBSEQUENT EVENTS

The Monetary Policy Committee of the Reserve Bank of Zimbabwe, at its meeting of 17 January 2020, revised minimum capital requirements for banking institutions with effect from 31 December 2020. The revised limit for Tier 1 Banks is the ZW$ equivalent of US$30m, reckoned with reference to the exchange rate ruling at that time.

The Group currently has two active banking licenses under ZB Bank Limited and ZB Building Society. Intermarket Banking Corporation Limited is currently inactive. The Group intends to merge its banking entities as part of its capital management plan which also envisages organic growth and the retention of reserves as other ways through which future capital requirements will be met.

The continued devaluation of the Zimbabwe Dollar and performance risks related to COVID-19 may have a negative impact on the Group's capital plan. The impact of COVID-19, as described in more detail in note 41, was not yet known as at the reporting date, and will not have an adjusting effect on the financial statements as at 31 December 2019 as this only occurred after the reporting period. The Group is unable to reliably estimate the impact of COVID-19 on the future results of the Group.

Notices to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2019

41. GOING CONCERN

The Board undertakes regular rigorous assessment of whether the Group is a going concern in the light of current economic conditions and all available information about future risks and uncertainties.

The projections for the Group have been prepared, covering its future performance, capital and liquidity for a period of 12 months from the date of approval of these financial statements including performing sensitivity analyses. These analyses have been updated to include the ongoing developments related to the COVID-19 pandemic which has been declared a global health and societal emergency by the World Health Organisation and a state of national disaster by the Government of Zimbabwe.

In response to the virus pandemic, the Government of Zimbabwe, through Statutory Instrument (SI) 83 of 2020 (Public Health (COVID-19 Prevention, Containment and Treatment) (National Lockdown) Order, 2020) implemented a nationwide lockdown for an initial period of 21 days from 30 March, 2020 to 19 April 2020. Periodic reviews of the lockdown and trade restrictions have been undertaken with formal commercial and industrial sectors having been allowed to resume operations from 4 May, 2020 subject to them meeting prescribed minimum safety and health conditions.

The future impact of the virus pandemic on the Group's operations will depend on the extent to which its partners and customers have been affected.

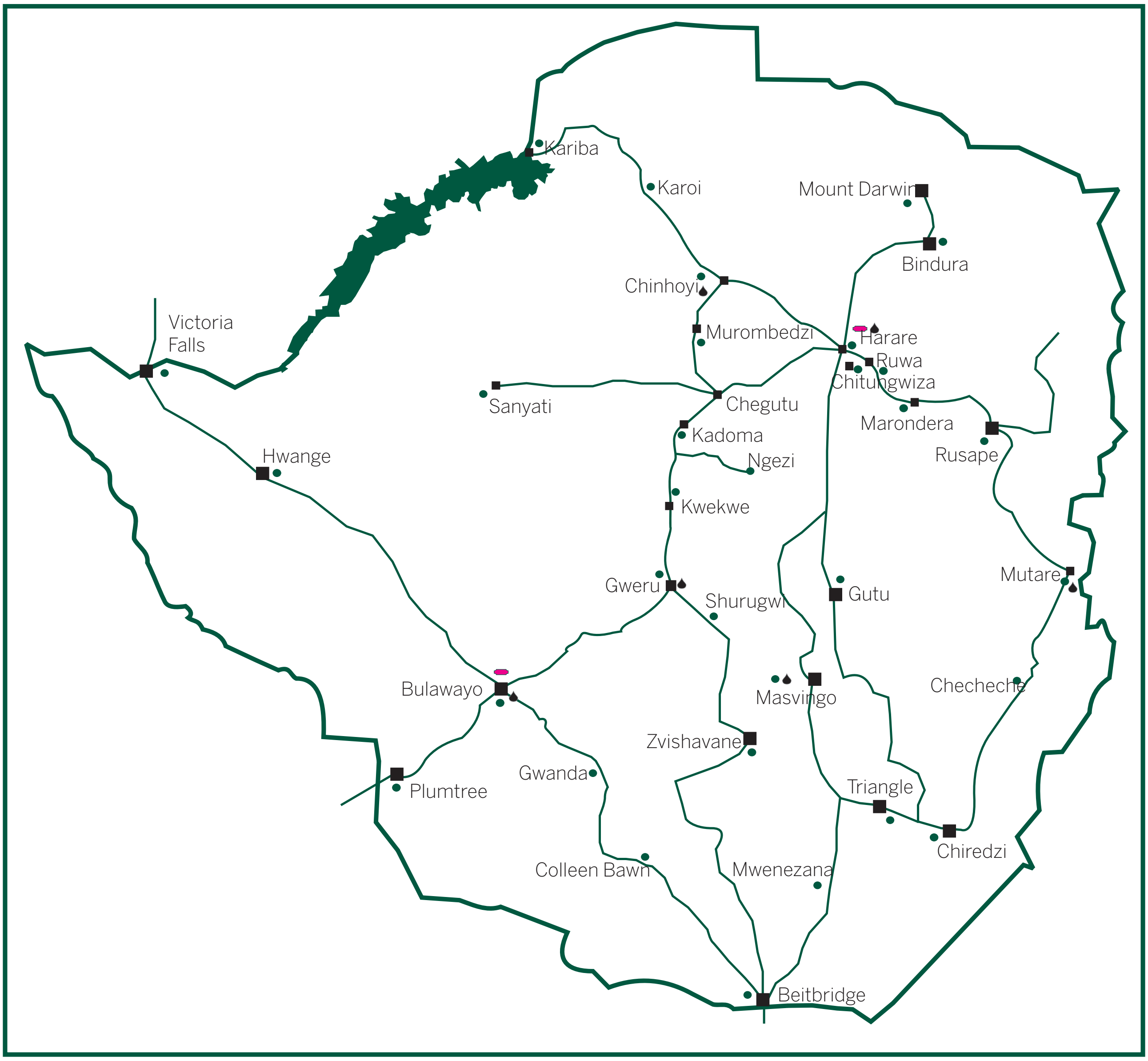
Whilst the full COVID-19 impact is yet to unravel, risks in the following areas have been assessed as having increased:

a) Credit Risk – changed operating models and market dynamics may affect the ability of borrowers to service their obligations. The Group may consider loan forbearance to mitigate against the risk of loss. Probability of default computations done by the Group may need to be recalibrated in order to take account of new credit performance patterns. This is likely to affect computed expected losses in the future.
b) Liquidity Risk – mismatches may arise between assets and liabilities due to changed business models for the suppliers of critical funding. The Group is forced to maintain a significant liquidity buffer in the short-term and this may affect asset creation activities;
c) Insurance Risk – funeral insurance claims may increase beyond normal levels as a result of COVID-19-related deaths. Current claims levels have been in line with expected trends.
d) Market risk – the valuation of equity investments maybe affected through an unfavourable underlying performance fundamentals as a result of COVID-19. This may have an effect of reducing the carrying value for investments designated as fair value instruments. The Group does not hold any derivative instruments which may be exposed to secondary risks related to CIVID–19. Additionally, there may be a market wide requirement to re-price instruments which may affect the Group's investment portfolio of interest rate sensitive instruments. This may result in a repricing gap between assets and liabilities. The Group's interest sensitive liabilities were higher than interest sensitive assets as at 31 December 2019. A market wide increase in interest rates is likely to reduce the Group's net interest earnings in the short-term.

Based on preliminary assessments the Board believes that the Group is likely to achieve its performance, capital and liquidity targets for the year 2020. Consequently, the financial statements for the year ended 31 December 2019 have prepared on a going-concern basis.

ZB Financial Holdings Group Footprint

For the year ended 31 December 2019



KEY

● Banking operations

▬ ZB Reinsurance

▲ ZB Life Assurance

NB: Banking operations include both ZB Bank and ZB Building Society.

ZB Financial Holdings Group Footprint (continued)

For the year ended 31 December 2019

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ZB Financial Holdings Group Footprint (continued)

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Fax: (04) 752211

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ZB Financial Holdings Group Footprint (continued)

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Mwenezi
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ZB Financial Holdings Group Footprint (continued)

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Avenue
Harare
Tel: (04) 253758 / 253059
Cell: 0773 668 818
Fax: (04) 702233
Website: www. zbbs.co.zw

ZB Financial Holdings Group Footprint (continued)

For the year ended 31 December 2019

ZB REINSURANCE

Head Office

Finsure House
5th Floor
Sam Nujoma Street/Kwame Nkrumah Avenue
P O Box 2594
Harare
Telephone: 759735-7
Facsimile: 751877
E-mail: info@zbre.co.zw
Website: www.zb.co.zw

Bulawayo Office

2nd Floor ZB Centre
9th Avenue
Bulawayo
Tel: (09) 65631/3
Fax: (09) 71002
E-mail: info@zbco.zw
Website: www.zb.co.zw

ZB CAPITAL (PRIVATE) LIMITED

21 Natal Road
Avondale
Harare
Tel: +263 (0) 8677002001
Fax: +263 (04) 251029

ZB TRANSFER SECRETARIES (PRIVATE) LIMITED

21 Natal Road
Avondale
Harare
Tel: +263 (0) 8677002001
Fax: +263 (04) 251029

Proxy Form

For the year ended 31 December 2019

I/We ....

....

of..

.... being (a) member(s) of ZB Financial Holdings Limited entitled to ....

.... votes/shares held, do hereby appoint ....

............................or failing whom, the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of members of the Company to be held in the Boardroom, Ground Floor, 21 Natal Road, Avondale, Harare, on Thursday 30 July 2020, commencing at 1030hrs, and any adjournment as follows:

ORDINARY BUSINESS

Resolution Number	Type of Resolution	Provision of the Resolution	In favour of	Against	Abstain
1	Ordinary	To receive, consider, and adopt if deemed appropriate, the financial statements and the reports of the directors and auditors for the year ended 31 December 2019.			
2	Ordinary	To confirm the final dividend of ZW6.49 cents per ordinary share as recommended by the board.			
3	Ordinary	3.1 To elect the following directors who retire by rotation in terms of Article 68 of the Company's Articles of Association; and, having been elegible, offered themselves for re-election. Unless otherwise resolved, the election of the directors will be done by separate resolution for each director:			
		i) O. Akerele			
		ii) P. B. Nyoni			
4	Ordinary	To approve the remuneration of Directors for the past financial year. The total remuneration for the Directors of the Company in 2019 amounted to ZW$125 654 (2018:- ZW$58 572).			
5	Ordinary	5.1 To approve the fees paid to Deloitte & Touche (Zimbabwe), the Company's Auditor for the past financial year, in terms of Article 112 of the Articles of the Company;			
		5.2 To note the retirement of Deloitte & Touche (Zimbabwe) as Auditor of the Company in compliance with Section 41(4) of the Banking Act [Chapter 24:20]; and			
		5.3 To approve the process for the appointment of a new Auditor of the Company.			

SPECIAL BUSINESS

Resolution Number	Type of Resolution	Provision of the Resolution	In favour of	Against	Abstain
6	Special	To consider, and if deemed appropriate, to pass with or without amendment, the following special resolutions: 6.1 Amendment of the Company's Articles of Association to substitute any reference to "the Companies Act" with "the Companies and Other Business Entities Act"; and			
		6.2 Amendment of the Company's Articles of Association to allow for electronic communication with shareholders and the holding of virtual meetings of members.			

Proxy Form (continued)

For the year ended 31 December 2019

ANY OTHER BUSINESS

7	Ordinary	To transact any other business as may be transacted at an Annual General Meeting.

Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If no indication is given, the proxy will vote or abstain at his/her own discretion.

Signed at .... on the .... day of ....2020.

Full name(s) ....

Signature(s) of member(s) ....

NOTES:

i. Appointment of a Proxy

In terms of the Companies and Other Business Entities Act (Chapter 24;31), a member entitled to attend, speak and vote at a meeting is entitled to appoint a proxy to attend, speak and vote in his / her stead.

The proxy form must be delivered to the registered office of the Company not less than 48 hours before the meeting is scheduled to commence.

A proxy need not be a member of the Company.

ii. General Information

a) The minutes of the last Annual General Meeting held on 28 June 2019 are available for inspection at the Company's registered office.

b) Electronic copies of the Company's 2019 Annual Report comprising of the Directors' Report, the Independent Auditor's Report and the Consolidated and Company's financial statements for the year ended 31 December 2019, can be accessed on the Company's website https://www.zb.co.zw/investor-updates/. Copies have been emailed to shareholders whose e-mail addresses are on record.

c) In light of the COVID-19 outbreak in the country and in compliance with Statutory Instrument 83 of 2020, Public Health (COVID-19) Prevention, Containment and Treatment [National Lockdown Order] 2020, as amended, all requisite steps will be taken to protect the health and safety of shareholders and attendees including the following:
   i) Entry to the venue will be restricted to the number permissible at law and seating will be arranged appropriately;
   ii) Temperature checks and hand sanitization will be conducted at point of entry;
   iii) No one will be permitted entry without a mask;
   iv) Contact details of attendees will be collected in order to facilitate contact tracing in the unlikely event of infections;
   v) In order to reduce social contact,we regret that no refreshments will be served at the meeting; and
   vi) Attendees are encouraged to minimise interactions before and after the meeting.

d) Physical attendance will be difficult for some shareholders and non shareholder attendees due to the above. The Company will therefore facilitate electronic participation at the meeting for any such affected members, subject to the requirement that any voting for such members must be through a duly executed form of proxy to be received by the company in the manner prescribed under the "Appointment of a Proxy" section above.

Members requiring log on credentials or any other assistance with regard to electronic participation at the meeting should contact ZB Transfer Secretaries on 08677002001 or 0242 2934 585. In the alternative, e-mails can be sent to Mr Robert Mutakwa (rmutakwa@zb.co.zw) or Mr Samuel Chatitima (schatitima@zb.co.zw).