First Capital BANK

In association with BARCLAYS

First Capital Bank Limited
Annual Report
For the year ended 31 December 2019

Contents

Directors' Responsibilities and Approval

The Directors are responsible for overseeing the preparation, integrity and objectivity of the annual financial statements that fairly present the state of the affairs of First Capital Bank Limited ("the Bank") at the end of the financial year and the net income and cash flows for the reporting period, and other information contained in this report.

To enable the directors to meet these responsibilities:

- All directors and employees endeavour to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that in all reasonable circumstances is above reproach;

- The Board sets standards and management implements systems of internal control and accounting and information systems aimed at providing reasonable assurance that both on and off statement of financial position assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties;

- The Board and management identify all key areas of risk across the Bank and endeavour to mitigate or minimise these risks by ensuring that appropriate infrastructure, controls, systems and discipline are applied and managed within predetermined procedures and constraints;

- The internal audit function reports directly to First Capital Bank Limited Audit Committee Chairman and it operates unimpeded and independently from operational management, appraises, evaluates and, when necessary, recommends improvements to the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business; and

- The internal auditors play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of their knowledge and belief, based on the above, the Directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.

The Bank consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis. The financial statements of the Bank have been prepared in accordance with the provisions of the Zimbabwe Companies Act (Chapter 24:03), the Zimbabwe Banking Act (Chapter 24:20), all applicable legislation and in accordance with International Financial Reporting Standards (IFRS). However compliance with International Financial Reporting Standards (IFRS), could not be fully achieved due to non-compliance with International Accounting Standard 21 Effects of Changes in Foreign Exchange Rates (IAS 21). Refer to note 2.1(c) for the detailed disclosure.

Going concern

Going concern assessment was performed taking into account the forecasts, current economic conditions and resources that are available for the Bank to manage the financial and operational risks and adapting its strategy to economic changes.

The directors have no reason to believe that the Bank will not be a going concern in the reporting period ahead. These financial statements have accordingly been prepared on this basis.

It is the responsibility of the independent auditors to report on the annual financial statements. The auditors' report to the shareholders of the Bank is set out on pages 14 to 17 of this report.

The Directors' report on page 8 and the annual financial statements of the Bank which appear on pages 19 to 74 were approved by the Board of Directors on 25 March 2020.

Preparation of annual report

This annual report has been prepared under the supervision of the Chief Finance Officer, Taitos Mukuku CA (Z) PAAB Registered Accountant No.0281.

Chairman's Statement

The macroeconomic environment

The economic landscape was characterised by the change of currency, the flotation of the exchange rate, and the move from multi-currency to mono currency with the consequential inflationary impact. Continuing shortages of foreign currency and other commodities impacted GDP growth for 2019 which is forecasted to decline by 6.5% whilst manufacturing capacity utilisation is registered at just 27%.

The depreciation of the Zimbabwe dollar from 2.5 to 16.77 against the US$ by year end resulted in significant cost inflation as the economy adjusted to the new currency.

The structural currency changes resulted in annual inflation of +500%, impacting the cost of living for an average family relative to their level of income, with salary adjustments lagging inflation. This resulted in increased credit risk at both personal and corporate level.

From a business perspective interest rates remained subdued in the first half and well below inflation with increases starting to come in the second half of the year. Most local operating costs are linked to the informal exchange rate. This together with rising IT costs also in US dollars resulted in significant cost increases.

Internally, this was a year of transition for the Bank. The first half was characterised by the transition of the Bank's systems from legacy Barclays systems to First Capital Bank systems, while through the second half, we continued to stabilise systems as well as grow our liabilities and loan book.

The Bank's capital, liquidity position and quality of loans

The Bank remains on a strong base in terms of liquidity and capital adequacy ratios. The liquidity ratio was 55% compared to the 30% regulatory minimum. Similarly capital adequacy at 26% was well above the minimum threshold of 12% showing the capacity of the Bank to underwrite more loans. In the current environment the inherent credit risk continues to be high and the Bank continues to be focused on prudential lending practices, with our non - Performing Loan ratio (NPL) being closely managed at less than 1%.

In order to strengthen the Banking sector's capacity to do more business in the new currency environment and absorb any economic shocks the Reserve Bank of Zimbabwe increased the minimum capital to US$30 million by December 2020. The Bank is currently developing a plan to ensure that it meets the capital requirements as prescribed.

Earnings

The Bank registered a loss after tax of ZWL163 million in hyperinflation adjusted terms and a profit of ZWL264 million in historical terms which translates to inflation adjusted earnings per share of ZWL(7.57) and historical ZWL12.26. This result was achieved with significant contribution coming from fair valuation of investment properties on the back of rising operating costs, exchange loss on the net open position and subdued interest rates.

Governance

The Bank remains committed to the highest standards of corporate governance, over and above compliance with the requirements of the Reserve Bank of Zimbabwe, the Deposit Protection Board, the Zimbabwe Stock Exchange and other regulators. The Board composition and structure of its committees continues to reflect these aspirations.

Board changes

During the period under review Mrs. Emma Fundira retired from the Board in the second quarter after serving her full 10-year period. In addition, Mr. Sydney Mtsambiwa and Mr. Busisa Moyo resigned from the Board in the fourth quarter after serving the Board for four years.

On behalf of the Board, I would like to thank Mr. Sydney Mtsambiwa, Mrs. Emma Fundira and Mr. Busisa Moyo for their immense contribution during their tenure on the Board and through the migration from Barclays PLC to First Capital Bank. Special thanks to Mr Mtsambiwa for guiding the Board through this transition period.

Mr. Kevin Terry was appointed to the Board as a non-executive director in the fourth quarter and Mr. Kiritkumar Naik was appointed to the Board in the first quarter of 2020. We look forward to the valuable insights and experience they will bring.

At the executive level Mr. Samuel Matsekete left the Bank to pursue other opportunities after serving the Bank for more than 13 years, two of which were as Managing Director. We wish him well in his new endeavours. In the interim Mr. Ciaran McSharry ,the Group Chief Financial Officer was appointed as the Acting Managing Director with effect from 28 October 2019.

Mr. Taitos Mukuku was appointed to the Board as the Chief Financial Officer and Executive Director with effect from 1 October 2019.

Empowering communities

The Bank remains committed to its social investment programmes through empowering youths and colleague volunteerism activities, with employees giving over 3000 hours impacting 900 youths through the period. In addition, the Bank is committed to our "make a difference" campaign as part of our commitment to good corporate citizenship.

Appreciation

This has been an immensely challenging operating environment for the Bank, customers and colleagues mainly due to inflationary pressure, shortages of foreign currency, goods and services. Besides the challenging economic environment, the Board continued to monitor the Bank's strategy closely especially the systems migration from legacy Barclays systems to First Capital Bank systems. Colleagues worked tirelessly to ensure the migration was successful, in addition to remaining resolute in serving customers through the migration and the post implementation issues which the Bank faced.

I take this opportunity to express my appreciation to Board members and colleagues for their achievements in the period under review. On a similar note I also extend my appreciation to our valued customers for their support and for continuing to stand with us during and post the migration of our systems.

Board priorities going forward

Looking ahead the macro economic environment is expected to continue to be difficult. The Bank will continue to focus on shareholder value and capital preservation strategies to meet the US$30m minimum capital requirement, while maintaining prudential lending practices, and at the same time focusing on increasing our market share for deposits, loans and revenue. The above focus takes cognisant of the impact of corona virus on the Bank, customers and colleagues. The Bank is taking various measures to minimise the impact on customers, colleagues and the earnings of the Bank.

Dividend

Although the Bank made a historical profit during the financial year, considering the increased capital requirement the Board has concluded that the Bank will not be declaring a dividend for the period under review.

P. Devenish
Chairman
25 March 2020

Managing Director`s Review of Operations

This year was characterized by a volatile macro-economic environment, with the floating and consequent devaluation of the exchange rate, multiple statutory instruments, and consequent hyper inflationary pressure.

Business highlights
Operationally, the year can be split in two halfs, with the first half of the year being marked by the successful migration of systems including our core banking platform and ancillary systems. Having completed this in the first half, the second half was focused on system stabilisation and maintenance together with building sustainable growth in our core business.

Whilst overall performance was undoubtedly impacted by the migration process we did manage to register significant growth in our Commercial and Retail businesses, building momentum into 2020.

Financial performance
Changes in the economic environment, relating to currency and inflationary impact, make the comparability of current year financial information with prior year difficult given the difference in the basis of measurement.

The Bank registered growth on the statement of financial position mainly driven by deposits both in local and foreign currency. RTGS deposits grew by more than 74% to ZWL879million, which were fully deployed into loans. The RTGS loan book grew by 200% to ZWL622million, with the growth in loans largely in quarter three and quarter four, covering the key productive sectors including agriculture, manufacturing and mining.

The Bank continues to maintain a quality loan book with a loan loss ratio of 2.78% (2018:1.27%), the increase reflecting the growth in the loan book. At the same time our non-performing loans ratio "NPL ratio" remained below 1% compared to prior year.

Our new core banking system has enabled the Bank to enhance existing products such as the introduction of ZIPIT send, whilst at the same time introducing new products like Ecocash. The transactional volumes were stable during the migration period as well as post migration. The growth in non-funded income has largely been driven by new products and transactional price increases.

Adverse audit opinion and compliance with IFRS
The Bank received an adverse audit opinion for 2019 financial results. This relates to prior year and is due to the impact of the introduction of the new currency RTGS dollar as part of the February Monetary Policy Statement, combined with the impact of the separation of Nostro and RTGS accounts in October 2018. While under international accounting standards, accounting for the change in currency would have been with effect from 1 October 2018, S.I 33 of 2019 mandated that all accounts up to 22 February 2019 should be reported at the effective exchange rate of 1:1. As directed, the legal requirement was followed in this regard resulting in an adverse audit opinion since compliance with International Accounting Standards could not be fully achieved due to non-compliance with IAS 21.

The legal requirement to follow S.I. 33 of 2019 has a significant consequent impact on the 2018 comparative balances. Refer to 2.1(c) for the detailed disclosure.

Our products and services
Through the second half colleagues focused efforts saw the continued stabilisation of core-banking systems, enhancing the customer experience journey through the unlocking of new product capabilities. This investment brings new and improved product features such as Ecocash, Zipit Send and Receive, Mobile APP and internet banking, in a convenient and secure environment in line with our customer and client expectations. We continue to develop Commercial products to focus on the key productive sectors namely Loyalty Lending, among others that guarantee peace of mind in daily business operations.

Commitment to human capital
Our dedicated and trained colleagues form the bedrock of our Brand and remain key to our business operations. Our long-term business view encourages us to invest in young talent, annually through our Graduate Trainee and Undergraduate Student Internship programs. To date we have enrolled over 150 young people who have formed the base of our talent pool, and provide us with a foundation of talent for the future. Both programmes offer a unique workplace experience for the students covering education, quality training and providing the right skills that match the labour market demand.

This year has been a challenging year for all our colleagues, and we have worked hard to cushion and support staff through the challenging economic environment, trying to achieve the correct balance between the demands of the business and cushioning colleagues.

Good citizenship
At First Capital Bank, we acknowledge and embrace the interdependence that exists between the Bank and the communities that we serve. In this we are guided by our values, notably to 'Be a Good Corporate Citizen' and being a responsible business. We achieve this through empowering youth, driving economic development and wealth creation through alliances with strategic partners, while also encouraging employee participation. Our focus remains on education and skills, enterprise development and inclusive banking, partnering with our long-term affiliates namely Zimbabwe Farmers Union, BOOST Fellowship and Junior Achievement Zimbabwe.

Overall youth beneficiaries under our partnerships are over 4 500 and were impacted through skills transfer namely business development, supply chain, financial management, work readiness and people skills. The annual employee volunteerism framework under the same pillars saw a total of 3093 hours impacting over 9000 youth beneficiaries in the period under review. The second half of the year saw the launch of an online platform on social media designed to support, train and allow women SME's to network, as a part of our financial inclusion agenda. With over 20 000 female SMEs, the platform will continue to upskill women and allow them access to information.

Geared for the future
Our long-term view is to focus on sustainable growth, working in partnership with our customers and aligning with their expectations. With the migration and investment in our new systems providing the foundation, we will continue to invest in digital systems and solutions. This will provide the platform to build innovative products and solutions and provide more convenience for our customers.

I would like to take the opportunity to acknowledge the challenges some customers and clients have faced in the system migration and extend our gratitude and appreciation for their patience and understanding during the course of our core banking system roll-out. We look forward to providing you with innovative products and services in the near future.

Ciaran McSharry
Acting Managing Director
25 March 2020

Directors' Report

Financial statements

The Directors of the Bank are pleased to submit their report to shareholders for the financial year ended 31 December 2019.

Share capital

No employees exercised share options during the year ended 31 December 2019. The number of shares issued and fully paid up as at 31 December 2019 was 2 156 720 176 (2018:2,156,720,176). The annexed annual financial statements disclose the results of First Capital Bank Limited's operations during the year. The directors have deemed it prudent not to declare a dividend for the year ended 31 December 2019.

Directorate

Re-election of directors

The following re-elections were confirmed by shareholders in the Annual General Meeting held on 10 May 2019:
Mr. B. Moyo and Mrs. T. Moyo were re-elected by the shareholders, having retired by rotation, and being eligible, offered themselves for re-election.

Board changes

Mrs Emma Fundira retired from the Board on 10 May 2019.
Mr Kevin Terry was appointed to the Board on 16 October 2019.
Mr Busisa Moyo resigned from the Board on 31 October 2019.
Mr Sydney Mtsambiwa resigned from the Board on 5 December 2019.
Mr Patrick Devenish was appointed Chairman of the Board on 6 December 2019.
Mr Samuel Matsekete resigned from the Board on 31 December 2019
Mr Kiritkumar Naik was appointed to the Board on 3 February 2020.

As at 31 December 2019 the following were the directors of the Bank:

P. Devenish Independent Non - Executive Director Chairman
S. N. Moyo (Mrs) Independent Non - Executive Director
T. Moyo (Mrs) Independent Non - Executive Director
H. Anadkat Non - Executive Director
D. Dikshit Non - Executive Director
M. Twigger Non - Executive Director
K. Terry Independent Non - Executive Director
C. McSharry Acting Managing Director
T. Mukuku Chief Finance Officer

Directors' remuneration

Details of the directors' remuneration are contained in note 9 and 11 to the Financial Statements.

Directors' responsibility statement

The preparation and presentation of the annual financial statements of First Capital Bank Limited and all the information contained herein is the responsibility of the directors. The information contained in these financial statements has been prepared on the going concern basis and in accordance with provisions of the Companies Act [Chapter 24:03] as applicable to a financial institution registered in terms of the Banking Act [Chapter 24:20] as read with the Banking Amendment Act No. 12 of 2015. These financial statements have also been prepared in accordance with International Financial Reporting Standards. However compliance with International Financial Reporting Standards (IFRS),could not be fully achieved due to non-compliance with IAS 21. Refer to note 2.1 (c) for the detailed disclosure.

Auditors

At the 2019 Annual General Meeting, shareholders appointed Messrs Deloitte as auditors of the Bank until the conclusion of the next Annual General Meeting.

By Order of the Board

V. Mutandwa
Company Secretary
25 March 2020

Corporate Governance Statement

The Board of Directors of First Capital Bank Limited ("the Board/First Capital Bank") is committed to and recognises the importance of strong governance practices. The board understands that a comprehensive corporate governance framework is vital in supporting executive management in its execution of strategy and in driving long term sustainable performance. In order to achieve good governance, the Board subscribes to principles of international best practice in corporate governance as guided by, among others, the Banking Act, the Corporate Governance Guidelines, the National Code on Corporate Governance.

The Board continuously reviews its internal governance standards and practices, to ensure that it modifies and aligns them with local and international corporate governance requirements as appropriate. As part of its continuing efforts to achieve good governance, the Board promotes the observance of the highest standards of corporate governance in First Capital Bank and ensures that this is supported by the right culture, values and behaviours from the top down. First Capital Bank is committed to the principles of fairness, accountability, responsibility and transparency. To this end the Board, is accountable to its shareholders and all its stakeholders including the Bank's employees, customers, suppliers, regulatory authorities and the community from which it operates through transparent and accurate disclosures.

Directors Profile

Patrick Devenish Chairman (Independent Non - Executive Director)

Mr. Devenish is a former Chief Executive Officer of three public listed companies in Zimbabwe; SeedCo from 2002 to 2010, AICO Africa from 2010 to 2014 and most recently TSL Limited. He chairs the boards of the Tobacco Industry and Marketing Board and the Royal Harare Golf Club. He is also a Trustee of Blackfordby Agricultural College and Harare Sports Club. He is married with two adult children and has two grandchildren, his interests are golf, fishing, walking and cycling.

Sara Nyaradzo Moyo Independent Non - Executive Director

Mrs. Moyo is a registered legal practitioner, an IP Attorney and the Senior Partner of Honey & Blanckenberg Practitioners. Mrs. Moyo holds BL (Hons) and LLB degrees from the University of Zimbabwe. She is Vice Chairperson co – Chair of the Agriculture Law Committee Agricultural Law Section of the International Bar Association, a member of the Alternative Dispute Resolution and Legal Sub-Committee of the Zimbabwe National Chamber of Commerce and a contributor to the Zimbabwe Chapter of the Kluwer Manual on Intellectual Property. She is also a member of the Zimbabwe Energy Council and the Professional Women Executives and Business Women's Forum.

Tembiwe Moyo Independent Non - Executive Director

Mrs. Moyo is the Chief Executive Officer of Beitbridge Bulawayo Railway (Private) Limited. She is an Accountant and Chartered Secretary by profession and she holds a Masters in Business Administration (Nottingham Trent University, UK) and is an Associate member of the Chartered Institute of Administrators and Secretaries (ACIS). She is the Chairperson and Trustee of the Women in Agri-business in Sub-Sahara Africa Alliance (WASAA), a board member and President of the Southern Africa Railways Association (SARA), a shareholder representative of the NLPI Limited Group and a platinum member of the Professional Women, Women Executives and Business Women's Forum (PROWEB).

Hitesh Anadkat Non - Executive Director

Mr. Anadkat is a Non - Executive Director of FMBcapital Holdings Limited. He holds an MBA from Cornell University and a BSc Economics (Hons) from the University of London. Before returning to Malawi to establish FMB, he worked in Corporate Finance in the USA specializing in mergers, acquisitions and valuations. He holds directorships in four commercial banks (part of FMB Group) within the Southern African Region as well as Telecoms Networks (Malawi) Private Limited.

Dheeraj Dikshit Non - Executive Director

Mr. Dikshit is the Group Managing Director of FMBcapital Holdings Limited. He holds an MBA and a Bachelor of Commerce Degree. Prior to joining First Merchant Bank PLC, he worked for HSBC in different senior capacities. He has more than 26 years' working experience in Corporate and Commercial Banking as well as Retail Banking and Consumer Assets. He also holds Directorships in four commercial banks (part of FMB Group) within the Southern African Region.

Michael Twigger Non - Executive Director

Mr. Twigger is a Managing Director with the Barclays Group. He has over 30 years of banking experience which was gained in Commercial, Retail and Credit Card business across Europe, Africa, Asia and the Middle East within the Barclays Group.

Kevin Terry Independent Non - Executive Director

Mr. Terry currently chairs the Boards of St George's College, Childline Zimbabwe and EFT Services (Private) Limited. Kevin is also an Arbitrator with the Commercial Arbitration Centre of Zimbabwe. He holds a Bachelor of Laws Degree from the University of Zimbabwe and brings to the board a wealth of knowledge and experience in banking gained from his extensive career in the financial services sector.

Kiritkumar Naik Independent Non-Executive Director

Mr. Naik is the Managing Director of Rank Zimbabwe, a conglomerate in the stationery and plastics industry which also has an extensive real estate and equity portfolio. He holds an advanced diploma in Mechanical Engineering from City & Guilds Institute, London. He is a renowned entrepreneur with vast business leadership experience garnered from the various directorships he held for institutions such as TSL Limited, ART Corporation and Nicoz Diamond.

Ciaran McSharry Acting Managing Director

Mr. McSharry was appointed as the Chief Finance Officer of First Capital Bank Limited in May 2018 and subsequently as Acting Managing Director of the bank. He holds a Bachelor of Business Studies degree and is a member of Chartered Association of Certified Accountants. He brings a wealth of banking experience to the board having worked for over 20 years in the banking sector. He previously served as the Finance Director in different functions across the Barclays Group. He also held many high ranking roles at the Bank of America, Lloyds Banking Group and Total UK PLC.

Taitos Mukuku Chief Finance Officer

Mr. Mukuku was appointed Chief Finance Officer of First Capital Bank Limited with effect from 1 October 2019. Prior to his appointment, he held the position of Financial Controller. He is a qualified Chartered Accountant and trained for his articles with Price Waterhouse Coopers (PwC). He has over 15 years' experience served predominantly in the audit, financial services and telecommunications industries. He is a member of the Institute of Chartered Accountants (ICAZ) Accounting Practices Committee.

Board responsibilities
The Board is responsible for setting the strategic direction of the Bank as well as determining the way in which specific governance matters are approached and addressed, approving policies and plans that give effect to the strategy, overseeing and monitoring the implementation of strategy by management and ensuring accountability through among other means adequate reporting and disclosures. The Board is guided by the Board Charter in the execution of its mandate.

Board Chairman and non - executive directors
The Board of directors is led by an independent non-executive Chairman, whose primary duties include providing leadership of the Board and managing the business of the Board through setting its agenda, taking full account of issues and concerns of the Board, establishing and developing an effective working relationship with the Executive directors, driving improvements in the performance of the Board and its committees, assisting in the identification and recruitment of talent to the Board, managing performance appraisals for directors including oversight of the annual Board effectiveness review and pro-actively managing regulatory relationships in conjunction with management. In addition, the non-executive directors pro-actively engage with the Bank's management to challenge and improve strategy implementation, counsel and support to management and to test and challenge the implementation of controls, processes and policies which enable risk to be effectively assessed and managed.

The Chairman works together with the non - executive directors to ensure that there are effective checks and balances between executive management and the Board. The majority of the Board members are independent non-executive directors which provide the necessary independence for the effective discharge of the Board's duties and compliance with regulatory requirements.

Executive directors
The executive management team is led by the Managing Director. Management's role is to act as trustees of the shareholder's capital. Their main responsibilities include reporting to the Board on implementation of strategy, effectiveness of risk management and control systems, business and financial performance, preparation of financial statements and on an ongoing basis, keeping the Board fully informed of any material developments affecting the business.

Directors' remuneration
The Board Remuneration Committee sets the remuneration policy and approves the remuneration of the executive directors and other senior executives as well as that of the non - executive directors. The remuneration package of executive directors includes a basic salary and a performance bonus which is paid based on the performance of the Bank as well as that of the individual. The Bank also has in place a share option scheme, meant to be a long term retention incentive for employees.

Board diversity
The First Capital Bank Board recognises the importance of diversity and inclusion in its decision making processes. The Board is made up of four independent non-executive directors, three non-executive directors and two executive directors. Two members of the board (22%) are female. The Board members have an array of experience in commercial and retail banking, accounting, legal, corporate finance, marketing, business administration, economics, human resources management and executive management.

Access to information
Openness and transparency are key enablers for the Board to discharge its mandate fully and effectively. The non-executive directors have unrestricted access to all relevant records and information of the Bank as well as to management. Further, the board is empowered to seek any professional advice or opinion it may require to allow for the proper discharge of its duties.

Share Dealings / Insider trading
The directors, management and staff of First Capital Bank are prohibited from dealing in the Bank's shares whether directly or indirectly, during "closed periods" which are the periods that are a month before the end of the interim or full year reporting period until the time of the publication of the interim or full year results.

Further, directors, management and staff are prohibited from dealing in the company's shares whenever the company is going through certain corporate actions or when they are in possession of non-public information that has the potential of impacting the share price of the company.

Communication with stakeholders
First Capital Bank communicates with its stakeholders through various platforms including the Annual General Meeting, analyst briefings, town halls, press announcements of interim and full year financial results, notices to shareholders and stakeholders and annual reporting to shareholders and stakeholders. The Board and management of First Capital Bank also actively engage regulatory authorities including the Reserve Bank of Zimbabwe, the Zimbabwe Stock Exchange and the Deposit Protection Corporation.

Internal Audit
First Capital Internal Audit is an independent control function which supports the business by assessing how effectively risks are being controlled and managed. It works closely with the business helping drive improvements in risk management. This is done through reviewing how the business undertakes its processes as well as reviewing systems used by the business. The internal audit function reports its findings to management and guides them in making positive changes to business processes, systems and the control environment. The Internal Audit function also monitors progress to ensure management effectively remediates any internal control weaknesses identified as quickly as possible. The First Capital Bank Head of Internal Audit reports directly to the Chairman of the Board Audit Committee and administratively to the Managing Director.

Declaration of interest
The Board of First Capital Bank believes in the observance of ethical business values from the top to the bottom. To this end, the Board has in place a policy that manages conflict of interest including situational and transactional conflict. Directors disclose their interests on joining the Board and at every meeting of the directors they disclose any additional interests and confirm or update their declarations of interest accordingly.

Ethics
In our endeavour to instil a culture of sound business ethics, all employees and directors are requested to attest to an Anti - Bribery and Corruption declaration which essentially seeks to ensure that our directors, management and staff observe the highest standards of integrity in all their dealings and at all times. The Bank has a zero tolerance policy to bribery and corruption. In addition, the business has a whistle-blowing facility managed by Deloitte through which employees can raise any concerns they may have anonymously.

Director induction and development
Board conformance and performance is enhanced through continuous learning. As part of its learning program, the Board has in place a comprehensive induction plan for on-boarding new directors. During the second half of the year 2019, two Board members Messrs K. Terry and T. Mukuku joined the Board and went through the induction programme. Further, as part of continuing director development, Board members attend director training programs.

Board activities
The Board of Directors held eight board meetings in the year 2019 being four quarterly meetings one of which incorporated a strategy review meeting, a special board meeting and a board evaluation review meeting. Each board Committee held at least four quarterly meetings. The areas of focus included the setting of strategic direction, the review of strategy and business operations, credit sanctioning as per approved limits, review of internal controls and financial reports, review of the quality of the loan book, review and oversight of the Bank's risk management processes and oversight of the recruitment, remuneration and performance reviews of senior management. A table detailing director's attendance of meetings during 2019 is shown in the last part of this report.

Board and director evaluation
The Board conducts an annual evaluation process which assesses the performance and effectiveness of individual directors, the Board Chairman, Committees and overall performance of the Board. This process is facilitated by an external party to allow for objectivity. The evaluation process involves directors completing evaluation questionnaires and having one on one meeting with the facilitator. The results of the evaluation are collated, a report is produced and feedback provided to the Board. The Board also submits the evaluation report to the Reserve Bank of Zimbabwe. The Board conducted its evaluation for the year ended 2019 and a report was submitted to the RBZ. Board performance and evaluation was rated as strong by directors.

Board Committees
The Board has delegated some of its duties and responsibilities to sub-committees to ensure the efficient discharge of the Board's mandate. The ultimate responsibility of running the Bank however still remains with the Board. The subcommittees of the Board are regulated by terms of reference which are reviewed every year or as and when necessary. The Committees meet at least once every quarter and are all chaired by Independent non-executive directors as detailed below.

Audit Committee
The primary functions of the Committee are to oversee the financial management discipline of the Bank, review the Bank's accounting policies, the contents of the financial reports, disclosure controls and procedures, management's approach to internal controls, the adequacy and scope of the external and internal audit functions, compliance with regulatory and financial reporting requirements, oversee the relationship with the Bank's external auditors, as well as providing assurance to the Board that management's control assurance processes are being implemented and are complete and effective. At each meeting, the Committee reviews reported and noted weaknesses in controls and any deficiencies in systems and the remediation plans to address them. The Committee also monitors the ethical conduct of the Bank, its executives and senior officers and advises the Board as to whether or not the Bank is complying with the aims and objectives for which it has been established. During the period under review, there were no material losses as a result of internal control breakdowns.

The committee is wholly comprised of independent non-executive directors. The members of the Committee as at 31 December 2019 were:-
T. Moyo (Acting Chairperson)
K. Terry

Board Credit Committee
The Board Credit Committee is tasked with the overall review of the Bank's lending policies. At each meeting, the Committee deliberates and considers loan applications beyond the discretionary limits of management. It ensures that there are effective procedures and resources to identify and manage irregular or problem credit facilities, minimize credit loss and maximize recoveries. It also directs, monitors, reviews and considers all issues that may materially impact on the present and future quality of the Bank's credit risk management.

The Committee comprises one executive member and three non-executive directors. The members of the Committee as at 31 December 2019 were:-
K. Terry (Chairperson)
H. Anadkat
S. N. Moyo
C. McSharry

Loans Review Committee
This Committee has the overall responsibility for the complete review of the quality of the Bank's loan portfolio to ensure that the lending function conforms to sound lending policies and keeps the Board and management adequately informed on noted risks. It assists the Board with discharging its responsibility to review the quality of the Bank's loan portfolio. At every meeting, it reviews the quality of the loan portfolio with a view to ensuring compliance with the banking laws and regulations and all other applicable laws as well as internal policies.

The members of the Committee as at 31 December 2019 were:-
T. Moyo (Chairperson)
P. Devenish
M. Twigger

Human Resources and Nominations Committee
The Human Resources and Nominations Committee assists the Board in the review of critical personnel issues as well as acting as a Remuneration and Terminal Benefits Committee. The Committee reviews and approves overall recommendations on employee remuneration as well as approving managerial appointments. The Committee ensures that the remuneration of directors is in line with the nature and size of the operations of the Bank as well as the Bank's performance. In addition, the Committee also considers nominations to the Board and succession planning for the Board. The Committee comprises four non-executive directors and one executive director.

The members of the Committee as at 31 December 2019 were:-
P. Devenish
S. N. Moyo
H. Anadkat

Board Risk Committee

The Board Risk Committee is charged with the responsibility to oversee the Bank's overall enterprise risk environment under three broad areas of Operational Risk, Credit Risk Management and Market Risk. These are controlled and managed independently from risk taking functions and other committees of the Bank. The committee is responsible for the policies and procedures designed to monitor, evaluate and respond to risk trends and risk levels across the Bank ensuring that they are kept within acceptable levels.

As at 31 December 2019 members of the committee were:-
S. N. Moyo (Chairperson)
D. Dikshit

Board Migration Committee

The Board set up a special Board Committee to oversee the migration of the Bank`s processes, products and systems, from the Barclays PLC platforms to the new platforms that the bank will be using going forward, following the successful conclusion of the Barclays PLC divestiture. Following the conclusion of the IT migration process, the board converted the Committee to an IT Committee.

The Committee is made up of the following members:-
K. Terry – Chairman
T. Moyo
D. Dikshit

In addition to the Board Committees, management operates through a number of committees including the Executive Management Committee and the Assets and Liabilities Committee. The Committees terms of reference are as below.

Executive Committee (EXCO)

The Executive Committee is the operational management forum responsible for the delivery of the Bank's operational plans. The Executive Committee acts as a link between the Board and management and is responsible for implementation of operational plans, annual budgeting and periodic review of strategic plans, as well as identification and management of key risks. The Executive Committee also reviews and approves guidelines for employee remuneration. The Executive Committee assists the Managing Director to manage the Bank, to guide and control the overall direction of the business of the Bank and acts as a medium of communication and co-ordination between business units and the Board. The Committee comprises of executive directors and senior management.

Assets and Liabilities Committee (ALCO)/Treasury Committee

The Treasury Committee is tasked with ensuring the achievement of sustainable and stable profits within a framework of acceptable financial risks and controls. The Treasury Committee ensures maximization of the value that can be generated from active management of the Bank's statement of financial position and financial risk within agreed risk parameters. It manages the funding and investment of the Bank's statement of financial position, liquidity and cash flow, as well as exposure of the Bank to interest rate, exchange rate, market and other related risks. It ensures that the Bank adopts the most appropriate strategy in terms of the mix of assets and liabilities given its expectation of the future and potential consequences of interest rate movements, liquidity constraints and foreign exchange exposure and capital adequacy. It also ensures that strategies conform to the Bank's risk appetite and level of exposure as determined by the Risk Management Committee. The Committee comprises executive directors and heads of functions key to the proper discharge of the Committee's responsibilities.

Board and committees attendance 2019

Main Board

Name	Total Meetings	Present	LOA**
P. Devenish*	8	7	1
S. D. Mtsambiwa*	6	6	Nil
E. Fundira*	3	3	Nil
B. Moyo*	5	5	Nil
M. Twigger	8	7	1
T. Moyo	8	7	1
S. N. Moyo	8	7	1
H. Anadkat	8	8	Nil
D. Dikshit	8	6	2
K. Terry*	3	3	Nil
S. Matsekete*	8	5	3
C. McSharry	8	8	Nil
T. Mukuku*	3	3	Nil

Audit committee

Name	Total Meetings	Present	LOA**
T. Moyo	6	5	1
B. Moyo	5	5	Nil
E. Fundira	3	3	Nil
K. Terry	1	1	Nil

Human resources & nominations committee

Name	Total Meetings	Present	LOA**
P. Devenish	6	6	Nil
S. D. Mtsambiwa	5	5	Nil
S. N. Moyo	6	6	Nil
H. Anadkat	6	6	Nil
S. Matsekete	6	4	2

Credit committee

Name	Total Meetings	Present	LOA**
K. Terry	7	7	Nil
E. Fundira	3	3	Nil
H. Anadkat	27	27	Nil
S. N. Moyo	27	27	Nil
S. Matsekete	27	22	5

Loans review committee

Name	Total Meetings	Present	LOA**
T. Moyo	4	4	Nil
P. Devenish	4	3	1
M. Twigger	4	4	Nil

Risk committee

Name	Total Meetings	Present	LOA**
S. N. Moyo	4	4	Nil
B. Moyo	3	3	Nil
D. Dikshit	4	3	1

Migration/IT Committee

Name	Total Meetings	Present	LOA**
B. Moyo	8	8	Nil
T. Moyo	9	4	5
D. Dikshit	9	7	2
M. Twigger	9	8	1
S. Matsekete	9	8	1

* Mr Patrick Devenish was appointed Chairman of the board with effect from 6 December 2019.
*Messrs Kevin Terry and Taitos Mukuku were appointed to the board on 16 October 2019 and 1 October 2019 as INED and ED, respectively.
*Mrs Emma Fundira retired from the board on 10 May 2019.
*Messrs Moyo and Mtsambiwa resigned from the board on 31 October 2019 and 5 December 2019, respectively.
*Mr Samuel Matsekete did not attend all the meetings as he was on garden leave pending his departure from the Bank on 31 December 2019.
** LOA – Leave of absence granted.

Directors shareholding

The following is a schedule of the directors' shareholdings in the Bank as at 31 December 2019;

P. Devenish	Nil
S. N. Moyo	Nil
T. Moyo	Nil
H. Anadkat *	
D. Dikshit *	
M. Twigger	Nil
K. Terry	Nil
S. Matsekete	10 000
C. McSharry	Nil
T. Mukuku	Nil

*Mr Hitesh Anadkat and Mr Dheeraj Dikshit hold some indirect interest in Afcarme Holdings Zimbabwe (Private) Limited, which in turn holds shares in the Bank.

Annual financial statements

The directors are responsible for the preparation and integrity of the financial results and related financial information contained in this report. The annual financial statements are prepared in accordance with local and international generally accepted accounting practices and they incorporate full and responsible disclosure to ensure that the information contained therein is both relevant and reliable. However compliance with International Financial Reporting Standards (IFRS), could not be fully achieved due to non-compliance with IAS21. Refer to note 2.1(c) for the detailed disclosure. These audited results have been prepared under the supervision of Taitos Mukuku CA (Z) PAAB Registered Accountant No.0281.

Compliance

The Board is of the view that the Bank complied with the applicable laws and regulations throughout the reporting period.

By Order of the Board

V. Mutandwa
Company Secretary

25 March 2020

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Harare
Zimbabwe

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Registered Auditors
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To the Shareholders of First Capital Bank Limited

Report on the audit of the inflation adjusted financial statements

Adverse opinion

We have audited the inflation adjusted financial statements of First Capital Bank Limited (the "Bank") set out on pages 19 to 74, which comprise the inflation adjusted statement of financial position as at 31 December 2019, and the inflation adjusted statement of profit or loss and other comprehensive income, the inflation adjusted statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended, and the notes to the inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying inflation adjusted financial statements do not present fairly, the inflation adjusted financial position of the Bank as at 31 December 2019, and its inflation adjusted financial performance and inflation adjusted cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20) and the Banking Amendment Act No. 12 of 2015.

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":

- The Bank 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, 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.

The Directors had not re-assessed the change in functional currency for the year ended 31 December 2018. Because the Bank 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 22 February 2019, the decision to change the functional currency only on 22 February 2019 in accordance with SI 33/19 resulted in material misstatement to the financial performance and cash flows of the Bank, 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.

Furthermore, our opinion in the current year's financial position is modified because of the possible effects of the matter on the comparability of the current year's financial position with that of the prior year.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the inflation adjusted Financial Statements section of our report. We are independent of the Bank 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 the 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.

To the Shareholders of First Capital Bank Limited

Report on the audit of the inflation adjusted financial statements

Basis for adverse opinion (continued)

Emphasis of matter

We draw attention to Note 46 of the financial statements, which describes the uncertainties related to the possible effects of the COVID-19 outbreak on the Bank and its inability to quantify the possible impact. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
1. 1. Existence and valuation of the financial asset resulting from the foreign liability funding gap	
As disclosed in Note 20 of the inflation adjusted financial statements, the Bank has recognised a receivable ZWL$207.8 million from the Reserve Bank of Zimbabwe ("RBZ") for funding the Bank's foreign liability funding gap which arose after separation of RTGS and foreign currency balances by the Reserve Bank of Zimbabwe. The fair value of the receivable on initial recognition was determined as the present value of expected future cash flows discounted at a rate. Subsequently the receivable was recognised at amortised cost with an expected credit loss being recognised at year end. Given the materiality of the balance and the judgment applied in determining the timing of the cash flows and the discount rate applied in determining the fair value, we have determined this to be a key audit matter. The valuation assumptions are disclosed in Note 40.3 of the inflation adjusted financial statements.	To address this matter, we performed the following procedures: • We reviewed the foreign liability gap funding confirmations from the Reserve Bank of Zimbabwe ("RBZ"). • We obtained legal advice on the enforceability of the confirmation that the Bank has in relation to the funding of the net liability position by the RBZ. To test the fair valuation of the receivable on initial recognition, we performed the following procedures: • We tested the mathematical accuracy of the valuation models by performing recalculations; • We assessed the cash flow forecasts used in the valuation for reasonableness. This included assessing cash flows against historical performance and assessing growth rate effected in the forecast cashflows; • Comparing the inputs to the discount rate to independently obtained data; and • With the assistance of our internal valuation specialists, we assessed the reasonableness and appropriateness of the key inputs.
2. Determination of expected credit losses on financial assets	
The impairment allowances reflected in the statement of financial position as at 31 December 2019 determined in accordance with International Financial Reporting Standard 9 (IFRS 9) amounts to ZWL$38.4 million. This was considered a key audit matter as the determination of the expected credit losses (ECL) requires significant judgement. A significant risk was identified around the valuation of the expected credit losses on financial assets that are subject to the impairment provisions of the IFRS 9 considerations due to the following: • Models used to determine provisions are complex and might not have taken into account all relevant factors such as macroeconomic data for forecasts and the data used for historical analysis might not be accurate; and • The estimation of the key components of the expected credit loss (provisions involves significant judgement in determination of probability of default, loss given default and exposure at default)..	To respond to the risk, we performed audit procedures which included: • Tested the design and implementation of controls around the determination of the expected credit losses; • Reviewed the Bank's IFRS 9 based impairment provisioning policy, compared it with the requirements of IFRS 9 and performed an independent assessment on the appropriateness of the model; • Obtained an understanding of the Bank's internal rating models for loans and advances and for a sample of loans and advances, we assessed the appropriateness of the Bank's staging of loans and advances; • Reviewed the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages; • For a sample of exposures, tested the appropriateness of the Bank's staging; • Tested assumptions used in the ECL calculations and assessed for reasonability; • With the assistance of an auditors' expert, performed model validation assessment on the Bank's model and performed an independent assessment on the appropriateness of the model; • Reviewed the calculation of the Loss Given Default (LGD) used in the ECL calculations, including the appropriateness of the discounting of ECL performed by management and the resultant arithmetical calculations; • Tested the rationale of management overlays which are performed through the Bank's benchmarking process; • Assessed whether forward looking information has been incorporated in to the Bank's ECL computations for all financial assets subject to IFRS 9 impairment and whether it is appropriate in light of the current economic environment; and • Evaluated the impact of any findings identified on the expected credit loss provision.

To the Shareholders of First Capital Bank Limited

Report on the audit of the inflation adjusted financial statements

Key Audit Matters (continued)

3. Valuation of properties	
As set out in note 3 to the inflation adjusted financial statements, the Bank has owner occupied properties and investment properties which are recognised at fair value. Directors make use of independent external valuers in determining the fair values of property. Valuations by their nature involve the use of judgment and estimates which involve significant unobservable inputs such as - Market rentals - Risk yields The complexity and subjectivity of these estimates may result in material misstatement. The current economic environment is extremely volatile given the valuation intricacies impacting property in the Zimbabwean market. We identified the valuation of investment property as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the level of judgement associated with determining the fair values.	We assessed the competence, capabilities, objectivity and independence of the directors' independent valuers, and assessed their qualifications. We made enquiries of the directors' independent external valuers to obtain an understanding of the valuation techniques and judgements adopted. We assessed the work performed by the independent external valuers in valuing investment property by performing the following: • Reviewed the valuation methods used and assessed whether they are appropriate and consistent with the reporting requirements; • Assessed the reasonableness of expected rentals and risk yields by comparing to historic trends; • We performed physical verification of a sample of assets to determine whether the conclusion reached by the expert where consistent with the physical condition of the asset; and • Evaluated the financial statement disclosures for appropriateness and adequacy.

Other matter

The financial statements of First Capital Bank Limited for the year ended 31 December 2018, were audited by another auditor who expressed an adverse opinion on those statements on 12 April 2019.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Responsibilities and approval, Chairman's statement, Managing Director's review of operations, Directors' report, Corporate governance statement, Analysis of Shareholding, Notice of AGM, AGM form of proxy and the historic cost financial information which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the inflation adjusted financial statements and our auditor's report thereon.

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

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

As described in the Basis for Adverse Opinion section above, the Bank changed its functional currency to the RTGS Dollar effective 22 February 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 22 February 2019 does not comply with the requirements of IAS 21, as such, transactions have not been appropriately translated in accordance with these Standards. We have determined that the other information is misstated for that reason.

Responsibilities of the Directors for the inflation adjusted financial statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20) and the Banking Amendment Act No. 12 of 2015, and for such internal control as the directors determine is necessary to enable the preparation of inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report

To the Shareholders of First Capital Bank Limited

Report on the audit of the inflation adjusted financial statements

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

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

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 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: Tumai Mafunga
Partner
PAAB Practice Certificate Number 0042

27 March 2020

Statement of Comprehensive Income

for the year ended 31 December 2019

		Inflation adjusted		*Historical	
		2019	2018	2019	2018
	Notes	ZWL000	ZWL000	ZWL000	ZWL000
Interest income	4	174 774	281 761	74 635	41 477
Interest expense	5	(10 937)	(9 715)	(3 998)	(1 430)
Net interest income		**163 837**	**272 046**	**70 637**	**40 047**
Net fee and commission income	6	224 877	186 589	100 720	27 468
Net trading and foreign exchange income	7	119 860	80 400	61 896	11 835
Net investment and other income	8	9 723	15 911	5 519	2 342
Fair value gain on investment property		32 260	-	59 073	-
Total non interest income		**386 720**	**282 900**	**227 208**	**41 645**
Total income		**550 557**	**554 946**	**297 845**	**81 692**
Impairment losses on loans and receivables	12	(77 166)	(16 716)	(30 048)	(2 461)
Net operating income		**473 391**	**538 230**	**267 797**	**79 231**
Staff costs	9	(153 339)	(172 602)	(58 136)	(25 408)
Infrastructure costs	10	(165 018)	(77 990)	(62 802)	(11 481)
Administration and general expenses	11	(203 020)	(116 822)	(105 097)	(17 197)
Operating expenses		**(521 377)**	**(367 414)**	**(226 035)**	**(54 086)**
Net monetary loss		(230 952)	(82 529)	-	-
Share of profits of joint ventures	25	150 376	-	228 242	-
(Loss)/profit before tax		**(128 562)**	**88 287**	**270 004**	**25 145**
Taxation	13	(34 726)	(5 916)	(5 814)	(823)
(Loss)/profit for the year		**(163 287)**	**82 371**	**264 190**	**24 322**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gain on property revaluations		134 332	21 402	220 431	2 076
Deferred tax		(33 207)	(5 511)	(53 992)	(535)
Net (loss)/ gain on financial assets at fair value through other comprehensive income (FVOCI)		(13 505)	8 223	19 508	2 126
Deferred tax		747	(411)	(127)	(384)
Total other comprehensive gain for revaluation and equity securities		**88 367**	**23 703**	**185 820**	**3 283**
Items that may be reclassified subsequently to profit or loss:					
Net gain on financial assets - debt securities		-	2 262	-	333
Deferred tax		-	(582)	-	(86)
Total other comprehensive income on debt securities		**-**	**1 680**	**-**	**247**
Total other comprehensive income		**88 367**	**25 383**	**185 820**	**3 530**
Total comprehensive (loss)/ income		**(74 920)**	**107 754**	**450 010**	**27 852**
Earnings per share					
Basic (cents per share)		**(7.57)**	**3.82**	**12.26**	**1.13**
Diluted (cents per share)		**(7.56)**	**3.82**	**12.24**	**1.13**

*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. As a result the auditors have not expressed an opinion on the historic financial information.

Statement of Financial Position

as at 31 December 2019

		Inflation adjusted		*Historical	
		2019	2018	2019	2018
	Notes	ZWL000	ZWL000	ZWL000	ZWL000
Assets					
Cash and bank balances	15	1 128 936	936 114	1 128 936	150 707
Derivative financial instruments	16	-	2	-	-
Investment securities	17	231 800	1 795 132	231 800	289 001
Loans and receivables from banks	18	3 263	25 032	3 263	4 030
Loans and advances to customers	19	711 222	1 209 226	711 222	194 675
Other assets	20	306 238	56 718	278 471	8 553
Property and equipment	21	251 455	200 927	238 398	30 602
Investment properties	22	71 307	31 958	71 307	5 145
Non - current assets held for sale	24	-	92 111	-	14 829
Investment in joint venture	25	242 487	-	242 487	-
Intangible assets	23	53 743	-	18 025	-
Right of use assets	26.1	54 323	-	16 061	-
Current tax asset		5 635	7 465	5 635	1 202
Total assets		**3 060 409**	**4 354 685**	**2 945 605**	**698 744**
Liabilities					
Derivative financial instruments	16	-	5	-	1
Lease liabilities	26.2	16 135	-	16 135	-
Deposits from banks	27	39 379	18 045	39 379	2 905
Deposits from customer	28	2 046 816	3 438 463	2 046 816	553 564
Provisions	29	7 102	19 649	7 102	3 163
Other liabilities	30	145 613	112 134	142 817	18 054
Deferred tax liabilities	32	77 990	17 202	53 737	2 748
Balances due to group companies	43.5	73 967	11 216	73 967	1 806
Total liabilities		**2 407 002**	**3 616 714**	**2 379 953**	**582 241**
Equity					
Capital and reserves					
Share capital		1 595	1 595	216	215
Share premium	34.1	176 284	176 284	23 837	23 837
Non - distributable reserves	34.3	57 571	57 571	7 785	7 785
Fair value through other comprehensive income reserve	34.4	18 448	31 206	24 307	4 926
Revaluation reserves	34.5	117 016	15 891	171 374	4 935
Impairment reserve		783	3 794	783	611
Share - based payment reserve	34.6	9 143	9 072	1 273	1 228
Retained earnings		272 567	442 558	336 077	72 966
Total equity		**653 407**	**737 971**	**565 652**	**116 503**
Total equity and liabilities		**3 060 409**	**4 354 685**	**2 945 605**	**698 744**

*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. As a result the auditors have not expressed an opinion on the historic financial information.

T. Mukuku	C. McSharry	P. Devenish	V. Mutandwa
Chief Finance Officer	Acting Managing Director	Chairman	Company Secretary

25 March 2020

Statement of Changes in Equity

for the year ended 31 December 2019

Inflation adjusted 2019	Share capital ZWL000	Share premium ZWL000	Non-distributable reserves ZWL000	Fair value through other comprehensive income ZWL000	Revaluation reserves ZWL000	Impairment reserve ZWL000	Share-based payment reserve ZWL000	Retained earnings ZWL000	Total equity ZWL000
Balance at 1 January 2019 as previously recorded	1 595	176 284	57 571	31 206	15 891	3 794	9 072	442 558	737 971
Impact of change in accounting policy - IFRS 16 (Note 2.1(c))	-	-	-	-	-	-	-	(6 704)	(6 704)
Revised balance at 1 January 2019	1 595	176 284	57 571	31 206	15 891	3 794	9 072	435 8554	731 267
Loss for the year	-	-	-	-	-	-	-	(163 287)	(163 287)
Other comprehensive income for the year	-	-	-	(12 758)	101 125	-	-	-	88 367
Total comprehensive income for the year	-	-	-	(12 758)	101 125	-	-	(163 287)	(74 920)
								-	
Recognition of share - based payments	-	-	-	-	-	-	71	-	71
Impairment of FVOCI financial assets	-	-	-	-	-	(3 011)	-	-	(3 011)
Balance at 31 December 2019	1 595	176 284	57 571	18 448	117 016	783	9 143	272 567	653 407

Inflation adjusted 2018	Share capital ZWL000	Share premium ZWL000	Non-distributable reserves ZWL000	Fair value through other comprehensive income ZWL000	Revaluation reserves ZWL000	Impairment reserve ZWL000	Share-based payment reserve ZWL000	Retained earnings ZWL000	Total equity ZWL000
Balance at 1 January 2018	1 595	175 748	57 571	21 668	-	-	9 065	362 535	628 182
Profit for the year	-	-	-	-		-	-	82 371	82 371
Other comprehensive income for the year	-	-	-	9 492	15 891	-	-	-	25 383
Total comprehensive income for the year	-	-	-	9 492	15 891	-	-	82 371	107 754
Recognition of share - based payments	-	-	-	-	-	-	105	-	105
Issue of ordinary shares under share - based payment plans	-	536	-	-	-	-	(98)	-	438
Gain on disposal of FVOCI	-	-	-	46	-	-	-	-	46
Effect of initial IFRS 9 application	-	-	-	-	-	3 794	-	(3 162)	632
Tax effect on IFRS 9 initial impact	-	-	-	-	-	-	-	814	814
Total net effect of IFRS 9	-	-	-	-	-	3 794	-	(2 348)	1 446
Balance at 31 December 2018	1 595	176 284	57 571	31 206	15 891	3 794	9 072	442 558	737 971

*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. As a result the auditors have not expressed an opinion on the historic financial information.

Statement of Changes in Equity

for the year ended 31 December 2019

*Historical 2019	Share capital ZWL000	Share premium ZWL000	Non-distributable reserves ZWL000	Fair value through other comprehensive income ZWL000	Revaluation reserves ZWL000	Impairment reserve ZWL000	Share-based payment reserve ZWL000	Retained earnings ZWL000	Total equity ZWL000
Balance at 1 January 2019 as previously recorded	215	23 837	7 785	4 926	4 935	611	1 228	72 966	116 503
Impact of change in accounting policy	-	-	-	-	-	-	-	(1 079)	(1 079)
Revised Balance at 1 January 2019	215	23 837	7 785	4 926	4 935	611	1 228	71 887	115 424
Profit for the year	-	-	-		-	-	-	264 190	264 190
Other comprehensive income for the year	-	-	-	19 381	166 439	-	-	-	185 820
Total comprehensive income for the year	-	-	-	19 381	166 439	-	-	264 190	450 010
Recognition of share-based payments	-	-	-	-	-	-	46	-	46
Issue of ordinary shares under share - based payment plans	1	-	-	-	-	-	(1)	-	-
Impairment of FVOCI financial assets	-	-	-	-	-	172	-	-	172
Balance at 31 December 2019	216	23 837	7 785	24 307	171 374	783	1 273	336 077	565 652

*Historical 2018	Share capital ZWL000	Share premium ZWL000	Non-distributable reserves ZWL000	Fair value through other comprehensive income ZWL000	Revaluation reserves ZWL000	Impairment reserve ZWL000	Share-based payment reserve ZWL000	Retained earnings ZWL000	Total equity ZWL000
Balance at 1 January 2018	215	23 764	7 785	2 930	3 456	-	1 205	48 960	88 315
Profit for the year	-	-	-	-	-		-	24 322	24 322
Other comprehensive income for the year	-	-	-	1 989	1 541		-	-	3 530
Recognition of share-based payments	-	-	-		-	-	53	-	53
Issue of ordinary shares under share - based payment plans	-	73	-	-	-	-	(30)	-	43
Realisation of revaluation reserves	-	-	-	-	(62)	-	-	62	-
Gain on disposal of FVOCI	-	-	-	7	-	-	-	-	7
Regulatory impairment allowances	-	-	-	-	-		-	-	-
Impairment on FVOCI financial assets	-	-	-	-	-	611	-	-	611
Effect of initial IFRS 9 application	-	-	-		-	-	-	(509)	(509)
Tax effect on IFRS 9 initial impact	-	-	-	-	-	-	-	131	131
Total net effect of IFRS 9	-	-	-	-	-	611	-	(378)	233
Balance at 31 December 2018	215	23 837	7 785	4 926	4 935	611	1 228	72 966	116 503

*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. As a result the auditors have not expressed an opinion on the historic financial information.

Statement of Cash Flows

for the year ended 31 December 2019

	Notes	Inflation adjusted		*Historical	
		2019	2018	2019	2018
		ZWL000	ZWL000	ZWL000	ZWL000
Cash flows from operating activities					
(Loss)/profit before tax		(128 562)	88 287	270 004	25 145
Adjustments for non - cash items:					
Depreciation of property and equipment and software amortisation		44 463	17 088	7 816	2 516
Income from non - current asset held for sale		-	(2 274)	-	(335)
Impairment loss on financial assets	12	77 166	16 716	30 048	2 461
Share of profit from joint venture	25	(150 376)	-	(228 242)	-
Effect of fair value gain on investment property	22	(32 260)	-	(59 073)	-
Dividend income from investment securities	8	(7 315)	(9 527)	(4 429)	(1 402)
Profit on disposal of property and equipment		(326)	(1 789)	(245)	(263)
Interest accrued on investment securities		(55 104)	(82 466)	(14 563)	(12 140)
Staff loan prepayment amortisation		(1 840)	(385)	(144)	(57)
IFRS 16 finance cost		3 813	-	1 949	-
Net monetary loss		237 655	82 529	-	-
Share based payment expense		71	359	45	53
Cash flow from operating activities before changes in working capital		(19 318)	108 538	3 168	15 978
Decrease /(increase)in loans and advances to customers		523 359	(523 695)	(535 795)	(84 311)
Increase in other assets		(237 193)	(3 972)	(282 246)	(639)
(Decrease)/increase in deposits from customers		(1 391 647)	661 609	1 493 252	106 514
Increase in other liabilities		106 023	51 012	200 865	8 212
Corporate income tax paid	33	(24 993)	(12 361)	(13 434)	(1 979)
Payments into restricted bank balances		22 666	(142 410)	(161 133)	(22 927)
Net cash (used in) or generated from operating activities		(1 021 102)	138 721	704 675	20 848
Cash flows from investing activities					
Purchase of property, equipment and intangible assets		(41 053)	(65 089)	(18 766)	(10 479)
Proceeds from sale of property and equipment	35	823	2 004	319	322
Dividends received from investment securities		7 315	8 711	5 348	1 402
Interest received from investment securities		90 084	107 204	22 108	17 259
Purchase of investments securities		(384 724)	(2 921 884)	(341 272)	(469 020)
Proceeds from sale and maturities of investment securities		1 556 671	1 813 937	415 775	292 135
Net cash generated from or (used in) investing activities		1 229 116	(1 055 117)	83 512	(168 381)
Cash flows from financing activities					
Proceeds from issue of shares under a share based payment plan		-	271	-	44
IFRS 16 lease liabilities payments	26	(14 203)	-	(4 328)	-
Net cash (used in) or generated from financing activities		(14 203)	271	(4 328)	44
Net increase / (decrease) in cash and cash equivalents		193 811	(916 125)	783 859	(147 489)
Cash and cash equivalents at the beginning of the year		703 268	1 619 393	113 220	260 709
Cash and cash equivalents at the end of the year	15	897 079	703 268	897 079	113 220

*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. As a result the auditors have not expressed an opinion on the historic financial information.

1. General information and statement of compliance

1.1. General information

First Capital Bank Limited ("the Bank") provides retail, corporate and investment banking services in Zimbabwe. The Bank which is incorporated and domiciled in Zimbabwe is a registered commercial bank under the Zimbabwe Banking Act Chapter (24:20). The ultimate parent company is FMBcapital Holdings PLC incorporated in Mauritius. The Bank has a primary listing on the Zimbabwe Stock Exchange.

1. 2 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), except for the effects of non-compliance with International Accounting Standard 21 (IAS 21) and in a manner required by the Zimbabwe Companies Act, (Chapter 24:03), the Zimbabwe Banking Act (Chapter 24:20) and the Banking Amendment Act of 2015. Refer to note 2.1(c) for the disclosure of non-compliance with IFRS.

2. Significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, except as stated below in note 2.1 and 2.2 below. As explained in note 2.2 below, the Bank has adopted IFRS 16 as issued in January 2016, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Refer to note 2.2 for detailed disclosures.

2.1(a) Basis of preparation

The financial statements have been prepared on the basis of IAS 29 - financial reporting for hyper inflationary economies.

The Public Accountants and Auditors Board (PAAB) announced that the factors and characteristics of IAS 29 had been met and all financial statements for the period ending from 1 July 2019 should be prepared on IAS 29 basis. The historical cost financial information is re-stated for the changes in purchasing power (inflation) as a result the financial statements are stated in terms of the closing Consumer Price Index ("CPI") at the end of the reporting period.

The financial statements are showing both the inflation adjusted and historical financial information with the inflation adjusted financial information being the primary set. 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 following All items CPI indices were used to prepare the financial statements:

Dates	All items CPI Indices	Conversion factors
December 2019	551.6	1
December 2018	88.8	6.212
October 2018	74.6	7.394

The procedures applied for the above restatement are as follows:
Financial statements prepared in the currency of a hyper-inflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for the prior period are restated in the same terms.

Monetary assets and liabilities are not restated because they already expressed in terms of the monetary unit current at balance sheet date.

Non-monetary assets and liabilities that are not carried at amounts current at balance sheet date and components of shareholders' equity are restated by the relevant monthly conversion factors

All items in the income statement are restated by applying the relevant monthly, yearly average or year-end conversion factors.

The effect of inflation on the net monetary position of the bank is included in the income statement as a monetary loss adjustment.

2.1(b) Basis of measurement

The financial statements for the period are measured on historical cost basis except for the following:

i) Fair value through OCI equity investments and debt instruments measured at fair value
ii) Fair value through profit and loss debt instruments for trading measured at fair value
iii) Investment property measured at fair value
iv) Land and buildings measured at fair value using the revaluation method. Revaluation is performed after every 2 years
v) Investment in joint venture, the underlying investment is measured at fair value.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Comparability of financial information

Some of the prior year financial information which includes foreign currency transactions and balances may not be comparable to current year financial results given that prior year foreign currency transactions and balances were translated at 1:1 whilst in the current year an exchange rate is applied on date of transaction or a closing rate was used to convert balances.

2.1(c) Functional and presentation currency

The financial statements are presented in Zimbabwe Dollars (ZWL$), the functional currency of the Bank, in 2018 they were presented in United States of America Dollars (US$) which was the legal functional currency of the Bank at that time.

2018 financial year assessment

The Bank assessed its functional currency for the year ended 31 December 2018 continuing from the previous assessment done in 2017 using same International Accounting Standard 21(IAS 21) primary and secondary indicators stated above. The Bank concluded that a greater proportion of the interest income and non-funded income was being priced and settled in Real Transfer Gross Settlement (RTGS) dollars and costs being largely determined and settled in RTGS. Net receipts from operations were largely retained in RTGS dollars. A greater proportion of the Bank's assets and deposits are now predominantly denominated in RTGS dollars.

The Bank also considered the following factors;

i) Separation of Nostro and RTGS balances

The separation of these balances was effective from 1 October 2018, which meant that customers who had an RTGS balance would not ordinarily be able to access foreign cash with effect from 1 October 2018, implying that the two are different currencies.

ii) Substance over form of RTGS transactions

Although the RTGS was a mode of settlement and not legally recognised as a currency the Bank considered the substance of the transactions done in RTGS, taking into account the significant disparity between the market perception of the relative value between United Sates dollar ($) and RTGS dollar and concluded that the economic substance of these transactions over their legal form was that RTGS was a currency.

Based on the above considerations the Bank concluded that its functional currency had changed from United States dollars (USD) to RTGS dollars from 1 October 2018. However, as at 31 December 2018 the RTGS dollar had not been promulgated legally as a currency, the Bank adopted the United States dollar ($) as its functional currency. Statutory Instrument (S.I) 33 commissioned the RTGS dollar as a currency from 22 February 2019 and prescribed that all RTGS assets and liabilities before 22 February 2019 must be valued at 1:1 to the United States dollar on and after 22 February 2019. Therefore the Bank is using United States dollars ($) as the functional and presentation currency. Assets and liabilities were converted to United Sates dollars ($) as at 31 December 2018 for reporting at the official exchange rate of 1:1 to comply with local laws and regulations.

Statutory Instrument (S.I) 33 of 2019 & IAS 21 requirements

Following the monetary policy on the 20th of February 2019, Statutory Instrument (S.I) 33 of 2019 was issued effective 22 February 2019 which introduced RTGS Dollar as a currency and specified that all assets and liabilities which were effectively valued in United Sates dollars($) before the effective date shall be converted at 1:1 on and after the effective date.

IAS 21: 23&39 requires that assets and liabilities in foreign currency be converted at the closing market rate to the local currency/ reporting currency and income and expense items be converted at the rate of the transaction date

IAS 21: 26 also require that if exchangeability between two currencies is temporarily lacking the rate used to convert balances is the first subsequent rate at which exchanges could be made.

Non compliance with IAS 21

(S.I.) 33 prescribed that assets and liabilities in United States dollars($) on or before 22 February be converted at 1:1 hence the Bank applied this legal requirement when converting balances at year end to comply with local laws and regulations. As a result the Bank could not apply the requirements of IAS 21 described above which required a market exchange rate to be applied when converting balances into reporting currency or use of first subsequent rate when exchange rate is temporarily lacking resulting in non-compliance with IAS 21.

The non- compliance with IAS 21 in 2018 results in material misstatements of 2019 financial statements as they were significant foreign currency, assets and liabilities on the 2018 balance sheet translated at 1:1 and not market rate.

2019 financial year assessment

Statutory instrument (S.I) 33 of 2019 introduced RTGS dollar ("ZWL") as a currency effective 22 February 2019 and subsequently Statutory instrument (S.I) 142 of 2019 promulgated Zimbabwe dollar (ZWL) as a currency replacing the RTGS dollar therefore the Bank adopted the Zimbabwe dollar (ZWL) as the functional and presentation currency effective this date. Assets and liabilities as at 20 February 2019 denominated in United States dollars were converted to ZWL at a rate of 1:1, the rate that was existing at the day of change in currency. The impact of the change in currency was accounted for in the statement of comprehensive income. From January 2019 to 22 February 2019 the United States Dollar ($) was the functional currency.

2.2 Adoption of new and revised accounting standards

During the current year, the Bank has adopted all of the new and revised standards and interpretations issued by the International Accounting Standard Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2019. The adoption of these new and revised standards and interpretations has resulted in some instances some material changes to the Bank's accounting policies. Further details of major new and revised accounting policies adopted during the current year can be found in note 47.

The accounting policies applied in the audited financial statements are consistent with the accounting policies in the most recent financial statements for the year ended 31 December 2018 except for the following:

i) IFRS 16 - Leases

The Bank has applied IFRS 16 using the modified retrospective approach with effect from 1 January 2019 and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

IFRS 16's key requirement is the recognition of right-of-use asset and future payments lease liability where the Bank is a lessee and the lease term is twelve months or more.

Impact on financial results

On transition to IFRS 16, the Bank recognised ZWL9 465 438 of right of use assets, ZWL10 544 623 of lease liabilities and the difference of ZWL1 079 184 as an adjustment to retained earnings at 1 January 2019.

When measuring lease liabilities, the Bank discounted lease payments using an incremental borrowing rate of 8% at 1 January 2019. The discount rate changed during the year to 30%.

ii) IFRIC 23- Uncertainty over income tax treatments

The Bank adopted IFRIC 23 for the first time 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 Bank 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 Bank 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 Bank should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value.

iii) IFRS 5 - Non-current asset held for sale

The accounting for the investment in Makasa Sun (Private) Limited has changed from non-current asset for sale to investment in joint venture. There was no financial impact at the date of change in accounting policy.

iv) IAS 29 – Hyper-inflationary reporting

The Bank adopted IAS 29 for the current year reporting after the economy was determined to be hyper-inflationary - refer to note 2.1 (a).

The principal accounting policies are set out below:

2.3 Revenue recognition

i) Net fee and commission income

The Bank applies IFRS 15 – Revenue from contracts with customers. Net fee and commission income is calculated by subtracting fee and commission charges from fee and commission income. Fee and commission income relates to revenue earned for the rendering of services and is recognised net of any trade discounts , volume rebates and amounts received on behalf of third parties, such as sales taxes, goods and service taxes, and value added taxes. When the Bank is acting as an agent, amounts collected on behalf of the principal are not income. Only net commission retained by the Bank is, in this case, recognised as income.

Under IFRS 15 Revenue from contracts with customers, entities are required to recognise revenue in a manner which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Fees and commission income earned in respect of services rendered are recognised on an accrual basis when the service is rendered.

Fee and commission expenses are expenses which are connected to the generation of fee and commission income. Operating expenses that happen to take the form of a fee payment are recognised within operating expenditure or other appropriate line item based on the nature of the cost.

ii) Net trading income

In accordance with IFRS 9 Financial Instruments; Gains or losses on assets or liabilities reported in the trading portfolio which are measured at fair value are included in the profit or loss component of the statement of comprehensive income under gains and losses from banking and trading activities. Interest and dividends arising from long and short positions and funding costs relating to trading activities are also included under gains and losses from banking and trading activities.

Income arises from both the sale and purchase of trading positions, margins which are achieved through market making and customer business and from changes in fair value caused by movements in interest and exchange rates, equity prices and other market variables.

Own credit gains/losses arise from the fair valuation of financial liabilities designated at fair value through the profit or loss component of the statement of comprehensive income.

iii) Net interest income

Interest income on loans and advances at amortised cost, debt instruments at fair value through other comprehensive income, and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest method which allocates interest, direct and incremental fees and costs, over the expected lives of the assets and liabilities.

Net interest income also includes other interest income and other charges which are not recognised based on the effective interest method.

IFRS 9 requires interest income to be calculated on stage 1 or stage 2 financial assets by multiplying effective interest rate (EIR) by the gross carrying amount of such assets. In addition IFRS 9 requires interest income to be recognised on Stage 3 assets based on the net carrying amount (gross loan less expected credit loss allowance). To achieve this requirement the Bank first suspends the recognition of contractual interest and then adjusts by applying effective interest rate on the net carrying amount of the financial assets.

2.4 Leasing

All leases entered into by the Bank are primarily operating leases. IFRS 16 which is effective from 1 January 2019 prescribes different methodology to account for the leases compared to IAS 17. One of the key requirements being capitalisation of operating leases in the books of the lessor and recognising of a lease liability.

As lessor

The Bank enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Bank 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.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

As a lessee

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank 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 Bank 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.

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 Bank 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 receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; 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 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 Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease payments change due to changes in payment terms, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged 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 based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The right of use assets are presented as a separate line in the statement of financial position.

The Bank 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 and Equipment' policy.

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.

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 Bank has not used this practical expedient. For all contracts that contain a lease component and one or more additional lease or non-lease components, the Bank allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.5 Foreign currencies

In preparing the financial statements for the Bank, transactions in currencies other than the Bank's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the 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 re-translated.

2.6 Employee benefits

Defined contribution schemes:

The Bank recognises contributions due to defined contribution plans as an expense as and when the services are rendered by employees that entitle them to such contributions. Any contributions unpaid at the reporting date are therefore included as a liability.

Defined benefit schemes:

The Bank has a defined benefit liability which relates to pensioners whose lifetime annuities were guaranteed by the Bank's Pension Fund, of which the Bank is the sponsor.

The Bank recognises its obligation (determined using the projected unit credit method) to members of the scheme at the period end, less the fair value of the scheme assets. Scheme assets are stated at fair value as at the reporting period end.

Costs arising from regular pension cost, interest on net defined benefit liability or asset, past service cost settlements or contributions to the plan are recognised in profit or loss.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses and the effect of the asset ceiling (if applicable) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Adjustments recorded in other comprehensive income are not recycled. However, the Bank may transfer those amounts recognised in other comprehensive income within equity.

Interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Gains and losses on curtailments are recognised when the curtailment occurs, which may be when a demonstrable commitment to a reduction in benefits, or reduction in eligible employees, occurs. The gain or loss comprises any change in the present value of the obligation and the fair value of the assets. Where a scheme's assets exceed its obligation, an asset is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions.

The Bank faces a number of actuarial risks such as;

Investment risk - Actual returns maybe less than what is anticipated which may result in less assets to cover the benefits therefore the Bank will have to fund the shortfall.

Longevity risk - pensioners may live longer than expected resulting in an increase in pension liability.

Measurement risk- the liability is measured using various assumptions including discount rate and inflation. These variables may fluctuate than anticipated.

Regulatory risk - pension liabilities are measured based on current rules, however there may changes to the rules resulting from the regulatory changes.

Post-employment medical aid plans

The Bank was providing health care assistance through an independent medical aid society to those of its retirees that had remained in service up to retirement age. This benefit is no longer being offered the fund was curtailed in 2016.

Staff costs

Short-term employee benefits, including salaries, accrued performance costs, salary deductions and taxes are recognised over the reporting period in which the employees provide the services to which the payments relate. Performance costs are recognised to the extent that the Bank has a present obligation to its employees that can be measured reliably and are recognised on an undiscounted basis over the period of service that employees are required to work to qualify for the services.

Fair value loss from staff loans relating to the differential between staff loans interest rates and market rate is expensed over the life of the loan.

2.7 Share-based payments

The Bank operates a local equity-settled share-based payment plan.

Employee services settled in equity instruments

The cost of the employee services received in respect of the shares or share options granted is recognised in profit or loss over the period that employees provide services, generally the period in which the award is granted or notified and the vesting date of the shares or options. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The number of shares and options expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services.

The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability. The fair value of options granted is determined using option pricing models to estimate the numbers of shares likely to vest. These take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Market conditions that must be met in order for the award to vest are also reflected in the fair value of the award, as are any other non-vesting conditions.

2.8 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Income tax payable on taxable profits is recognised as an expense for the year in which the profits arise.

Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior reporting period.

Provisions are recognised for pending tax audit issues based on estimates of whether additional taxes will be due after taking into account legal advise, progress made in the discussions or negotiations with tax authorities and previous tax precedents.
Where the outcome of such matters is different from the amounts provided, the amounts will affect current period only.

Deferred taxation

Deferred tax is recognised on temporary 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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 taxable profit nor the accounting profit. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax not recognised in profit or loss

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.9 Property and equipment

Land and buildings are shown at fair value, based on periodic valuation done at least every three years by external independent valuers, less subsequent accumulated depreciation and impairment for buildings. Fair value changes are reviewed annually. Where there are significant changes in fair value, revaluation is done annually. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. All other property and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes costs that are directly attributable to the acquisition of the items.

Depreciation related to revaluation surplus is transferred to retained earnings on an annual basis.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

For an estimate of useful lives refer to note 3 Judgements and Estimates (Useful Lives and Residual Values).

2.10 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2.11 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.
Immediately before classification as held for sale, the assets are re-measured in accordance with the Bank's accounting policies. Thereafter the assets are measured at the lower of their carrying amount or fair value, less costs to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the profit or loss component of the statement of comprehensive income. Gains are not recognised in excess of any cumulative impairment loss until finally sold.

Property and equipment, once classified as held for sale, are not depreciated or amortised.

2.12 Investment in joint venture

A joint venture is a contractual arrangement whereby two or more parties (venturers) undertake an economic activity that is subject to joint control through a company, partnership or other entity. Joint control exists only when the strategic financial and operating decisions relating to the activity require unanimous consent of the venturers.

The results, assets and liabilities of a jointly controlled entity are incorporated in these financial statements using the equity method of accounting. The investment in a jointly controlled entity is carried in the balance sheet at cost, plus post-acquisition changes in the Bank`s share of net assets in the entity, less distributions received and less any impairment in the value of the investment. The Bank`s profit or loss statement reflects the Bank`s share of profit after tax of the jointly controlled entity.

The Bank assesses investments in jointly controlled entities for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Where the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

The Bank ceases to use the equity method of accounting on the date from which it no longer has joint control or significant influence over the joint venture, or when the interest becomes held for sale.

2.13 Intangible assets – Computer Software

Intangible assets include acquired core banking, switch and other software and licences which are accounted for in accordance with IAS 18 Intangible Assets (IAS 38). The asset which is controlled by the entity, must be separately identifiable, reliably measured and should be probable that future economic benefits will arise from the asset.

Implementation costs are capitalised only if they can be measured reliably and the asset will bring future economic benefits. Other implementation expenditure not meeting this definition will be expensed.

Intangible assets are stated at cost less amortisation and any provision for impairment. The assets are amortised over the useful lives in a manner that reflects the pattern in which the contribute to future cash-flows.

Impairment of tangible assets

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 loss is recognised immediately in profit or loss, unless if it relates to a an asset accounted for under revaluation model where the impairment will be accounted for in equity as a revaluation decrease up to the extent of previous revaluation surpluses.

When an impairment loss 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 loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss or in equity for the assets which are accounted for under the revaluation model.

2.14 Provisions, contingent liabilities and undrawn commitments

Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the statement of financial position but are disclosed unless the outflow of economic resources is remote.

At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) and the amount initially recognised less cumulative amortisation recognised in accordance with IFRS 15.

Undrawn commitments

Under IFRS 9, the provision for impairment for undrawn commitments is provided for depending on the nature of the product. Depending on the product any undrawn commitment will be included in Exposure At Default (EAD). For revolving commitment the EAD includes the current drawn balance plus any further amount that is expected to be drawn up by the time of default, should it occur. Term loans EAD is the term limit while for short term loans and retail loans the EAD is the drawn balance.

2.15 Financial instruments

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are capitalised to the initial carrying amount of the financial asset/liability, as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets then the instrument should be recognised at the fair value derived from such observable market data.

For valuations that have made use of significant unobservable inputs, the difference between the model valuation and the initial transaction price (Day One profit) is recognised in profit or loss either on a straight-line basis over the term of the transaction, or over the reporting period until all model inputs will become observable where appropriate, or released in full when previously unobservable inputs become observable.

2.16 Financial assets and financial liabilities

Financial assets and liabilities mapping table vs. accounting policies

The following table shows the classification of financial assets, the business model and the subsequent measurement.

Financial instrument	Business model	IFRS 9 classification	IFRS9 subsequent measurement
Loans and advances to customers	Hold to collect contractual cash-flows	Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Staff loans are measured at market interest rates and fair value loss is expensed as staff costs.
Loans and receivable from banks (held for investment purposes)	Hold to collect contractual cash-flows	Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange on derecognition is recognised in profit or loss.
Investment securities-debt (held for liquidity purposes)	Hold to collect contractual cash-flows and sell	Financial assets at fair value through Other Comprehensive Income (OCI)	These assets are subsequently measured at fair value. Interest income impairment is recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Investment securities-equity	Other business model	Financial assets at fair value through Other Comprehensive Income	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly are recognised in OCI and are never reclassified to profit or loss.
Investment securities-debt (held for trading)	Hold to sell	Financial assets at fair value through Other Comprehensive income(OCI)	These assets are subsequently measured at fair value. Net gains are recognised in profit or loss.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:
i) Amortised cost;
ii) Fair Value Through Other Comprehensive Income (FVOCI) – debt investments;
iii) Fair Value Through Other Comprehensive Income – equity investments;
iv) or Fair value through profit or loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The categories of financial assets and business models are explained as follows:

i) Hold to collect contractual cash-flows - financial assets held at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
a) It is held within a business model whose objective is solely to hold assets to collect contractual cash flows; and
b) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.
- These assets are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Interest income of loans and debt instruments in stage 1 and stage 2 is recognised on the outstanding loan balance based on original effective interest rate. When loans are in stage 3 interest income is recognised only on the expected recoverable balance.

The financial assets in this category include the loans and advances, debt instruments held for investment and bank balances.

ii) Hold to collect contractual cash-flows and sell - financial assets at fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
a) It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

These assets include debt instruments held for liquidity management.

iii) Other business models - equity investments at fair value through OCI

On initial recognition of an equity investment that is not held for trading, the Bank irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. These assets include equity investments.

iv) Hold to sell - financial assets at fair value through profit or loss (P or L)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. They are held for selling and profit making. The assets are subsequently measured at fair value. Gains and losses are recognised in the P or L. These assets include debt instruments held for selling and derivatives.

Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.

Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new ' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on de-recognition.

If the terms are not substantially different, the renegotiation or modification does not result in de-recognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Modified loans are assessed for significant increase in credit risk, if there is a significant increase in credit risk the loan will be downgraded to stage 2 and lifetime impairment will be calculated.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets, loans and advances carried at amortised cost and FVOCI and with the exposure arising from loan commitments, bank balances and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date.

Subsequent increases or decreases in impairment will be recorded in the statement of comprehensive income.

Expected credit loss measurement

- ECLs are measured on either a 12 month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether the asset is considered credit impaired.
- ECLs are a probability-weighted discounted product of Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).
- ECLs are discounted at the effective interest rate of the portfolio.
- The maximum period considered when estimating ECLs is the maximum contractual period over which the Banks exposed to credit risk.
- The Bank uses a portfolio based approach to calculation of ECLs. The portfolios are segmented into retail and corporate and further by product.
- The Bank considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if any is held) or the financial asset is more than 90 days past due.

IFRS 9 outlines a three stage model for impairment based on changes in credit quality since initial recognition. The loss allowance is measured on either of the following basis;

i) 12 - month ECLs (Stage 1 - no significant increase in credit risk)
These are ECLs on financials instruments not credit impaired on initial recognition and they are in the performing grade. These are a portion of lifetime ECLs that result from possible default events within the 12 months after the reporting date. The ECLs are measured on the assets with the following grading

- Corporate loans with regulatory grades from 1 – 4?
- Retail loans graded in bucket 0 and bucket 1 (bucket 0 no missed instalment, bucket 1 instalment overdue but less than 30 days)
- Debt securities, loans to banks and bank balances which are performing grade.
- These are a product of 12 month PD, 12 month LGD and EAD.

ii) Lifetime ECLs (Stage 2 – significant increase in credit risk)
These are ECLs that result from all possible default events over the expected life of a financial instrument.
These ECLs are measured on assets with significant increase in credit risk since initial recognition.

- Corporate loans with regulatory grades from grade 4 to grade 7 (Early Warning List 1 and Early Warning List 2)
- Retail loans in bucket 2 to 3 (bucket 2 is 30 days to 60 days past due, bucket 3 is 60 days to 89 days past due)
- Debt securities, loans to banks and bank balances classified from grade 4 - 7 or standard monitoring grade
- These are a product of lifetime PD, lifetime LGD and EAD.

iii) Lifetime ECLs (Stage 3 – default)
These ECLs are measured on all credit impaired/ in default credit exposures.

- These are corporates in regulatory grade 8 - 10 and retail loans in bucket 4, and debt securities, loans to banks, bank balances in default.
- All exposures which are 90 days past due
- These are a product of default PD, lifetime LGD and EAD.

Note 37.5 provides more detail of how the expected credit loss allowance is measured.

Significant increase in credit risk (SICR)
When determining whether the credit risk of a financial asset has increased significantly since initial recollection and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort this includes both quantitative and qualitative information and analysis based on the Bank's historical experience and informed credit assessment including forward looking information.

Following impairment, interest income continues to be recognised at the original effective interest rate on the restated carrying amount, representing the unwind of the discount of the expected cash flows, including the principal due on non-accrual loans.

Uncollectable loans are written off against the related allowance for loan impairment on completion of the Bank's internal processes and all recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the profit or loss component of the statement of comprehensive income.

Benchmarking ECL
Corporate exposures
The ECL for all financial instruments portfolios is determined from an impairment model. However due to lack of enough historical information on corporate portfolio defaults from which PD and LGD are derived, a judgemental benchmarking is used parallel to the corporate model output. The higher of benchmarking ECL and the model output is considered as the final ECL stock.

Treasury
ECL for treasury exposures is based on benchmarked PDs and LGDs due to lack of historical data.

Retail
ECL for retail exposures are totally based on model output with no benchmarking comparative since enough historical default data was available when designing the calculation model.

De-recognition of financial assets
Full de-recognition only occurs when the rights to receive cash flows from the asset have been discharged, cancelled or have expired, or the Bank transfers both its contractual right to receive cash flows from the financial assets (or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment) and substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk. When an asset is transferred, in some circumstances, the Bank may retain an interest in it (continuing involvement) requiring the Bank to repurchase it in certain circumstances for other than its fair value on that date.

De-recognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors), such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss component of the statement of comprehensive income. Where the terms of an existing liability are not substantially modified, the liability is not derecognised. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.16.1 Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary share capital
Proceeds are included in equity, net of transaction costs. Dividends and other returns to equity holders are recognised when paid or declared by the Board.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of impairment allowance measured in accordance with IFRS 9; and
- The amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies of IFRS 15.

Any increase in the liability relating to guarantees is recognised in profit or loss. Any liability remaining is credited to profit or loss when the guarantee is discharged, cancelled or expires.

Loan commitments

The Bank enters into commitments to lend to its customers subject to certain conditions. Such loan commitments are made either for a fixed period, or are cancellable by the Bank subject to notice conditions. Provision is made for undrawn loan commitments to be provided at below-market interest rates and for similar facilities, if it is probable that the facility will be drawn and result in recognition of an asset at an amount less than the amount advanced.

2.17 Derivative financial instruments

The Bank enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

2.18 Offsetting

In accordance with IAS 32 Financial Instruments: Presentation, the Bank reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a current legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.19 Cash and cash equivalents

For the purposes of the statement of cash flows, cash comprises cash on hand and demand deposits and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less.

2.20 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Bank and the number of basic weighted average number of ordinary shares excluding treasury shares held in employee benefit trusts or held for trading. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effects of all dilutive potential ordinary shares held.

2.21 Segment reporting

Management has determined the operating segments based on the reports reviewed by the Country Management Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Bank meet the definition of a reportable segment under IFRS 8 Operating Segments. The Country Management Committee assesses the performance of the operating segments monthly based on a measure of profit or loss. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs and legal expenses. The measure also excludes the effects of equity-settled share-based payments and unrealised gains or losses on financial instruments.

The Bank has four broad business segments:

1. Retail banking - focuses on individual customers with product offering that incorporates direct debit facilities, current and savings accounts, investment savings products, safe custody, debit cards, consumer loans and mortgages.

2. Business banking - focuses on small to medium enterprises with product offering similar to retail banking.

3. Corporate banking - focuses on large corporates, multi-nationals and non-governmental organisations. Product offering includes current accounts, overdrafts, loans and foreign currency products.

4. Treasury - focuses on management of the overall Bank operating asset balances and balance sheet structure. Main products include financial instruments and foreign currency trading

Revenue allocated to the segments is from external customers who are domiciled in Zimbabwe. There were no trading revenues from transactions with a single external customer that amounted to 10% or more of the Bank's revenues. Costs incurred by support functions are allocated to the two main business segments on the basis of determined cost drivers.

3. Judgements and estimates

In the preparation of the annual financial statements, management is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements within the next financial period.

Judgements made by management that could have a significant effect on the amounts recognised in the financial statements include:

i) Functional currency

Determination of the functional currency

This was a critical judgement area in the prior years given the existing legislation on the currency of the country compared to the substance over form of currency in use. In 2018, the transactional activity on the ground was pointing to a different functional currency than the legislated currency thereby resulting in a significant judgement on the currency. Refer to note 2.1, section for Functional and presentation currency.

ii) Measurement of the expected credit loss allowance (ECL)

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 37.5(c-e), which also sets out key sensitivities of the ECL to changes in these elements.

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL such as determination of EAD;
- Establishing the number and relative weightings of forward -looking scenarios for each type of product market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 37.5(c-e)

iii) Income taxes

The Bank is subject to income tax in Zimbabwe. Significant judgement is required in determining the income tax payable. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from amounts that were initially recognised, such differences will impact the income and deferred income tax provisions in the period in which such determination is made.

iv) Fair value of share options

The fair value of share options that are not traded in an active market is determined using valuation techniques. The Bank uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of outstanding share options during the year was determined by reference to the Black Scholes Model.

v) Defined benefit pension scheme

The Barclays Bank Pension Fund manages retirement funds for the active members and pensioners. The assets of the funds are managed as one composite pool, with no separation for the active members and pensioners. A review of the Fund resulted in the conclusion that the provision of pension annuities to pensioners was a significant defined benefit. As a result, a valuation is performed based on IAS 19; Employee Benefits for the whole Fund for both the assets and liabilities. In determining the liability, assumptions relating to life expectancy of pensioners, discount rate and expected investment returns which are judgemental in nature are applied.

vi) Investment property and investment in Makasa Sun Hotel

The fair value of investment property is based on the nature, location and condition of the asset. The fair value is calculated by reference to the price that would be received to sell the property in an orderly transaction at measurement date or value determined by capitalisation of market rentals. Given the property pricing distortions in the market, sellers withholding properties for sale in local currency, unavailability of sales information and which currency sales are made, valuation of properties becomes a significant judgement area.

Fair value of Makasa Sun, which is an investment in a hotel located in Victoria Falls is an area of significant judgement given the specialised nature of the property and limited hotel sales activity. The fair value is determined by capitalisation of future deferred revenue and also reference to recent offers by potential buyers.

Sensitivity assessment

The fair values of the above properties were determined in United States Dollars (USD) and converted to Zimbabwe Dollars (ZWL) at the closing interbank rate of 1 USD: 16.7734 ZWL. A 50% increase in the exchange rate results in an increase in the property values by ZWL157 million.

vii) FVOCI - treasury bills and bonds

These instruments are not actively traded hence the valuation inputs are unobservable. The unobservable inputs are generally determined based on inputs of similar nature or historical observations. Treasury bills are fair valued based on yields of recent treasury bill issues.

viii) FVOCI - equity instruments (Zimswitch investment)
The fair value of these unquoted equity investments was determined using dividend growth model. Dividend growth in perpetuity was estimated using the weighted average cost of capital of the investment. Estimation of the cost of equity and future cash flows is an area of significant judgement.

ix) Owner occupied property
The fair value of property is based on the nature, location and condition of the asset. The fair value is calculated by reference to the price that would be received to sell the property in an orderly transaction at measurement date, or value determined by capitalisation of market rentals. Given the property pricing distortions in the market, sellers withholding properties for sale in local currency, unavailability of sales information and which currency sales are happening in, valuation of properties becomes a significant judgement area.

Sensitivity assessment
The fair values of the above properties were determined in United States Dollars (USD) and converted to Zimbabwe Dollars (ZWL) at the closing interbank rate of 1 USD: 16.7734 ZWL. A 50% increase in the exchange rate results in an increase in the property values by ZWL 114 million.

x) Other assets - Net Open Position (NOP) support receivable from RBZ
Determination of the present value of the future cash flows to be received under the NOP support by the RBZ is an area of significant judgement, given the assumptions relating to timing of cash flows and the discount rate applied on the USD denominated cash flows.

xi) Useful lives and residual values
Depreciation on other assets is calculated using the straight – line method to allocate the cost down to the residual values over their estimated useful lives, see below:

	Useful lives Years
Property and equipment	
Buildings	50
Furniture and fittings	5
Computers	3 - 5
Office equipment	5
Motor vehicles	5
Intangible asset computer software	6

		Inflation adjusted		Historical	
		2019	2018	2019	2018
4	Interest income	ZWL000	ZWL000	ZWL000	ZWL000
	Bank balances	2 378	518	1 702	76
	Loans and receivables from banks and investment securities	56 455	172 327	14 563	25 368
	Loans and advances to customers	115 941	108 916	58 370	16 033
	Total interest income	174 774	281 761	74 635	41 477
5	Interest expense				
	IFRS16 lease interest	(3 813)	-	(1 949)	-
	Deposits from banks	(808)	-	(419)	-
	Customer deposits	(6 316)	(9 715)	(1 630)	(1 430)
	Total interest expense	(10 937)	(9 715)	(3 998)	(1 430)
6	Net fee and commission income				
	Fee and commission income				
	Account activity fees/ledger fees	71 046	49 563	26 949	7 296
	Insurance commission received	929	2 794	330	411
	Commission received	83 697	94 254	38 040	13 875
	Guarantees	2 309	5 670	6 882	835
	Card based transaction fees	7 308	18 352	641	2 702
	Cash withdrawal fees	61 610	19 361	28 494	2 850
	Fee and commission income	226 899	189 993	101 336	27 969
	Fee and commission expense				
	Guarantee commissions	(2 022)	(2 377)	(616)	(350)
	Other fees and commissions	-	(1 027)	-	(151)
	Fee and commission expense	(2 022)	(3 404)	(616)	(501)
	Net fee and commission income	224 877	186 589	100 720	27 468

Net fee and commission income above excludes amounts included in determining the effective interest rate on financial assets measured at amortised cost.

		Inflation adjusted		Historical	
		2019	2018	2019	2018
7	Net trading and foreign exchange income	ZWL000	ZWL000	ZWL000	ZWL000
	Net foreign exchange revaluation loss	(59 297)	-	(18 071)	-
	Net foreign exchange trading income	179 157	74 475	79 967	10 963
	Trading income - financial instruments	-	5 925	-	872
	Net trading income	119 860	80 400	61 896	11 835
8	Net investment and other income				
	Dividend income	7 315	9 527	4 429	1 402
	Gain on disposal of property and equipment	326	1 789	245	263
	Rental income	1 451	2 321	471	342
	Income from non - current asset held for sale	-	2 274	-	335
	Sundry income	631	-	374	-
	Total	9 723	15 911	5 519	2 342
9	Staff costs				
	Salaries and allowances	(119 186)	(151 146)	(44 762)	(22 249)
	Social security costs	(668)	(1 399)	(194)	(206)
	Pension costs: defined contribution plans	(8 918)	(14 657)	(2 612)	(2 158)
	Retrenchment costs	(19 695)	-	(9 059)	-
	Directors` remuneration - for services as management	(4 801)	(5 041)	(1 464)	(742)
	Share based payments	(71)	(359)	(45)	(53)
	Total staff cost	(153 339)	(172 602)	(58 136)	(25 408)
	Average number of employees during the period:	676	702	676	702
10	Infrastructure costs				
	Repairs and maintenance	(9 293)	(12 319)	(3 684)	(1 813)
	Heating, lighting, cleaning and rates	(8 208)	(14 091)	(4 322)	(2 075)
	Security costs	(7 104)	(7 793)	(2 800)	(1 147)
	Depreciation of property and equipment and right of use asset	(39 681)	(17 088)	(5 565)	(2 516)
	Software amortisation	(4 782)	-	(2 251)	-
	Operating lease - other costs	(1 462)	(14 916)	(441)	(2 196)
	Migration costs - technology	(54 650)	(11 783)	(21 948)	(1 734)
	Connectivity, software and licences	(39 838)	-	(21 791)	-
	Total infrastructure costs	(165 018)	(77 990)	(62 802)	(11 481)

		Inflation adjusted		Historical	
		2019	2018	2019	2018
11	Administrative and general expenses	ZWL000	ZWL000	ZWL000	ZWL000
	Auditors' remuneration:				
	Audit related services	(1 949)	(1 767)	(1 990)	(260)
	Review services	(1 765)	(157)	(538)	(23)
	Total auditors' remuneration	(3 714)	(1 924)	(2 528)	(283)
	Consultancy, legal and professional fees	(3 805)	(5 344)	(1 653)	(787)
	Subscription, publications and stationery	(10 209)	(14 982)	(4 159)	(2 205)
	Marketing, advertising and sponsorship	(9 331)	(3 537)	(4 722)	(521)
	Travel and accommodation	(16 822)	(6 680)	(8 155)	(983)
	Entertainment	(108)	(449)	(68)	(66)
	Cash transportation	(15 779)	(8 584)	(8 155)	(1 264)
	Directors fees	(339)	(1 662)	(121)	(245)
	Insurance costs	(10 067)	(15 164)	(4 862)	(2 232)
	Telex, telephones and communication	(19 570)	(17 538)	(8 881)	(2 582)
	Group recharges	(76 259)	(16 924)	(37 146)	(2 491)
	Card operating expenses	(12 419)	(5 078)	(6 816)	(748)
	Other administrative and general expenses	(18 663)	(5 476)	(16 052)	(805)
	Migration cost branding & other	(5 935)	(13 480)	(1 779)	(1 985)
	Total administrative and general expenses	(203 020)	(116 822)	(105 097)	(17 197)
12	Impairment losses on loans and advances by stage				
	Stage 1				
	Loans and advances to customers	(54 086)	(18 965)	(17 295)	(2 792)
	Balances with banks - local & nostro	(1 685)	(231)	(512)	(34)
	Investment securities - treasury bills & bonds	(567)	2 106	(173)	310
	Other assets including RBZ NOP receivable	(15 005)	-	(9 644)	-
	Total	(71 343)	(17 090)	(27 624)	(2 516)
	Stage 2				
	Loans and advances to customers	(3 353)	2 065	(1 022)	304
	Total	(3 353)	2 065	(1 022)	304
	Stage 3				
	Loans and advances to customers	(2 083)	(2 412)	(635)	(355)
	Other assets	(933)	-	(933)	-
	Total	(3 016)	(2 412)	(1 568)	(355)
	Total impairment raised during the period	(77 712)	(17 437)	(30 215)	(2 567)
	Recoveries of loans and advances previously written off	546	721	166	106
	Statement of comprehensive income charge	(77 166)	(16 716)	(30 048)	(2 461)
13.	Taxation				
13.1	Income tax recognised in profit or loss				
	Current tax				
	Normal tax - current year	(26 822)	(9 606)	(9 000)	(1 414)
	Total current tax	(26 822)	(9 606)	(9 000)	(1 414)
	Deferred tax				
	Deferred tax expense recognised in the current year	(7 902)	3 690	3 187	591
	Deferred tax expense from changes in tax rates	(1)	-	(1)	-
	Total deferred tax	(7 903)	3 690	3 186	591
	Total income tax charge recognised in the current year	(34 725)	(5 916)	(5 814)	(823)
	Income tax recognised in profit or loss: reconciliation of tax expense amount				
	Profit for the year	(135 265)	88 287	270 004	25 145
	Income tax expense calculated at 25.75%	34 831	(22 734)	(69 526)	(6 475)
	Effect of income that is exempt from taxation	90 280	22 686	80 183	6 468
	Effect of expenses that are not deductible in determining taxable profit	(159 835)	(5 868)	(13 516)	(816)
	Change in tax rate	(1)	-	(1)	-
	Income tax expense recognised in profit or loss	(34 725)	(5 916)	(5 814)	(823)
	Statutory tax rate	25.75%	25.75%	25.75%	25.75%
	Effective income tax rate	(25.67%)	6.70%	2.15%	5.62%

		Inflation adjusted		Historical	
		2019	2018	2019	2018
13.2	Income tax recognised in other comprehensive income	ZWL000	ZWL000	ZWL000	ZWL000
	Deferred tax				
	Fair value remeasurement of FVOCI financial assets	747	(994)	(127)	(470)
	Property revaluations	(33 207)	(5 511)	(53 992)	(535)
	Total income tax recognised directly in other comprehensive income	(32 460)	(6 505)	(54 119)	(1 005)

		Inflation adjusted		Historical	
		2019	2018	2019	2018
14	Earnings per share	ZWL000	ZWL000	ZWL000	ZWL000
a)	Basic earnings per share				
	Earnings attributable to ordinary equity holders	(163 287)	82 371	264 190	24 322
		2019 Number of shares	2018 Number of shares	2019 Number of shares	2018 Number of shares
	Issued shares at the beginning of the reporting year	2 155 630 176	2 155 630 176	2 155 630 176	2 155 630 176
	Shares issued during the year	-	86 137	-	86 137
	Weighted average number of ordinary shares	2 155 630 176	2 155 716 313	2 155 630 176	2 155 716 313
		Cents	Cents	Cents	Cents
	Basic earnings per share (cents)	(7.57)	3.82	12.26	1.13

		Inflation adjusted		Historical	
		2019	2018	2019	2018
b)	Diluted earnings per share	ZWL000	ZWL000	ZWL000	ZWL000
	Earnings attributable to ordinary equity holders	(163 287)	82 371	264 190	24 322
		2019 Number of shares	2018 Number of shares	2019 Number of shares	2018 Number of shares
	Issued number of ordinary shares	2 155 630 176	2 155 716 313	2 155 630 176	2 155 716 313
	Adjustment for share options issued at no value	3 407 769	1 735 339	3 407 769	1 735 339
	Diluted average number of ordinary shares	2 159 037 945	2 157 451 652	2 159 037 945	2 157 451 652
		Cents	Cents	Cents	Cents
	Diluted earnings per share (cents)	(7.56)	3.82	12.24	1.13

		Inflation adjusted		Historical	
		2019	2018	2019	2018
c)	Headline earnings per share	ZWL000	ZWL000	ZWL000	ZWL000
	Earnings attributable to ordinary equity holders	(163 287)	82 371	264 190	24 322
	Non operational transactions				
	Fair value gain on investment property	(32 260)	-	(59 073)	-
	Share of fair value gain in joint venture	(150 376)	-	(225 421)	-
	Impairment on RBZ receivable	9 644	-	9 644	-
	Total effect of non operational transactions	(172 992)	-	(274 850)	-
	Non routine transactions				
	Redundancy	19 695	-	9 059	-
	Migration costs - technology	54 650	11 783	21 948	1 734
	Total effect of non routine transactions	74 345	11 783	31 007	1 734
	Headline earnings	(268 638)	94 154	20 347	26 056
		2019 Number of shares	2018 Number of shares	2019 Number of shares	2018 Number of shares
	Issued number of ordinary shares	2 155 630 176	-	2 155 630 176	2 155 716 313
	Diluted average number of ordinary shares	2 155 630 176	2 155 716 313	2 155 630 176	2 155 716 313
		Cents	Cents	Cents	Cents
	Headline earnings per share (cents)	(12.15)	4.37	0.94	1.21

		Inflation adjusted		Historical	
		2019	2018	2019	2018
15	Cash and bank balances	ZWL000	ZWL000	ZWL000	ZWL000
	Balances with central bank	94 107	409 347	94 107	65 901
	Statutory reserve balance with central bank	41 554	150 169	41 554	24 176
	Money market assets	-	124 271	-	20 007
	Cash on hand - foreign currency	170 357	111 260	170 357	17 918
	Cash on hand - local currency	2 061	26 271	2 061	4 224
	Balances due from group companies	934	11	934	2
	Balances with banks abroad	820 583	114 996	820 583	18 513
	Cash and bank balances	**1 129 596**	**936 326**	**1 129 596**	**150 741**
	Expected credit losses	(660)	(211)	(660)	(34)
	Net cash and bank balances	**1 128 936**	**936 114**	**1 128 936**	**150 707**

15.1	Cash & cash equivalents				
	Cash & bank balances before impairment	1 129 596	936 326	1 129 596	150 741
	Restricted balances with central bank	(23 797)	(45 646)	(23 797)	(7 349)
	Statutory reserve	(41 554)	(150 170)	(41 554)	(24 176)
	Restricted balances with banks abroad	(131 050)	(23 251)	(131 050)	(3 744)
	Clearing balances with banks	3 263	4 054	3 263	653
	Bank balances due to group companies	(934)	-	(934)	-
	Balances due to other banks	(38 445)	(18 045)	(38445)	(2 905)
	Total cash and cash equivalents - statement of cash flows	**897 079**	**703 268**	**897 079**	**113 220**

16 Derivative financial instruments

The Bank uses cross-currency swaps to manage the foreign currency risks arising from asset and deposit balances held which are denominated in foreign currencies. Forward exchange contracts are for trading and foreign currency risk management purposes.

Carrying amount

The fair value of the derivative financial instruments represents the present value of the positive or negative cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly market place transaction at year end.

Contract amount

The gross notional amount is the sum of the absolute value of all bought and sold contracts. The amount cannot be used to assess the market risk associated with the position and should be used only as a means of assessing the Bank's participation in derivative contracts.

	Inflation adjusted		Historical	
	2019	2018	2019	2018
Foreign exchange derivatives - assets	ZWL000	ZWL000	ZWL000	ZWL000
Foreign exchange spot trades				
Notional contract amount	7 246	4 628	7 246	745
Carrying amount	-	2	-	-
Foreign exchange derivatives	**7 246**	**4 630**	**7 246**	**745**
Foreign exchange derivatives - liabilities				
Forward foreign exchange				
Notional contract amount	-	-	-	-
Carrying amount	-	5	-	1
Foreign exchange derivatives	**-**	**5**	**-**	**1**

17	Investment securities				
	Treasury bills	205 613	1 755 784	205 613	282 666
	Equity securities	26 187	39 348	26 187	6 335
	Balance at the end of the year	**231 800**	**1 795 132**	**231 800**	**289 001**
	Balance at beginning of year	**1 795 132**	**32 517**	**289 001**	**5 235**
	Additions	384 724	1 677 338	341 272	270 038
	Maturities	(1 939 225)	(2 880)	(421 382)	(464)
	Accrued interest	4 674	72 879	4 674	11 733
	Changes in fair value	(13 505)	15 278	18 235	2 459
	Balance at the end of the year	**231 800**	**1 795 132**	**231 800**	**289 001**

Treasury bills and bonds classified as investment securities are held to collect contractual cash flows and sell if the need arises. They are measured at fair value.

Expected credit losses are accounted for through impairment reserve in equity. A total of ZWL782 468 was recognised in the reserve as at 31 December 2019.

Equity securities are designated as fair value through other comprehensive income and measured at fair value.

		Inflation adjusted		Historical	
		2019	2018	2019	2018
18	Loans and receivables from banks	ZWL000	ZWL000	ZWL000	ZWL000
	Treasury Bills	-	21 021	-	3 384
	Clearance balances with other banks	3 263	4 054	3 263	653
	Total carrying amount of loans and advances	3 263	25 075	3 263	4 037
	Less: Impairment provision	-	(44)	-	(7)
	Net Loans and receivables from banks	3 263	25 032	3 263	4 030

Treasury bills held for investment purpose are classified as financial assets at amortised cost. These financial assets are held to earn interest income over their tenor and to collect contractual cash flows.

		Retail Banking ZWL000	Business Banking ZWL000	Corporate and Investment Banking ZWL000	Total ZWL000
19	Loans and advances to customers				
	Historical and inflation adjusted 2019				
	Personal and term loans	78 374	38 811	493 267	610 452
	Mortgage loans	21 980	-	-	21 980
	Overdrafts	1 579	42 738	59 829	104 146
	Gross loans and advances to customers	101 933	81 549	553 096	736 578
	Less: allowance for impairment				
	Stage1	(3 092)	(1 899)	(17 020)	(22 011)
	Stage2	(1 069)	(332)	(164)	(1 565)
	Stage3	(1 475)	(305)	-	(1 780)
	Allowance for impairment	(5 637)	(2 535)	(17 184)	(25 356)
	Net loans and advances to customers	96 296	79 014	535 912	711 222

Inflation adjusted 2018	Retail Banking ZWL000	Business Banking ZWL000	Corporate and Investment Banking ZWL000	Total ZWL000
Personal and term loans	253 736	295 408	423 936	973 080
Mortgage loans	52 166	-	-	52 166
Overdrafts	1 757	20 722	204 109	226 588
Interest in suspense	-	(2 329)	-	(2 329)
Gross loans and advances to customers	307 659	313 801	628 045	1 249 505
Less: allowance for impairment				
Stage 1	(3 769)	(8 841)	(16 683)	(29 293)
Stage 2	(154)	(47)	(3 173)	(3 374)
Stage 3	(2 998)	(4 615)	-	(7 613)
Allowance for impairment	(6 921)	(13 502)	(19 856)	(40 279)
Net loans and advances	300 738	300 298	608 190	1 209 226

Loans and advances to customers (continued) Historical 2018	Retail Banking ZWL000	Business Banking ZWL000	Corporate and Investment Banking ZWL000	Total ZWL000
Personal and term loans	40 850	47 558	68 250	156 658
Mortgage loans	8 398	-	-	8 398
Overdrafts	283	3 336	32 860	36 479
Interest in suspense	-	(375)	-	(375)
Gross loans and advances to customers	**49 531**	**50 519**	**101 110**	**201 160**
Less: allowance for impairment				
Stage 1	(607)	(1 423)	(2 686)	(4 716)
Stage 2	(25)	(7)	(511)	(543)
Stage 3	(483)	(743)	-	(1 226)
Allowance for impairment	**(1 115)**	**(2 173)**	**(3 197)**	**(6 485)**
Net loans and advances	**48 416**	**48 346**	**97 913**	**194 675**

		Inflation adjusted		Historical	
		2019	2018	2019	2018
20	Other assets	ZWL000	ZWL000	ZWL000	ZWL000
	Prepayments and stationery	19 824	20 589	11 289	2 867
	Card security deposit and settlement balances	38 580	13 967	38 580	2 249
	Other receivables	6 010	4 679	6 010	754
	RBZ receivable - NOP support*	207 819	-	207 819	-
	RBZ other legacy debts	13 419	-	13 419	-
	Income receivable from non - current asset held for sale	-	2 079	-	335
	Staff loans market interest rate adjustment	31 057	15 404	11 825	2 348
	Total before impairment allowance	**316 708**	**56 718**	**288 942**	**8 553**
	Less: Expected credit loss	(10 471)	-	(10 471)	-
	Total other assets	**306 238**	**56 718**	**278 471**	**8 553**
	Current	168 529	45 218	140 762	6 702
	Non - current	137 709	11 499	137 709	1 851
	Total	**306 238**	**56 718**	**278 471**	**8 553**

* The receivable relates to the foreign currency commitment by the central bank to provide cash flows to cover USD15.7 million net open position which arose after separation of RTGS and foreign currency balances. Refer to note 40.3 for the valuation assumptions. The receivable is estimated to be fully recovered over a period of 5.5 years.

21 Property and equipment

Inflation adjusted 2019	Land and buildings ZWL000	Computers ZWL000	Equipment ZWL000	Furniture and fittings ZWL000	Motor vehicles ZWL000	Assets under development ZWL000	Total ZWL000
Balance at beginning of year	103 827	15 430	5 842	4 190	17 487	54 151	200 927
Additions	-	3 892	1 168	521	347	-	5 928
Revaluation	134 332	-	-	-	-	-	134 332
Disposals	-	-	-	-	(497)	-	(497)
Transfers to intangible assets (Note 23)	-	-	-	-	-	(54 151)	(54 151)
Transfers to investment properties	(7 089)	-	-	-	-	-	(7 089)
Depreciation charge	(2 471)	(10 429)	(4 829)	(2 613)	(7 653)	-	(27 995)
Carrying amount at end of the year	228 599	8 893	2 181	2 098	9 684	-	251 455
Cost or valuation	228 599	55 700	25 198	13 533	38 056	-	361 086
Accumulated depreciation and impairment	-	(46 807)	(23 017)	(11 435)	(28 372)	-	(109 631)
Carrying amount at end of the year	228 599	8 893	2 181	2 098	9 684	-	251 455
Inflation adjusted 2018							
Balance at beginning of year	83 037	15 873	5 498	4 725	18 648	-	127 781
Additions	-	2 460	1 817	137	810	54 151	59 963
Revaluation	21 402	-	-	-	-	-	21 402
Disposals	-	-	-	-	-	-	-
Depreciation charge on disposals	-	-	-	-	-	-	-
Depreciation charge	(612)	(2 903)	(1 473)	(672)	(1 971)	-	(7 630)
Carrying amount at end of year	103 827	15 430	5 842	4 190	17 487	54 151	200 927
Cost or valuation	103 827	51 809	24 030	13 012	38 206	54 151	285 035
Accumulated depreciation and impairment	-	(36 379)	(18 188)	(8 822)	(20 719)	-	(84 108)
Carrying amount at end of year	103 827	15 430	5 842	4 190	17 487	54 151	200 927

Historical 2019	Land and buildings ZWL000	Computers ZWL000	Equipment ZWL000	Furniture and fittings ZWL000	Motor vehicles ZWL000	Assets under development ZWL000	Total ZWL000
Balance at beginning of year	16 715	2 387	1 001	622	2 555	7 322	30 602
Additions	-	3 874	1 136	504	298	-	5 812
Revaluation	220 431	-	-	-	-	-	220 431
Disposals	-	-	-	-	(351)	-	(351)
Transfers to intangible assets	-	-	-	-	-	(7 322)	(7 322)
Transfers to investment properties	(7 089)	-	-	-	-	-	(7 089)
Depreciation charge on disposals	-	-	-	-	276	-	266
Depreciation charge	(1 458)	(1 032)	(310)	(264)	(897)	-	(3 961)
Carrying amount at end of the year	228 599	5 229	1 827	862	1 881	-	238 398
Cost or valuation	228 599	10 961	4 410	2 267	5 129	-	251 366
Accumulated depreciation and impairment	-	(5 732)	(2 583)	(1 405)	(3 248)	-	(12 968)
Carrying amount at end of the year	228 599	5 229	1 827	862	1 881	-	238 398
Historical 2018							
Balance at beginning of year	14 927	1 925	330	737	2 702	-	20 621
Additions	-	1 404	839	136	778	7 322	10 479
Revaluation	2 076	-	-	-	-	-	2 076
Disposals	-	(46)	(7)	(18)	(707)	-	(778)
Depreciation charge on disposals	-	45	7	10	658	-	720
Depreciation charge	(288)	(941)	(168)	(243)	(876)	-	(2 516)
Carrying amount at end of the year	16 715	2 387	1 001	622	2 555	7 322	30 602
Cost or valuation	16 715	7 064	3 296	1 763	5 183	7 322	41 343
Accumulated depreciation and impairment	-	(4 677)	(2 295)	(1 141)	(2 628)	-	(10 741)
Carrying amount at end of year	16 715	2 387	1 001	622	2 555	7 322	30 602

Property and equipment was subjected to impairment testing by way of internal evaluation of obsolescence of equipment. Revaluation takes place after every three years. Land and buildings were revalued at 31 December 2019 by an independent valuer. If land and buildings were stated on the historical cost basis, the carrying amount would be ZWL80 590 806 (2018: ZWL83 036 789). No items of property and equipment were pledged as collateral as at 31 December 2019.

		Inflation adjusted		Historical	
		2019	2018	2019	2018
22	Investment properties	ZWL000	ZWL000	ZWL000	ZWL000
	Balance at beginning of the year	31 958	31 958	5 145	5 145
	Transfers from property and equipment	7 089	-	7 089	-
	Changes in fair value	32 260	-	59 073	-
	Balance at the end of the year	71 307	31 958	71 307	5 145
	Rental income derived from investment properties	1 451	2 424	471	342

Investment property comprises commercial properties that are leased to third parties. No contingent rents are charged. The property was fair valued in 2019 with ZWL32 260 000 fair value movement (2018: Nil). Total cost incurred in the year is ZW167 920.

The fair value of investment property was determined by external, independent property valuers, having the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Bank`s investment property portfolio annually.

The fair value measurement of the investment property has been categorised as Level 3 in the fair value hierarchy (Note 40) based on the inputs to the valuation technique used.

		Inflation adjusted		Historical	
		2019	2018	2019	2018
23	Intangible assets	ZWL000	ZWL000	ZWL000	ZWL000
	Balance at beginning of year	-	-	-	-
	Transfers from property and equipment	23 401	-	7 322	-
	Additions	35 124	-	12 954	-
	Amortisation	(4 782)	-	(2 251)	-
	Balance at 31 December	53 743	-	18 025	-
	Cost/ valuation	58 524	-	20 276	-
	Accumulated amortisation	(4 782)	-	(2 251)	-
	Balance at 31 December	53 743		18 025	-
24	Non - current assets held for sale				
	Balance at beginning of year	92 111	92 111	14 829	14 829
	Transfer to investment in joint venture	(92 111)	-	(14 829)	-
	Balance at 31 December	-	92 111	-	14 829

During the year the non - current asset held for sale was reclassified to investment in joint venture after the Board resolved not to continue with the sale.

		Inflation adjusted		Historical	
		2019	2018	2019	2018
25	Investment in joint venture	ZWL000	ZWL000	ZWL000	ZWL000
	Summarised financial information				
	Revenue	25 112	-	7 636	-
	Fair value gain on investment property	474 570	-	474 570	-
	Profit for the year	456 484	-	456 484	-
	Total comprehensive income	456 484	-	456 484	-
	Non - current assets	504 570	-	504 570	-
	Current assets	1 346	-	1 346	-
	Non - current liabilities	23 729	-	23 729	-
	Current liabilities	1 970	-	1 970	-
	Bank's interest in investment				
	Bank's interest at beginning of year	-	-	-	-
	Transfer from non - current assets held for sale	92 111	-	14 829	-
	Prior years' share of profit adjustment	2 079	-	335	-
	Current year share of total comprehensive income in joint venture	150 376		228 242	
	Dividends received during the year	(2 079)	-	(919)	-
	Carrying amount of investment at year end	242 487	-	242 487	-

The Bank owns 50 % investment in Makasa Sun. The other 50 % is owned by Barclays Pensions Fund. Maksa Sun owns a hotel located in the tourist resort town of Victoria Falls, Zimbabwe.

		Inflation adjusted		Historical	
		2019	2018	2019	2018
26	Leases	ZWL000	ZWL000	ZWL000	ZWL000
26.1	Right of use asset				
	Balance at beginning of year	-	-	-	-
	Additions	66 010	-	17 694	-
	Depreciation for the year	(11 687)	-	(1 633)	-
	Balance at 31 December	54 323	-	16 061	-
26.2	Lease liabilities				
	Maturity analysis - contractual undiscounted cash flows				
	Less than one year	5 992	-	5 992	-
	One to five years	20 194	-	20 194	-
	More than five years	8 942	-	8 942	-
	Total undiscounted lease liabilities at 31 December	35 128	-	35 128	-
	Lease liabilities included in statement of financial position				
	Current	1 127	-	1 127	-
	Non - current	15 008	-	15 008	-
	Balance at 31 December	16 135		16 135	-
	Amounts recognised in profit/ loss				
	Interest on lease liabilities	(3 813)	-	(1 949)	-
	Expenses - short term & low value leases	(1 141)	-	(441)	-
	Total undiscounted lease liabilities	(4 954)	-	(2 391)	-
	Statement of cash-flows - Leases				
	Total cash outflows	(14 203)	-	(4 328)	-
	Operating leases				
	Less than one year	-	11 686	-	1 181
	One to two years	-	20 807	-	3 350
	Total	-	32 493	-	4 531
27	Deposits from banks				
	Interbank money market deposit	20 027	-	20 027	-
	Clearance balances due to other banks	19 352	18 045	19 352	2 905
	Total deposits from banks	39 379	18 045	39 379	2 905
28	Deposits from customers				
	Demand deposits				
	Retail	292 597	516 167	292 597	83 099
	Business banking	177 304	880 866	177 304	141 812
	Corporate and investment banking	1 417 899	1 276 414	1 417 899	205 492
	Total	1 887 800	2 673 447	1 887 800	430 403
	Call deposits				
	Retail	377	5 648	377	909
	Business banking	13 306	294 749	13 305	47 452
	Corporate and investment banking	18 811	-	18 811	51 425
	Total	32 493	300 397	32 493	99 786
	Savings accounts				
	Retail	2 017	89 261	2 017	14 370
	Business banking	18	4	18	1
	Corporate and investment banking	-	319 425	-	-
	Total	2 035	408 690	2 035	14 371
	Other				
	Retail	-	-	-	-
	Business banking	-	-	-	-
	Corporate and investment banking	124 488	55 929	124 488	9 004
	Total	124 488	55 929	124 488	9 004
	Total deposits from customers	2 046 816	3 438 463	2 046 816	553 564

Included in the deposits above are foreign currency deposits of ZWL1 billion. Deposits from customers only include financial instruments classified as liabilities at amortised cost. Fair value of deposits from customers approximates carrying amount because of their short tenure. Included in customer accounts are deposits of ZWL124 487 697 (2018: ZWL9 004 124) held as collateral for loans advanced and letters of credit.

	Inflation adjusted				Historical			
	2019		2018		2019		2018	
Concentration of customer deposits	ZWL000	%	ZWL000	%	ZWL000	%	ZWL000	%
Trade and services	753 290	37	1 231 512	36	753 290	37	198 263	36
Energy and minerals	13 445	1	101 265	3	13 445	1	16 303	3
Agriculture	211 535	10	315 073	9	211 535	10	50 724	9
Construction and property	22 541	1	18 803	1	22 541	1	3 027	1
Light and heavy industry	214 940	11	396 565	12	214 940	11	63 844	12
Physical persons	297 973	15	610 848	18	297 973	15	98 342	18
Transport and distribution	311 452	14	492 834	14	311 452	14	79 342	14
Financial services	221 640	11	271 563	8	221 640	11	43 719	8
Total	2 046 816	100	3 438 463	100	2 046 816	100	553 564	100

		Inflation adjusted		Historical	
		2019	2018	2019	2018
29	Provisions	ZWL000	ZWL000	ZWL000	ZWL000
	Staff retention				
	Balance at beginning of period	14 326	12 647	2 306	2 036
	Provisions made during the year	12 659	14 164	5 653	2 280
	Provisions used during the year	(20 940)	(12 485)	(1 914)	(2 010)
	Balance at end of year	6 045	14 326	6 045	2 306
	Outstanding employee leave				
	Balance at beginning of period	5 323	2 143	857	340
	Provisions made during the year	3 524	3 210	845	517
	Provisions used during the year	(7 790)	-	(645)	-
	Balance at end of year	1 057	5 323	1 057	857
	Total provisions at end of year	7 102	19 649	7 102	3 163

The staff retention incentive represents a provision for a performance based staff incentive to be paid to staff and is included in staff costs. Employee entitlements to annual leave are recognised when they accrue to employees. The provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date and the charge is recognised in profit or loss within "staff costs".

		Inflation adjusted		Historical	
		2019	2018	2019	2018
30	Other liabilities	ZWL000	ZWL000	ZWL000	ZWL000
	Accrued expenses	46 105	46 104	46 105	7 422
	Amounts due to related parties	24 895	11 216	24 895	-
	Internal accounts including unpresented bank drafts	74 613	54 815	71 819	10 632
	Balance at 31 December	145 613	112 135	142 819	18 054

31 Retirement benefit plans

Barclays Bank Pension Fund

The Barclays Bank Pension Fund ("The Fund") manages retirement funds for the active members and pensioners. The Fund is run by appointed Trustees. The assets of the Funds are managed as one composite pool, with no separation for the active members and pensioners. The awarding of pension increases and increase in accumulated values to active members is done in consideration of the performance of the Fund and any requirement to increase risk reserves.

The plan assets comprise of a bank balance, equity instruments and money market deposits at 31 December 2019.

		Inflation adjusted		Historical	
		2019	2018	2019	2018
31.1	Composition of BBZ pension fund plan assets	ZWL000	ZWL000	ZWL000	ZWL000
31.2	Cash and bank balances	7 189	12 181	7 189	1 961
	Equity and unity trusts	54 453	238 242	54 453	38 355
	Money market	20 194	56 668	20 194	9 123
	Properties	174 641	212 433	174 641	34 200
	Other	590	3 019	590	486
	Total	257 067	522 543	257 067	84 125

Defined contribution plans

The defined contribution pension plan, to which the Bank contributes 100%, is provided for permanent employees. Over and above the Bank's contribution, the employee contributes 5%. Under this scheme, retirement benefits are determined by reference to the employees' and the Bank's contributions to date and the performance of the Fund.

All employees are also members of the National Social Security Authority Scheme, to which both the employer and the employees contribute. The Bank contributes 3.5% of pensionable emoluments (maximum $700) for eligible employees.

31.3 Defined benefit pension plans

The Fund provides for annuities for those pensioners who opted not to purchase the annuity from an external insurer at the point of retirement. All annuities are now purchased outside the Fund at the point of retirement.

The provision of pension annuities to pensioners is a significant defined benefit. As a result, a valuation was performed based on IAS 19; Employee Benefits for the whole Fund for both the assets and liabilities.

Summary of the valuation is shown below:

31.4 Summary valuation of the pension obligation	Inflation adjusted		Historical	
	2019 ZWL000	2018 ZWL000	2019 ZWL000	2018 ZWL000
Present value of pensioner obligation (DB)	18 063	106 111	18 063	17 083
Active members liability (DC)	125 871	268 790	125 871	43 273
Deferred pensioners	33 794	36 244	33 794	5 835
Other liabilities - risk pools	3 724	9 274	3 724	1 493
Other sundry liabilities	27 999	8 305	27 999	1 337
Total liabilities	**209 451**	**428 724**	**209 451**	**69 021**
Total assets	**257 067**	**522 542**	**257 067**	**84 125**
Net surplus	**47 616**	**93 818**	**47 616**	**15 104**

This surplus is attributable to the Fund and the Trustees have discretion as to the application and appropriation of the surplus. The surplus could not be recognised as an asset by the Bank because the Bank will not receive any future benefits from the surplus in the form of contribution holidays or refunds. The Fund rules clearly state that the Bank will not be paid any refund relating to the surplus. In addition the Bank is currently not making any additional contributions for the pensioners, therefore, there will be no benefit to the Bank arising from reduced contributions or contribution holiday.

Movements in the present value of the defined benefit obligation in the current year were as follows:

Movement in present value of obligation	Inflation adjusted		Historical	
	2019 ZWL000	2018 ZWL000	2019 ZWL000	2018 ZWL000
Opening present value	17 083	107 136	17 083	17 248
Interest cost	383	2 186	383	352
Surplus allocated to pensioners	1 849	8 615	1 849	1 387
Benefits paid	(1 864)	(13 131)	(1 864)	(2 114)
Remeasurement of obligation	612	1 304	612	210
Present value at 31 December 2019	**18 063**	**106 111**	**18 063**	**17 083**
Principal actuarial assumptions				
Discount rate	2%	2%	2%	2%
Average life expectancy in years of pensioner retiring at 60 - Male	18	18	18	18
Average life expectancy in years of pensioner retiring at 60 - Female	22	22	22	22
Sensitivity of key principal assumptions	**Increase in DB obligation**			
Decrease in discount rate (0.5%)	1 011	6 460	1 011	1 040
Increase in life expectancy (1 year)	539	3 037	539	489

32 Deferred tax

Deferred tax balances

The analysis of the deferred tax assets and deferred tax liabilities is as follows:

Deferred tax	Inflation adjusted		Historical	
	2019 ZWL000	2018 ZWL000	2019 ZWL000	2018 ZWL000
Deferred tax balances				
Deferred tax assets	(63 440)	(20 232)	(64 055)	(3 257)
Deferred tax liabilities	141 430	37 435	117 792	6 005
Total deferred tax	**77 990**	**17 202**	**57 737**	**2 748**

Deferred tax assets and liabilities are attributable to the following:

Inflation adjusted 2019	Balance at period start ZWL000	Recognised in P/L ZWL000	Recognised in OCI ZWL000	Recognised directly in equity ZWL000	Balance at period end ZWL000
Assets/(liabilities)					
Property and equipment	29 043	29 412	24 341	-	82 796
Investment property	1 598	1 613	-	-	3 211
Investment securities	6 793	-	(5 517)	-	1 277
Impairments	(12 850)	6 149	-	-	(6 701)
Prepayments	-	6 864	-	-	6 864
Deferred revenue	(3 404)	177	-	-	(3 228)
Provisions	(3 978)	1 916	-	-	(2 062)
Other items	-	(4 470)	-	-	(4 470)
Total	**17 202**	**41 964**	**18 824**	**-**	**77 990**
Inflation adjusted 2018					
Assets/(liabilities)					
Property, plant and equipment	4 676	16 940	7 427	-	29 043
Investment property	256	1 341	-	-	1 597
Financial assets at FVTOCI	1 094	-	5 700	-	6 794
Impairments	(2 069)	(10 781)	-	-	(12 850)
Deferred revenue	(548)	(2 856)	-	-	(3 404)
Provisions	(640)	(3 338)	-	-	(3 978)
Total	**2 769**	**1 306**	**13 127**	**-**	**17 202**
Historical 2019					
Assets/(liabilities)					
Property and equipment	4 655	3 520	54 493	-	62 667
Investment property	257	2 955	-	-	3 213
Investment securities	1 094	-	183	-	1 271
Impairments	(2 069)	(4 632)	-	-	(6 701)
Deferred revenue	(548)	(2 679)	-	-	(3 228)
Provisions	(641)	(2 037)	-	-	(2 679)
Other items	-	(813)	-	-	(813)
Total	**2 748**	**(3 687)**	**54 676**	**-**	**53 737**
Historical 2018					
Assets/(liabilities)					
Property, plant and equipment	4 116	4	737	-	4 857
Investment property	258	-	-	-	257
Financial assets at FVTOCI	623	-	268	-	891
Impairments	(1 615)	(323)	-	(131)	(2 069)
Prepaid expenses	205	(205)	-	-	-
Deferred revenue	(506)	(42)	-	-	(548)
Provisions	(616)	(25)	-	-	(641)
Total	**2 465**	**(590)**	**1 005**	**(131)**	**2 748**

		Inflation adjusted		Historical	
		2019 ZWL000	2018 ZWL000	2019 ZWL000	2018 ZWL000
33	**Taxation paid**				
	Tax (receivable) at the beginning of the year	7 465	4 710	1 202	637
	Current tax expense	(26 822)	(9 606)	(9 000)	(1 414)
	Tax (receivable) at the end of the year	(5 635)	(7 465)	(5 635)	(1 202)
	Taxation paid	**(24 993)**	**(12 361)**	**(13 434)**	**(1 979)**
34	**Share capital and reserves**				
	Authorised share capital				
	Ordinary shares (5 000 000 000 shares of ZWL0.01 per share)	500	500	500	500
34.1	**Issued share capital**				
	Ordinary shares	1 595	1 595	215	215
	Share premium	176 284	176 284	23 837	23 837
	Total	**177 879**	**177 879**	**24 052**	**24 052**

The total authorised number of ordinary shares at year end was 5 billion (2018: 5 billion). The Bank's shares have a nominal value of USc0.01 from date of issue in United States dollars. The unissued share capital is under the control of the directors subject to the restrictions imposed by the Zimbabwe Companies Act (Chapter 24.03), the Zimbabwe Stock Exchange listing requirements and the Articles and Memorandum of Association of the Bank.

34.2 Share premium

Premiums from the issue of shares are reported in the share premium, including amounts transferred from the currency translation reserve when the Zimbabwe economy adopted the multi-currency system in 2009.

34.3 Non - distributable reserves

This relates to the balance of currency translation reserves arising from the fair valuation of assets and liabilities on 1 January 2009 when the Bank adopted the United States dollar ($) as the functional and presentation currency.

	Inflation adjusted		Historical	
	2019 ZWL000	2018 ZWL000	2019 ZWL000	2018 ZWL000
Non - distributable reserve	57 571	57 571	7 785	7 785
Balance at end of year	**57 571**	**57 571**	**7 785**	**7 785**
Impairment reserve				
Impairment on FVOCI financial assets	783	3 794	783	611
Balance at end of year	**783**	**3 794**	**783**	**611**

This relates to impairment charge on FVOCI debt securities.

34.4 Fair value through other comprehensive income reserve

This relates to fair value movements on investment securities held at fair value through other comprehensive income which include equity and debt securities.

34.5 Revaluation reserve

Revaluation movement on property and equipment is classified under revaluation reserve. Additional detail on revaluation of assets is contained in note 21.

34.6 Share based payment reserve

The fair value of share options granted to employees is classified under share based payment reserve. The reserve is reduced when the employees exercise their share options.

	Inflation adjusted		Historical	
	2019 ZWL000	2018 ZWL000	2019 ZWL000	2018 ZWL000
35 Proceeds on disposal of property and equipment				
Carrying amount of property and equipment disposed of	497	215	75	59
Profit on disposal	326	1 789	245	263
Proceeds on disposal	**823**	**2 004**	**319**	**322**

36 Financial instruments

Classification of assets and liabilities

Financial assets

Financial assets at amortised cost

Cash and bank balances	1 128 936	936 114	1 128 936	150 707
Loans and advances to customers	711 222	1 209 226	711 222	194 675
Treasury bills	-	20 977	-	3 377
Clearance balances due from other banks	3 263	4 054	3 263	653
Other assets*	255 357	20 726	255 357	3 337
Total	**2 098 778**	**2 191 097**	**2 098 778**	**352 749**

* Excludes prepayments and stationery.

Financial assets at fair value through other comprehensive income

Treasury bills	205 613	1 755 784	205 613	282 666
Unquoted equity securities	26 187	39 348	26 187	6 335
Total	**231 800**	**1 795 132**	**231 800**	**289 001**

Financial liabilities

Financial liabilities at fair value through profit and loss

Derivative financial liabilities	-	5	-	1
Total	**-**	**5**	**-**	**1**

Financial liabilities at amortised cost

Customer deposits	2 046 816	3 438 463	2 046 816	553 564
Deposits from other banks	39 379	18 045	39 379	2 905
Other liabilities	145 613	112 134	142 817	18 054
Lease liability	16 135	-	16 135	-
Provisions	7 102	19 649	7 102	3 163
Balances due to group companies	73 967	11 216	73 967	1806
Total	**2 329 012**	**3 599 507**	**2 326 216**	**579 492**

37 Risk management

Financial risk management objectives

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. Internal audit and Operational Risk and Control departments are responsible for the review of risk management and the control environment.

The risks arising from financial instruments to which the Bank is exposed include among other risks credit risk, liquidity risk, market risk and operational risk.

37.1 Capital risk management

Capital risk – is the risk that the Bank is unable to maintain adequate levels of capital which could lead to an inability to support business activity or failure to meet regulatory requirements.

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the banking regulators;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns
- For shareholders and benefits to customers and other stakeholders and;
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management and the Directors, employing techniques based on guidelines developed by the Basel Committee as implemented by the Reserve Bank of Zimbabwe for supervisory purposes. The Bank's regulatory capital comprises of three tiers;

- Tier 1 Capital: comprises contributed capital, accumulated profits, share based payment reserve and currency translation reserve.
- Tier 2 Capital: comprises impairment allowance, revaluation reserve and part of currency translation reserve.
- Tier 3 Capital: comprises operational and market risk capital.

The Reserve Bank of Zimbabwe requires each bank to maintain a core capital adequacy ratio of 8% and total capital adequacy ratio of 12%. The table below summarises the composition of regulatory capital and the ratios of the Bank.

	Historical	
	2019	2018
	ZWL000	ZWL000
Share capital	216	215
Share premium	23 837	23 837
Accumulated profits	336 077	72 966
Impairment reserve	783	611
Share based payment reserve	1 273	1 228
Fair value through OCI reserve	24 307	4 926
Currency translation reserve	3 508	3 508
Total core capital	**390 001**	**107 291**
Less market and operational risk capital	(42 520)	(15 151)
Less exposures to insiders	-	(2 088)
Tier 1 capital	**347 481**	**90 052**
Currency translation reserve movement	4 277	4 277
Revaluation reserves	171 374	4 935
General provisions (limited to 1.25% of weighted risk assets)	25 356	4 844
Tier 2 capital	**201 007**	**14 056**
Total tier 1 & 2 capital	**548 488**	**104 108**
Market risk	7 633	2 574
Operational risk	34 887	12 577
Tier 3 capital	**42 520**	**15 151**
Total tier 1, 2 & 3 capital base	**591 008**	**119 259**
Deductions from capital	(26 187)	(7 812)
Total capital base	**564 821**	**111 447**
Credit risk weighted assets	1 618 600	260 172
Operational risk equivalent assets	436 085	157 207
Market risk equivalent assets	95 412	32 176
Total risk weighted assets (RWAs)	**2 150 097**	**449 555**
Tier 1 capital ratio	**16%**	**20.0%**
Tier 1 and 2 capital ratio	**26%**	**24.0%**
Total capital adequacy ratio	**26%**	**24.8%**

Credit risk capital - is subject to guidelines provided by the regulator which are based on Basel 1 principles. On this approach the banking book exposures are categorised into broad classes of assets with different underlying risk characteristics. Risk components are transformed into risk weighted assets using predetermined exposure and loss probability factors. Capital requirements for credit risk are derived from the risk weighted assets.

Market risk capital - is assessed using regulatory guidelines which consider the risk characteristics of the different trading book assets. Risk components are transformed into risk weighted assets and, therefore, capital requirements, based on predetermined exposure and loss probability factors.

Operational risk capital - is assessed using the standardised approach. This approach is tied to average gross income over three years per regulated business lines as indicator of scale of operations. Total capital charge for operational risk equals the sum of charges per business lines.

37.2 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Bank separates exposures to market risk into either trading or banking book. Trading portfolios include those positions arising from market–making transactions where the Bank acts as principal with clients or with the market; this is mainly to support client trading activity.

Non trading book primarily arises from the management of the Bank's retail and commercial banking assets and liabilities.

Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk.

The measurement techniques used to measure and control market risk include:

(i) Daily Value at Risk ("DVaR")

The Bank applies a 'value at risk' ("VaR") methodology to its banking portfolios to estimate the market risk of positions held if current positions were to be held unchanged for one business day.

Value at Risk is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the maximum amount the Bank might lose but only to a certain level of confidence. There is therefore a statistical probability that actual loss could be greater than the 'VaR' estimate. The 'VaR' model makes assumptions on the pattern of market movements based on historical holding periods. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements. 'DVaR' is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were held unchanged for one business day, measured to a confidence of 99%. Daily losses exceeding the 'DVaR' figure are likely to occur, on average twice in every 100 business days.

(ii) Stress tests

Stress tests provide an indication of losses that could arise in extreme positions.

Foreign exchange stress risk (currency stress) is the potential loss against the Bank if there is a large foreign exchange movement (expected once in every five years).

The table below summarises the DVaR statistics for the Bank relating to currency stress.

	Inflation adjusted		Historical	
	2019	2018	2019	2018
Type of risk or activity	ZWL000	ZWL000	ZWL000	ZWL000
One day risk				
Currency	7 728	6	7 728	1
Aggregate VaR as at 31 December 2019	7 728	6	7 728	1
Two day risk				
Currency	24 437	12	24 437	2
Aggregate VaR as at 31 December 2019	24 437	12	24 437	2

ALCO closely monitors this risk. The Bank is satisfied with its risk management processes and systems in place which have enabled the Bank to minimise losses.

Net interest income sensitivity ("NII")

NII measures the sensitivity of annual earnings to changes in interest rates. NII is calculated at a 10% change in interest rates.

The Bank's interest income sensitivity is shown below:

	Inflation adjusted		Historical	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	Impact on earnings	Impact on earnings	Impact on earnings	Impact on earnings
Net interest income sensitivity	ZWL000	ZWL000	ZWL000	ZWL000
1000bps increase in interest rates	38 388	108 144	38 388	17 410
1000bps decrease in interest rates	(38 388)	(108 144)	(38 388)	(17 410)
Benchmark	-	-	-	-

(iii) Economic capital

Economic capital methodologies are used to calculate risk sensitive capital allocations for businesses incurring market risk. Consequently the businesses incur capital charges related to their market risk.

37.3 Interest rate risk

Interest rate risk is the risk that the Bank will be adversely affected by changes in the level or volatility of market interest rates. The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The responsibility of managing interest rate risk lies with the Assets and Liabilities Committee (ALCO). On a day to day basis, risks are managed through a number of management committees. Through this process, the Bank monitors compliance within the overall risk policy framework and ensures that the framework is kept up to date. Risk management information is provided on a regular basis to the Risk and Control Committee and the Board.

The table below summarises the Bank's interest rate risk exposure.

Historical and inflation adjusted 31 December 2019	Up to 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6 months to 1 year ZWL000	1 to 5 years ZWL000	Over 5 years ZWL000	Non-interest bearing historical ZWL000	Total historical ZWL000	Non-interest bearing inflation adjusted ZWL000	Total inflation adjusted ZWL000
Assets										
Cash and bank balances	760 225	-	-	-	-	-	368 711	1 128 936	368 711	1 128 936
Derivative financial assets	-	-	-	-	-	-	-	-	-	-
Investment securities	205 613	-	-	-	-	-	26 187	231 800	26 187	231 800
Loans and receivables from banks	3 263	-	-	-	-	-	-	3 263	-	3 263
Loans and advances to customers	-	674 017	-	-	-	37 205	-	711 222	-	711 222
Other assets	17 988	7 928	13 296	22 025	160 000	-	57 234	278 471	85 001	306 238
Property and equipment	-	-	-	-	-	-	238 398	238 398	251 455	251 455
Investment properties	-	-	-	-	-	-	71 307	71 307	71 307	71 307
Investment in joint venture	-	-	-	-	-	-	242 487	242 487	242 487	242 487
Intangible assets	-	-	-	-	-	-	18 025	18 025	53 743	53 743
Right of use assets	-	-	-	-	-	-	16 061	16 061	54 322	54 322
Current tax asset	-	-	-	-	-	-	5 635	5 635	5 635	5 635
Total assets	987 089	681 944	13 296	22 025	160 000	37 205	1 044 045	2 945 605	1 158 849	3 060 409
Liabilities										
Lease liabilities	16 135	-	-	-	-	-	-	16 135	-	16 135
Deposits from banks	39 379	-	-	-	-	-	-	39 379	-	39 379
Deposits from customers	2 029 654	17 162	-	-	-	-	-	2 046 816	-	2 046 816
Provisions	-	-	-	-	-	-	7 102	7 102	7 102	7 102
Other liabilities	-	-	-	-	-	-	142 817	142 817	145 613	145 613
Deferred tax liabilities	-	-	-	-	-	-	53 737	53 737	77 990	77 990
Due to group companies	-	-	-	-	-	-	73 967	73 967	73 967	73 967
Total liabilities	2 085 167	17 162	-	-	-	-	277 624	2 379 953	304 672	2 407 002
Interest rate re - pricing gap	(1 098 078)	664 782	13 296	22 025	160 000	37 205	766 421	565 652	854 175	653 407
Cumulative gap	(1 098 078)	(433 296)	(420 000)	(397 974)	(237 974)	(200 769)	565 652	-	653 407	-

Inflation adjusted 31 December 2018	Up to 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6 months to 1 year ZWL000	1 to 5 years ZWL000	Over 5 years ZWL000	Non-interest bearing ZWL000	Total ZWL000
Assets								
Cash and bank balances	867 216	-	-	-	-	-	68 898	936 114
Derivative financial assets	-	-	-	-	-	-	2	2
Available for sale investments	144 436	447 167	373 971	790 210	-	-	39 348	1 795 132
Loans and receivables from banks	4 054	-	20 978	-	-	-	-	25 032
Loans and advances to customers	1 209 226	-	-	-	-	-	-	1 209 226
Other assets	-	-	-	-	-	-	56 718	56 718
Property and equipment	-	-	-	-	-	-	200 927	200 927
Investment property	-	-	-	-	-	-	31 958	31 958
Non - current assets held for sale	-	-	-	-	-	-	92 111	92 111
Current tax assets	-	-	-	-	-	-	7 465	7 465
Total assets	2 224 932	447 167	394 949	790 210	-	-	497 428	4 354 685
Liabilities								
Derivative liabilities	-	-	-	-	-	-	5	5
Deposits from banks	18 045	-	-	-	-	-	-	18 045
Deposits from customers	3 267 365	139 925	31 172	-	-	-	-	3 438 463
Provisions	-	-	-	-	-	-	19 649	19 649
Other liabilities	-	-	-	-	-	-	112 134	112 134
Balances due to group companies	-	-	-	-	-	-	11 216	11 216
Deferred income tax liabilities	-	-	-	-	-	-	17 202	17 202
Total liabilities	3 285 410	139 925	31 172	-	-	-	160 207	3 616 714
Interest rate re - pricing gap	(1 060 478)	307 242	363 776	790 210	-	-	337 221	737 971
Cumulative gap	(1 060 478)	(753 236)	(389 460)	400 749	400 749	400 749	737 971	-

Historical 31 December 2018	Up to 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6 months to 1 year ZWL000	1 to 5 years ZWL000	Over 5 years ZWL000	Non-interest bearing ZWL000	Total ZWL000
Assets								
Cash and bank balances	139 615	-	-	-	-	-	11 092	150 707
Available for sale investments	23 253	71 990	60 206	127 217	-	-	6 335	289 001
Loans and receivables from banks	653	-	3 377	-	-	-	-	4 030
Loans and advances to customers	194 675	-	-	-	-	-	-	194 675
Other assets	-	-	-	-	-	-	8 553	8 553
Property and equipment	-	-	-	-	-	-	30 602	30 602
Investment property	-	-	-	-	-	-	5 145	5 145
Non - current assets held for sale	-	-	-	-	-	-	14 829	14 829
Current tax assets	-	-	-	-	-	-	1 202	1 202
Total assets	**358 196**	**71 990**	**63 583**	**127 217**	**-**	**-**	**77 758**	**698 744**
Liabilities								
Derivative liabilities	-	-	-	-	-	-	1	1
Deposits from banks	2 905	-	-	-	-	-	-	2 905
Deposits from customers	526 019	22 527	5 018	-	-	-	-	553 564
Provisions	-	-	-	-	-	-	3 163	3 163
Other liabilities	-	-	-	-	-	-	18 054	18 054
Balances due to group companies	-	-	-	-	-	-	1 806	1 806
Deferred income tax liabilities	-	-	-	-	-	-	2 748	2 748
Total liabilities	**528 924**	**22 527**	**5 018**	**-**	**-**	**-**	**25 772**	**582 241**
Interest rate re - pricing gap	**(170 728)**	**49 463**	**58 565**	**127 217**	**-**	**-**	**51 986**	**116 503**
Cumulative gap	**(170 728)**	**(121 265)**	**(62 700)**	**64 517**	**64 517**	**-**	**116 503**	**-**

37.4 Foreign exchange risk

This is a risk that the value of a financial liability or asset denominated in foreign currency will fluctuate due to changes in the exchange rate. The Bank takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates in the financial position and cash flows. Foreign exchange risk is managed through use of Daily Value at Risk techniques and Stress tests. In addition mismatches on foreign exchange assets and liabilities are minimised through the daily monitoring of the net foreign exchange exposure by treasury. Currency swaps are also used to manage foreign exchange risk where necessary.

The table below summarises the Bank's financial instruments at carrying amounts, categorised by currency.

Historical and inflation adjusted 2019 At 31 December 2019	ZWL ZWL000	USD (ZWL Equiv) ZWL000	GBP (ZWL Equiv) ZWL000	Rand (ZWL Equiv) ZWL000	Other foreign currency (ZWL Equiv) ZWL000	Total ZWL000
Assets						
Cash and bank balances	130 090	883 006	24 463	46 614	44 764	1 128 936
Derivative financial assets	-	-	-	-	-	-
Investment securities	231 800	-	-	-	-	231 800
Loans and receivables from banks	3 263	-	-	-	-	3 263
Loans and advances to customers	619 950	116 552	4	72	1	736 578
Other assets*	22 590	266 352	-	-	-	288 942
Total financial assets	**1 007 693**	**1 265 910**	**24 466**	**46 686**	**44 764**	**2 389 520**

*Excludes prepayments and stationery

Liabilities						
Deposits from banks	39 178	200	-	-	-	39 379
Deposits from customers	1 012 079	970 709	7 889	35 885	20 254	2 046 816
Other liabilities	28 724	109 716	2 616	696	1 066	142 819
Balances due to group companies	-	73 967	-	-	-	73 967
Total financial liabilities	**1 079 981**	**1 154 592**	**10 505**	**36 581**	**21 320**	**2 302 980**
Net currency positions	**(72 289)**	**111 318**	**13 961**	**10 105**	**23 444**	**86 540**

Exchange rates applied in 2019	USD	GBP	Rand	EUR	CND
ZWL closing rate	16.7734	22.1493	1.1956	18.8417	12.8866

Inflation adjusted 2018 At 31 December 2018	USD (ZWL Equiv) ZWL000	GBP (ZWL Equiv) ZWL000	Rand (ZWL Equiv) ZWL000	Other foreign currency (ZWL Equiv) ZWL000	Total ZWL000
Assets					
Cash and bank balances	905 235	4 708	15 072	11 099	936 114
Derivative financial assets	-	-	-	-	-
Investment securities	1 795 132	-	-	-	1 795 132
Loans and receivables from banks	25 032	-	-	-	25 032
Loans and advances to customers	1 209 226	-	-	-	1 209 225
Other assets	20 726	-	-	-	20 726
Total financial assets	**3 955 351**	**4 708**	**15 072**	**11 099**	**3 986 230**
Liabilities					
Derivative financial instrument	-	-	-	5	5
Deposits from banks	18 045	-	-	-	18 045
Deposits from customers	3 406 574	4 831	16 360	10 697	3 438 463
Other liabilities	109 290	1 631	880	333	112 134
Balances due to group companies	11 216	-	-	-	11 216
Total financial liabilities	**3 545 125**	**6 462**	**17 240**	**11 035**	**3 579 862**
Net currency positions	**410 226**	**(1 754)**	**(2 168)**	**64**	**406 344**

Historical 2018 At 31 December 2018	USD ZWL000	GBP (USD equiv) ZWL000	Rand (USD equiv) ZWL000	Other foreign currency ZWL000	Total ZWL000
Assets					
Cash and bank balances	145 735	758	2 427	1 787	150 707
Available for sale investments	289 001	-	-	-	289 001
Loans and advances to banks	4 030	-	-	-	4 030
Loans and advances to customers	194 675	-	-	-	194 675
Other assets*	3 337	-	-	-	3 337
Total financial assets	**636 778**	**758**	**2 427**	**1 787**	**641 750**

*Excludes prepayments and stationery

Liabilities					
Derivative financial instrument	-	-	-	1	1
Deposits from banks	2 905	-	-	-	2 905
Deposits from customers	548 430	778	2 634	1 722	553 564
Other liabilities	17 595	262	142	55	18 054
Balances due to group companies	1 806	-	-	-	1 806
Total financial liabilities	**570 736**	**1 040**	**2 776**	**1 778**	**576 330**
Net currency positions	**66 042**	**(282)**	**(349)**	**9**	**65 420**

37.5 Credit risk

Credit risk is the risk of financial loss should the Bank's customers, clients or market counter parties fail to fulfil their contractual obligations to the Bank. The Bank actively seeks to originate and manage credit risk in such a way as to achieve sustainable asset growth and risk adjusted returns in line with board-approved risk parameters. The credit risk that the Bank faces arises mainly from corporate and retail loans advances and counter party credit risk arising from derivative contracts entered into with our clients. Other sources of credit risk arise from treasury bills, government bonds, settlement balances with counter parties and bank balances with Central Bank and other related banks. Credit risk management objectives are;

- Supporting the achievement of sustainable asset and revenue growth in line with our risk parameters
- Operating sound credit granting processes and monitoring credit risk using appropriate models to assist decision making
- Ensure credit risk taking is based on sound credit risk management principles and controls; and
- Continually improving collection and recovery.

a) Risk limit and mitigation policies

The Bank uses a range of policies and practices to mitigate credit risk. These include credit scoring, marking limits against counter parties, credit insurance, and monitoring cash flows and utilisation against limit and collateral.

Principal collateral types used for loans and advances are:

- Mortgages over residential and commercial properties; and
- Charges over business assets such as premises, inventory and accounts receivable, moveable assets and shares; and
- Cash cover.

The legal department is responsible for conducting sufficient legal review to confirm that the approved collateral is legally effective. Ratio of value of loan to value of security is assessed on grant date and continuously monitored.

b) Credit risk grading

Corporate Exposures

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counter parties. The Bank use internal rating models tailored to the various categories of counter party. Borrower and loan specific information collected at the time of application (such as level of collateral; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit scores from this model are mapped to the regulatory scale with 10 grades. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating. Corporate exposures are monitored by grading exposures into early warning list for those customers who are believed to be facing difficulties. Customers are categorised into Early Warning Lists ("EWL") 1-3. Those in EWL1 have temporary problems and the risk of default is low. EWL2 implies there are doubts that the customer will pay but the risk of default is medium. EWL3 implies that there are doubts that the customer will pay and the risk of default is high

Retail exposures

After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural internal credit rating. Any other known information about the borrower which impacts their creditworthiness such as unemployment and previous delinquency history is also incorporated into the behavioural internal credit rating. These ratings are reflected on the following delinquency bucket; Performing loans (Bucket 0); 1day to 30 days past due (Bucket 1); 30 days to 60 days past due (Bucket 2); 60 days to 89 days past due (Bucket 3) and 90 days+ past due (default,Bucket 4).

c) Expected credit losses measurement (ECLs)

The expected credit loss (ECLs) - is measured on either a 12 - month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired.

- ECLs are discounted at the effective interest rate of portfolio
- The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk
- The Bank uses a portfolio approach to calculate ECLs. The portfolios are segmented into retail, corporate and treasury and further by product.
- Expected credit losses are the probability weighted discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

The probability of default (PD) - is the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" below), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PDs are modelled using historic data into 12 month and Lifetime PDs. Where data is not available proxies which resemble the risk of default characteristics of the exposure are used. The PDs are determined at portfolio level and segmented into various products.

PDs modelled using historical data are then adjusted for forward looking factors. PDs are mapped into regulatory grades as follows:

Corporate exposures

Stage 1	12 Month PD	Central Bank Grades 1 to 3 or performing grade
Stage 2	Life Time PD	Central Bank Grades 4 to 7 - (internal grade EWL 1 & EWL 2) or Special Mention
Stage 3	Default PD	Central Bank Grades 8 to 10 - (internal grade EWL 3 & Classified) or Substandard, or worse

Retail exposures

Stage 1	12 Month PD	Central Bank Grades 1 to3 (internal grades bucket 0 & bucket 1) or performing grade
Stage 2	Life Time PD	Central Bank Grades 4 to 7 (internal grades bucket 2 & bucket 3) or special mention
Stage 3	Default PD	Central Bank Grades 8 to 10 (internal grades bucket 4) or substandard, or worse

Treasury exposures

For debt securities in the treasury portfolio and interbank exposures, performance of the counter party is monitored for any indication of default. PDs for such exposures are determined based on benchmarked national ratings mapped to external credit rating agencies grade. For other bank balances where there are external credit ratings PDs are derived using those external credit ratings.

Exposure at default (EAD) - is the amount the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For a revolving commitment, the EAD includes the current drawn balance plus any further amount that is expected to be drawn up by the time of default, should it occur. For term loans EAD is the term limit while for short term loans and retail loans EAD is the drawn balance. Debt securities and interbank balances EAD is the current balance sheet exposure.

Loss given default (LGD) - represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counter party, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan. LGD is modelled based on historical data. LGD for sovereign exposure is based on observed recovery rates for similar economies.

Default

The Bank considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

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

i) 12 month ECLs; (Stage 1 - no increase in credit risk)

ECLs measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. The 12 month ECL is calculated for the following exposures:

- Corporate loans with regulatory grades from 1 - 3
- Retail loans graded in bucket 0 and bucket 1
- Debt securities, loans to banks and bank balances which are not past due; and
- These are a product of 12 months PD, 12 months LGD and EAD.

ii) Life time ECLs (Stage 2 - significant increase in credit risk refer to 29.3d)

ECLs are measured based on expected credit losses on a lifetime basis. It is measured for the following exposures;

- Corporate loans with regulatory grades from grade 4 to grade 7 (Early Warning List 1 and Early Warning List 2)
- Retail loans in bucket 2 to 3 (bucket 2 is 30 days to 60 days past due, bucket 3 is 60 days to 90 days past due)
- Debt securities, loans to banks and bank balances where the credit risk has significantly increased since initial recognition; and
- These are a product of lifetime PD, lifetime LGD and EAD

iii) Life time ECLs (Stage 3 - default)

ECLs are measured based on expected credit losses on a lifetime basis. This is measured on the following exposures.

- All credit impaired/ in default corporate and retail loans and advances to banks and other debt securities in default.
- These are corporates in regulatory grade 8 - 10 (EWL3) and retail loans in bucket 4
- Exposures which are 90 days+ past due; and
- These are a product of default PD, lifetime LGD and EAD.

d) Significant increase in credit risk (SICR)

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

The assessment of significant increase in credit risk incorporates forward looking information and is performed on a monthly basis at a portfolio level for all retail loans. Corporate and treasury exposures are assessed individually through the Early Warning list which is reviewed monthly and monitored by an independent team in credit risk department, and quarterly reviews by the Impairment Committee of exposures against performance criteria.

Significant increase in credit risk - Quantitative measures

- Corporate loans - if the loan is reclassified from regulatory grades 1 - 3 to grades 4 - 7
- Retail loans - if the loan is reclassified from buckets 0 and 1 to buckets 2 to 3
- Treasury exposures which are past due.

Significant increase in credit risk - Qualitative measures retail

- Extension of credit terms
- Retrenchment/ dismissal of employee
- Employer facing financial difficulties
- Salary diversion.

Significant increase in credit risk - Qualitative measures corporate and treasury

- Borrower is on Early Warning list 1&2 (EWL 1 and EWL2)
- Significant adverse changes in business, financial or economic conditions in which the borrower operates in
- Actual or expected forbearance or restructuring of debt
- Early signs of cash flow/liquidity problems such as delay in servicing debt
- Significant decline in account turnover
- Breach of significant debt covenants
- Qualifying modified loans
- Delay in settlement of obligations.

e) Benchmarking Expected Credit Loss

Corporate

Due to lack of sufficient historical information on corporate portfolio defaults from which PDs and LGDs are derived, a judgemental benchmarking is used parallel to the corporate model output. The higher of benchmarking ECL and the model output is considered as the final ECL.

Treasury

ECL for treasury exposures is based on benchmarked PDs and LGDs due to lack of historical data.

Retail

ECL for retail exposures are totally based on model output with no benchmarking comparative since enough historical default data was available when designing the calculation model.

f) Forward – looking information incorporated in the ECL models
The assessment of SICR and the calculation of ECLs both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The key economic variables identified were GDP growth, interest rates and import cover ratio.

These economic variables and their associated impact on the ECL vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are sourced from Reserve Bank Monetary Policy, Ministry of Finance Fiscal updates, World Bank/ IMF and BMI Research economic forecast and provide the best estimate view of the economy over the next five years.

After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. a long run average growth rate such as GDP over a period of two to five years). The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

g) Write – offs - The Bank will write off retail accounts following charge off of the account if the equivalent of an instalment is not recovered cumulatively over a 12-month period post charge off. Corporate accounts are written off once security has been realised depending on the residual balance and further recovery prospects. The corporate write off policy is not rules based, or time bound.

h) ECL model governance
The models used for PD, EAD and LGD calculations are governed on a day to day through the Impairments Committee. This committee comprises of senior managers in risk, finance and the business. Decisions and key judgements made by the Impairments Committee relating to the impairments and model overrides will be taken to Board Risk, Board Loans and Board Audit Committee. Credit risk processes from origination to monitoring and other operational processes around impairments now take into cognisance IFRS9 requirements.

Maximum exposure to credit risk by credit quality grade before credit enhancements
The Bank has an internal rating scale which is mapped into the Basel II grading system. The internal rating is broadly classified into; performing loans, standard monitoring and non-performing.

Performing loans
Loans and advances not past due and which are not part of renegotiated loans are considered to be performing assets, these are graded as per RBZ credit rating scale as grade 1 - 3.

Standard monitoring grade
These are loans and advances which are less than 90 days past due and in some cases not past due but the business has significant concern on the performance of that exposure, as per RBZ credit rating scale these are grade 4 - 7.

Non-performing grade
These are loans and overdrafts on which interest is no longer accrued or included in income unless the customer pays back. These non-performing (past due) assets include balances where the principal amount and / or interest is due and unpaid for 90 days or more, as per RBZ credit rating scale these are grade 8 - 10.

Loans and advances renegotiated
During the year ended 31 December 2019, the Bank did not have any renegotiated loans and advances to customers and banks.

Maximum credit risk exposure

Historical and inflation adjusted 2019	Maximum credit risk exposure Stage 1 RBZ Grade 1 - 3 ZWL000	Stage 2 RBZ Grade 4 - 7 ZWL000	Stage 3 RBZ Grade 8 - 10 ZWL000	Total ZWL000	Reconciliation of ECL by exposure Stage 1 RBZ Grade 1 - 3 ZWL000	Stage 2 RBZ Grade 4 - 7 ZWL000	Stage 3 RBZ Grade 8 - 10 ZWL000	Total ZWL000
Loans and advances to customers								
Corporate	550 488	2 608	-	553 096	17 019	164	-	17 183
Business banking	74 165	6 936	448	81 549	1 899	332	305	2 536
Retail	98 047	3 531	355	101 933	3 092	1 070	1 475	5 637
Total	722 700	13 075	803	736 578	22 010	1 566	1 780	25 356
Balances with central bank								
Savings bonds and treasury bills	205 613	-	-	205 613	783	-	-	783
Bank balances	70 310	-	-	70 310	6	-	-	6
Total	275 923	-	-	275 923	789	-	-	789
Balances with other banks and settlement balances								
Settlement balances - local currency	3 263	-	-	3 263	-	-	-	-
Bank balances - foreign currency	821 517	-	-	821 517	542	-	-	542
Interbank placements	-	-	-	-	-	-		-
Total	824 780	-	-	824 780	542	-	-	542
Other assets								
RBZ receivable NOP support	207 819	-	-	207 819	9 060	-	-	9 060
RBZ receivable other	13 419	-	-	13 419	584	-	-	584
Other assets	38 580	-	933	39 513	-	-	933	933
Total	259 818	-	933	260 751	9 644	-	933	10 577
Total on balance sheet	2 083 221	13 075	1 736	2 098 032	32 985	1 566	2 714	37 263
Guarantees and letters of credit								
Guarantees	19 988	-	-	19 988	-	-	-	-
Letters of credit	274 243	-	-	274 243	508	-	-	508
Total	294 231	-	-	294 231	508			508

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2019, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

Bank balances with other banks are held with banks which have the following credit ratings:

Counterparty	2019 credit rating	2018 credit rating
Crown Agency	BB+	BB+

Other asset balances are held by counter parties with the following ratings;

Counterparty	2019 credit rating	2018 credit rating
VISA	A+	A+
MasterCard International	A	A

Inflation adjusted 2018	Maximum credit risk exposure Stage 1 RBZ Grade 1 - 3 ZWL000	Stage 2 RBZ Grade 4 - 7 ZWL000	Stage 3 RBZ Grade 8 - 10 ZWL000	Total ZWL000	Reconciliation of ECL by exposure Stage 1 RBZ Grade 1 - 3 ZWL000	Stage 2 RBZ Grade 4 - 7 ZWL000	Stage 3 RBZ Grade 8 - 10 ZWL000	Total ZWL000
Loans and advances to customers								
Corporate	585 885	42 160	-	628 045	16 683	3 173	-	19 856
Business banking	309 349	1 240	3 211	313 801	8 841	47	4 615	13 503
Retail	300 234	638	6 787	307 659	3 769	154	2 998	6 921
Total	1 195 468	44 038	9 998	1 249 505	29 293	3 374	7 613	40 280
Balances with central bank								
Savings bonds and treasury bills	1 776 761	-	-	1 776 761	3 837	-	-	3 837
Bank balances	559 516	-		559 516	-	-	-	
Total	2 336 277	-	-	2 336 277	3 837			3 837
Balances with other banks and settlement balances								
Settlement balances - local currency	4 054	-	-	4 054	-	-	-	-
Bank balances - foreign currency	115 006	-	-	115 006	-	-	-	-
Interbank placements	124 271	-	-	124 271	211	-	-	211
Total	243 331	-	-	243 331	211	-	-	211
Guarantees and letters of credit								
Guarantees	4 646	-	-	4 646	-	-	-	-
Letters of credit	57 295	-	-	57 295	137	-	-	137
Total	61941	-	-	61941	137	-	-	137

Maximum credit risk exposure

Historical 2018	Maximum credit risk exposure				Reconciliation of ECL by exposure			
	Stage 1 RBZ Grade 1 - 3	Stage 2 RBZ Grade 4 - 7	Stage 3 RBZ Grade 8 - 10	Total	Stage 1 RBZ Grade 1 - 3	Stage 2 RBZ Grade 4 - 7	Stage 3 RBZ Grade 8 - 10	Total
Loans and advances to customers	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Corporate	94 352	6 758	-	10 110	2 586	511	-	3 197
Business banking	49 811	198	510	50 519	1 423	7	743	2 174
Retail	48 414	96	1 021	49 531	607	25	483	1 114
Total	192 577	7 052	1 531	201 160	4 716	543	1 226	6 485
Balances with central bank								
Savings bonds and treasury bills	285 933	-	-	285 933	618	-	-	618
Bank balances	58 240	-	-	58 240	-	-	-	-
Total	344 173	-	-	344 173	618	-	-	618
Balances with other banks and settlement balances								
Settlement balances - local currency	-	-	-	-	-			
Bank balances - foreign currency	19 416	-	-	19 416	-	-	-	-
Interbank placements	20 000	-	-	20 000	34	-	-	34
Total	39 460	-	-	39 460	34	-	-	
Guarantees and letters of credit								
Guarantees	748	-	-	748	-	-	-	-
Letters of credit	9 224	-	-	9 224	22	-	-	22
Total	9 972	-	-	9 972	22	-	-	22

Expected credit losses analysis and reconciliation

Historical and inflation adjusted 2019	Stage 1 - 12 month ECL ZWL000	Stage 2 - Lifetime ECL not credit impaired ZWL000	Stage 3 - Lifetime ECL credit impaired ZWL000	Total ZWL000
Balance at beginning of the year	5 368	543	1 225	7 136
Movements with profit and loss impact:				
New financial assets purchased or originated	27 666	1 529	2 006	31 021
Transfers from stage 2 to stage 1	-	(507)	-	(507)
Existing financial assets repaid or sold	(41)	-	(437)	(478)
Write offs	-	-	-	-
Changes to model assumptions	-	-	-	-
Total profit and loss impact	27 625	1 022	1 569	30 215
Other movements with no profit and loss impact				
Transfers from stage 1 to stage 2	-	-	-	-
Transfers from stage 2 to stage 3	-	-	-	-
Existing Financial assets repaid or sold	-	-	-	-
New financial assets purchased or originated	-	-	-	-
Bad debts written off	-	-	(80)	(80)
Financial assets at FVOCI accounted for through equity	(8)	-	-	(8)
Balance at 31 December 2019	32 985	1 565	2 714	37 263

Inflation adjusted 2018	Stage 1 - 12 month ECL ZWL000	Stage 2 - Lifetime ECL not credit impaired ZWL000	Stage 3 - Lifetime ECL credit impaired ZWL000	Total ZWL000
Balance at beginning of the year	17 715	5 262	10 070	33 047
Movements with profit and loss impact:				
New financial assets purchased or originated	3 580	-	-	3 580
Transfers from stage 1 to stage 2	-	-	-	-
Transfers from stage 2 to stage 3	-	-	2 206	2 206
Transfers from stage 2 to stage 1		(1 888)	-	(1 888)
Existing Financial assets repaid or sold	-	-	-	-
Write offs	-	-	-	-
Changes to model assumptions	12 046	-	-	12 046
Total profit and loss impact	15 626	(1 888)	2 206	15 944
Other movements with no profit and loss impact				
Transfers from stage 1 to stage 2	-	-	-	-
Transfers from stage 2 to stage 3	-	-	-	-
Existing Financial assets repaid or sold	-	-	-	-
New financial assets purchased or originated	-	-	-	-
Bad debts written off	-	-	(4 663)	(4 663)
Balance at 31 December 2018	33 341	3 374	7 613	44 328

Historical 2018	Stage 1 - 12 month ECL ZWL000	Stage 2 - Lifetime ECL not credit impaired ZWL000	Stage 3 - Lifetime ECL credit impaired ZWL000	Total ZWL000
Balance at beginning of the year	2 852	847	1 621	5 320
Movements with profit and loss impact:				
New financial assets purchased or originated	1 395	-	-	1 395
Transfers from stage 2 to stage 3	-	-	355	355
Transfers from stage 2 to stage 1	-	(304)	-	(304)
Changes to model assumptions	1 121	-	-	1 121
Total profit and loss impact	2 516	(304)	355	2 567
Other movements with no profit and loss impact				
Bad debts written off	-	-	(751)	(751)
Balance at as at 31 December 2018	5 368	543	1 225	7 136

37.6 Credit risk concentration of loans and advances were as follows;

Industry/Sector	Historical and inflation adjusted 2019 ZWL000	%	Historical 2018 ZWL000	%	Inflation adjusted 2018 ZWL000	%
Trade and services	76 341	10	50 782	25	315 432	25
Energy and minerals	42 863	6	2 032	1	12 620	1
Agriculture	251 255	34	47 851	24	297 227	24
Construction and property	-	-	104	-	647	-
Light and heavy industry	147 996	20	18 782	9	116 661	9
Physical persons	102 633	14	49 532	25	307 671	25
Transport and distribution	92 442	13	32 353	16	200 960	16
Financial services	23 047	3	99	-	617	-
Total	736 578	100	201 535	100	1 251 834	100

Historical and inflation adjusted 2019 Industry/Sector	Total loans ZWL000	Non performing loans ZWL000	Write offs/ (recoveries) ZWL000	Recoveries ZWL000	Impairment allowance ZWL000
Trade and services	76 341	-	-	-	-
Energy and minerals	42 863	-	-	-	-
Agriculture	251 255	448	-	-	305
Construction and property	-	-	-	-	-
Light and heavy industry	147 996	-	-	-	-
Physical persons	102 633	1 288	(80)	166	1 475
Transport and distribution	92 442	-	-	-	-
Financial services	23 047	-	-	-	-
Gross value at 31 December 2019	736 578	1 736	(80)	166	1 780

Inflation adjusted 2018 Industry/Sector	Total loans ZWL000	Non performing loans ZWL000	Write offs/ (recoveries) ZWL000	Recoveries ZWL000	Impairment allowance ZWL000
Trade and services	315 432	-	-	-	-
Energy and minerals	12 620	-	-	-	-
Agriculture	297 227	5 540	715	-	4 615
Construction and property	647	-	-	-	-
Light and heavy industry	116 661	-	-	-	-
Physical persons	307 671	6 739	3 948	659	2 998
Transport and distribution	200 960	-	-	-	-
Financial services	617	-	-	-	-
Gross value at 31 December 2018	1 251 835	12 279	4 663	659	7 613

Historical 2018 Industry/Sector	Total loans ZWL000	Non performing loans ZWL000	Write offs/ (recoveries) ZWL000	Recoveries ZWL000	Impairment allowance ZWL000
Trade and services	50 782	-	-	-	-
Energy and minerals	2 032	-	-	-	-
Agriculture	47 851	892	116	-	743
Construction and property	104	-	-	-	-
Light and heavy industry	18 782	-	-	-	-
Physical persons	49 532	1 085	635	106	482
Transport and distribution	32 353	-	-	-	-
Financial services	99	-	-	-	-
Gross value at 31 December 2018	201 535	1 977	751	106	1 225

Collateral held for exposure

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers are as shown below:

	Inflation adjusted		Historical	
	2019	2018	2019	2018
	ZWL000	ZWL000	ZWL000	ZWL000
Performing loans	203 691	452 245	203 691	72 808
Non-performing loans	4 193	2 485	4 193	400
Total	**207 884**	**454 730**	**207 884**	**73 208**

37.7 Liquidity risk

Liquidity risk is the risk that the Bank may fail to meet its payment obligations when they fall due and to replace funds when they are withdrawn, the consequences of which may be the failure to meet the obligations to repay deposits and fulfil commitments to lend. Liquidity risk is inherent in all banking operations and can be affected by a range of Bank specific and market wide events. The efficient management of liquidity is essential to the Bank in maintaining confidence in the financial markets and ensuring that the business is sustainable.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Bank's short, medium and long term funding and liquidity management requirements.

Liquidity risk management objectives are;

- Growing and diversifying the funding base to support asset growth and other strategic initiatives, balanced with a strategy to reduce the weighted cost of funds;
- To maintain the market confidence in the Bank;
- Maintaining adequate levels of surplus liquid asset holdings in order to remain within the liquidity risk appetite;
- Set early warning indicators to identify the emergence of increased liquidity risk or vulnerabilities;
- To maintain a contingency funding plan that is comprehensive.

Liquidity risk management process

Liquidity risk is managed as;

a) Business as usual referring to the management of cash inflows and outflows of the bank in the ordinary course of business.

b) Stress liquidity risk – refers to management of liquidity risk during times of unexpected outflows. The Bank's Assets and Liabilities Committee ("ALCO") monitors and manages liquidity risk. The Bank's liquidity management process as carried out by the ALCO and Treasury units includes:

- Day to day funding and monitoring of future cash flows to ensure that funding requirements are met;
- Maintaining a high balance of cash or near cash balances that can easily be liquidated as protection against unforeseen funding gaps;
- Monitoring liquidity ratios against internal and regulatory benchmarks;
- Limits are set across the business to control liquidity risk;
- Early warning indicators are set to identify the emergence of increased liquidity risk;
- Sources of liquidity are regularly reviewed by ALCO to maintain a wide diversification of source of funding;
- Managing concentration of deposits.

	Inflation adjusted		Historical	
	2019	2018	2019	2018
Liquidity ratios	ZWL000	ZWL000	ZWL000	ZWL000
Total liquid assets	1 223 573	2 494 888	1 223 573	401 656
Deposits from customers	2 212 843	3 622 900	2 212 843	583 257
Liquidity ratio	**55%**	**69%**	**55%**	**69%**
Reserve Bank of Zimbabwe minimum	**30%**	**30%**	**30%**	**30%**

Liquidity profiling as at 31 December 2019

The amounts disclosed in the table below are the contractual undiscounted cash flows. The assets which are used to manage liquidity risk, which is mainly cash and bank balances and investment securities are also included on the table based on the contractual maturity profile.

On balance sheet items as at 31 December 2019

Historical and inflation adjusted 2019 Assets held for managing liquidity risk (contractual maturity dates)	Less than 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6 to 12 months ZWL000	1 to 5 years ZWL000	5+ years ZWL000	Total ZWL000	Carrying amount ZWL000
Cash and bank balances*	1 008 512	10 649	109 665	111	-	-	1 128 936	1 128 936
Investment securities	205 613	-	-	26 187	-	-	231 800	231 800
Loans and receivables from banks	3 263	-	-	-	-	-	3 263	3 263
Loans and advances to customers	28 449	130 955	95 928	323 023	477 236	27 865	1 083 456	711 222
Other assets**	18 025	8 087	13 803	23 765	213 480	-	277 160	278 471
Current income tax asset	5 635	-	-	-	-	-	5 635	5 635
Total assets	**1 269 497**	**149 691**	**219 396**	**373 086**	**690 716**	**27 865**	**2 730 250**	**2 359 328**
Liabilities								
Lease liabilities	854	906	1 358	2 717	23 966	7 323	37 125	16 135
Deposits from Banks	39 379	-	-	-	-	-	39 379	39 379
Deposits from customers	1 894 153	27 811	109 665	15 186	-	-	2 046 816	2 046 816
Provisions	-	-	7 102	-	-	-	7 102	7 102
Other liabilities	133 480	-	-	-	-	-	133 480	145 613
Balances due to Group companies	73 967	-	-	-	-	-	73 967	73 967
Total liabilities - (contractual maturity)	**2 141 833**	**28 717**	**118 125**	**17 903**	**23 966**	**7 323**	**2 337 869**	**2 326 217**
Liquidity gap	**(872 336)**	**120 974**	**101 271**	**355 182**	**666 751**	**20 542**	**392 381**	**-**
Cumulative liquidity gap	**(872 336)**	**(751 362)**	**(650 091)**	**(294 909)**	**371 839**	**392 381**	**-**	**-**

Contingent liabilities and commitments as at 31 December 2019

Historical and inflation adjusted 2019	Less than 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6-12 months ZWL000	1 to 5 years ZWL000	Total ZWL000
Assets						
Guarantees and letters of credit	32 019	181 480	78 557	-	2 296	294 352
Commitment to lend	12 361	38 255	16 994	194 080	-	261 690
Total assets	**44 380**	**219 735**	**95 551**	**194 080**	**2 296**	**556 042**
Liabilities						
Guarantees and letters of credit	32 019	181 480	78 557	-	2 296	294 352
Commitment to lend	261 690	-	-	-	-	261 690
Total liabilities	**293 708**	**181 480**	**78 557**	**-**	**2 296**	**556 042**
Liquidity gap	**(249 329)**	**38 255**	**16 994**	**194 080**	**-**	**-**

On balance sheet items as at 31 December 2018

Inflation adjusted 2018 Assets held for managing liquidity risk (contractual maturity dates)	Less than 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6-12 months ZWL000	1 to 5 years ZWL000	5+ years ZWL000	Total ZWL000	Carrying amount ZWL000
Cash and bank balances*	786 157	-	-	-	-	-	786 157	936 114
Investment securities	151 585	464 394	379 966	810 054	-	-	1 806 000	1 795 132
Loans and receivables from banks	4 054	-	21 323	-	-	-	25 378	25 032
Loans and advances to customers	396 354	147 304	84 553	264 480	574 776	41 081	1 508 549	1 209 226
Other assets**	20 726	-	-	-	-	-	20 726	56 718
Current income tax asset	-	7 465	-	-	-	-	7 465	7 465
Total assets	**1 358 879**	**619 163**	**485 843**	**1 074 534**	**574 776**	**41 081**	**4 154 277**	**-**
Liabilities								
Derivative financial liabilities	5	-	-	-	-	-	5	5
Deposits from Banks	18 045	-	-	-	-	-	18 045	18 045
Deposits from customers	3 267 365	139 925	31 172	-	-	-	3 438 463	3 438 463
Provisions	5 324	14 326	-	-	-	-	19 649	19 649
Other liabilities	112 134	-	-	-	-	-	112 134	112 134
Balances due to Group companies	11 216	-	-	-	-	-	11 216	11 216
Total liabilities - (contractual maturity)	**3 414 100**	**154 251**	**31 172**	**-**	**-**	**-**	**3 599 523**	**-**
Liquidity gap	**(2 055 221)**	**464 913**	**454 670**	**1 074 534**	**574 776**	**41 081**	**554 754**	**-**
Cumulative liquidity gap	**(2 055 221)**	**(1 590 308)**	**(1 135 638)**	**(61 104)**	**513 672**	**554 754**	**-**	**-**

* Includes balances placed as cash security deposits.
** Excludes prepayments and stationery

Contingent liabilities and commitments as at 31 December 2018

Inflation adjusted 2018	Less than 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6-12 months ZWL000	1 to 5 years ZWL000	Total ZWL000
Assets						
Guarantees and letters of credit	40 767	10 124	5 873	4 345	833	61 942
Commitment to lend	82 962	24 448	6 716	38 281	61 779	214 187
Total assets	**123 729**	**34 573**	**12 589**	**42 627**	**62 612**	**276 129**
Liabilities						
Guarantees and letters of credit	40 767	10 124	5 873	4 345	833	61 942
Commitment to lend	214 187	-	-	-	-	214 187
Total liabilities	**254 954**	**10 124**	**5 873**	**4 345**	**833**	**276 129**
Liquidity gap	**(131 225)**	**24 448**	**6 716**	**38 281**	**61 779**	**-**

On balance sheet items as at 31 December 2018

Historical 2018 Assets held for managing liquidity risk (contractual maturity dates)	Less than 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6-12 months ZWL000	1 to 5 years ZWL000	5+ years ZWL000	Total ZWL000	Carrying amount ZWL000
Cash and bank balances	126 565	-	-	-	-	-	126 565	150 707
Derivative financial assets	-	-	-	-	-	-	-	-
Investment securities	24 404	74 764	61 171	130 412	-	-	290 751	289 001
Loans and receivables from banks	653	-	3 433	-	-	-	4 086	4 030
Loans and advances to customers	63 810	23 715	13 612	42 579	92 534	6 614	242 864	194 675
Other assets	3 337	-	-	-	-	-	3 337	8 553
Current income tax asset	-	1 202	-	-	-	-	1 202	1 202
Total assets	**218 769**	**99 681**	**78 216**	**172 991**	**92 534**	**6 614**	**668 805**	**-**
Liabilities								
Derivative financial liabilities	1	-	-	-	-	-	1	1
Lease liabilities	854	906	1 359	2 717	23 966	7 323	37 125	16 135
Deposits from Banks	2 905	-	-	-	-	-	2 905	2 905
Deposits from customers	526 019	22 527	5 018	-	-	-	553 564	553 564
Provisions	857	2 306	-	-	-	-	3 163	3 163
Other liabilities	18 054	-	-	-	-	-	18 054	18 054
Balances due to Group companies	1 806	-	-	-	-	-	1 806	1 806
Total liabilities - (contractual maturity)	**549 642**	**24 833**	**5 018**	**-**	**-**	**-**	**579 493**	**579 493**
Liquidity gap	**(330 873)**	**74 848**	**73 198**	**172 991**	**92 534**	**6 614**	**89 312**	**-**
Cumulative liquidity gap	**(330 873)**	**(256 025)**	**(182 827)**	**(9 836)**	**82 698**	**89 312**	**-**	**-**

Contingent liabilities and commitments as at 31 December 2018

Historical 2018	Less than 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6-12 months ZWL000	1 to 5 years ZWL000	Total ZWL000
Assets						
Guarantees and letters of credit	6 563	1 630	945	700	134	9 972
Commitment to lend	13 356	3 936	1 081	6 163	9 946	34 482
Total assets	**19 919**	**5 566**	**2 026**	**6 863**	**10 080**	**44 454**
Liabilities						
Guarantees and letters of credit	6 563	1 630	945	700	134	9 972
Commitment to lend	34 482	-	-	-	-	34 482
Total liabilities	**41 045**	**1 630**	**945**	**700**	**134**	**44 454**
Liquidity gap	**(21 126)**	**3 936**	**1 081**	**6 163**	**9 946**	**-**

The Bank determines ideal weights for maturity time buckets which are used to benchmark the actual maturity profile. Maturity mismatches across the time buckets are managed through the tenor of new advances and the profile of time deposits by ALCO and should the need arise through support from FMBcapital Holdings PLC.

38 Other risks

Strategic risk

The roles of the chairman and the managing director are not vested in the same person. The executive team formulates the strategy under the guidance of the Board which approves it. The executive directors bear the responsibility to execute the approved strategy. The Board reviews the performance and suitability of the strategy at least quarterly.

Legal and compliance risk

The Risk Management Committee ensures that the management and operations of the Bank's business is done within the governance and regulatory control framework established by FMBcapital Holdings PLC, the Reserve Bank of Zimbabwe and other regulatory bodies. A dedicated legal and compliance unit is in place to monitor legal and compliance requirements and ensure that they are met on a daily basis.

Reputation risk

The Bank adheres to very strict reputation standards set for FMBcapital Holdings PLC based on its chosen set of values. The Human Resources Committee of the Board assists the Board in ensuring that staff complies with set policies and practices consistent with the reputation demands of both the Bank and the industry. The compliance unit and human resources function monitor compliance by both management and staff with the Bank's ethical codes and compliance standards in managing conduct risk.

Operational risk

This is the risk of losses arising from inadequate or failed internal processes, people and/or systems or from external events. A significant part of the Bank's operations are automated and processed in the core banking system. Key banking operations in corporate and investment banking, retail and business banking and treasury are heavily dependent on the Bank's core banking system. The core banking system also supports key accounting processes for financial assets, financial liabilities and revenue including customer interface on mobile, internet banking and related electronic platforms.

Practices to minimise operational risk are embedded across all transaction cycles. Risk workshops are held for the purpose of identifying major risks in the operating environment and methods of mitigating the risks. The Bank employs the standardised approach to determine capital required to cover operational risk. Each function carries out a risk and control assessment of their processes on a regular basis. The assessment results are reviewed by Operational Risk Management department. Internal Audit audits selected functions at given times.

Risks and Ratings

The Central Bank conducts regular examinations of Banks and financial institutions it regulates. The last on-site examination of the Bank was as at 30 June 2016 and it assessed the overall condition of the Bank to be satisfactory. This is a score of "2" on the CAMELS rating scale. The CAMELS rating evaluates banks on capital adequacy, asset quality, management and corporate governance, liquidity and funds management and sensitivity to market risks.

The CAMELS and Risk Assessment System (RAS) ratings are summarised in the following tables;

CAMELS ratings

CAMELS component	Latest Rating - June 2016
Capital	1 - Strong
Asset quality	2 - Satisfactory
Management	2 - Satisfactory
Earnings	1 - Strong
Liquidity and funds management	2 - Satisfactory
Sensitivity to market risk	1 - Strong

Summary risk matrix - June 2016 on-site supervision

Type of risk	Level of inherent risk	Adequacy of risk management systems	Overall composite risk	Direction of overall composite risk
Credit	Low	Strong	Low	Stable
Liquidity	Moderate	Acceptable	Moderate	Stable
Foreign exchange	Low	Strong	Low	Stable
Interest rate	Low	Strong	Low	Stable
Strategic risk	Moderate	Strong	Moderate	Stable
Operational risk	Moderate	Strong	Moderate	Stable
Legal and compliance	Moderate	Acceptable	Moderate	Stable
Reputation	Moderate	Strong	Moderate	Stable
Overall	Moderate	Strong	Moderate	Stable

Interpretation of risk matrix

Level of inherent risk

Low - reflects lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the 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 banking institution.

Adequacy of risk management systems

Weak - risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects, particularly as indicated by continued exceptions or by the failure to adhere to written policies and procedures.

Acceptable - management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognised 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.

Overall composite risk

Low - would be assigned to low inherent risk areas. Moderate risk areas may be assigned to a low composite risk where internal controls and risk management systems are strong and effectively mitigate much 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 organisation.

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 12 months.
Decreasing - based on current information, risk is expected to decrease in the next 12 months.
Stable - based on current information, risk is expected to be stable in the next 12 months.

External Credit Ratings

Rating agent	Latest credit ratings 2019/20	Previous credit ratings 2018/19
Global Credit Rating Co.	A+(ZW)	AA-

39 Fair value of financial instruments not held at fair value

The disclosed fair value of these financial assets and financial liabilities measured at amortised cost approximate their carrying value because of their short term nature.

	Inflation adjusted				Historical			
	2019 Carrying amount ZWL000	Fair value ZWL000	2018 Carrying amount ZWL000	Fair value ZWL000	2019 Carrying amount ZWL000	Fair value ZWL000	2018 Carrying amount ZWL000	Fair value ZWL000
Financial Assets								
Cash and bank balances	1 128 936	1 128 936	936 114	936 114	1 128 936	1 128 936	150 707	150 707
Loans and receivables from banks	3 263	3 263	25 032	25 032	3 263	3 263	4 030	4 030
Loans and advances to customers	711 222	711 222	1 209 226	1 209 226	711 222	711 222	194 675	194 675
Other assets	255 357	255 357	20 726	20 726	255 357	255 357	3 337	3 337
Total assets	**2 098 778**	**2 098 778**	**2 191 097**	**2 191 097**	**2 098 778**	**2 098 778**	**352 749**	**352 749**
Deposits from banks	39 379	39 379	18 045	18 045	39 379	39 379	2 905	2 905
Deposits from customers	2 046 816	2 046 816	3 438 463	3 438 463	2 046 816	2 046 816	553 564	553 564
Other liabilities	145 613	145 613	112 134	112 134	142 817	142 817	18 054	18 054
Balances due to group companies	73 967	73 967	11 216	11 216	73 967	73 967	1 806	1 806
Total	**2 305 775**	**2 305 775**	**3 579 869**	**3 579 869**	**2 302 979**	**2 302 979**	**574 529**	**574 529**

40 Fair value hierarchy of assets and liabilities held at fair value

40.1 Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Historical and inflation adjusted 2019	Level 1 ZWL000	Level 2 ZWL000	Level 3 ZWL000	Total ZWL000
Recurring fair value measurements				
Financial assets				
Treasury bills	-	-	205 613	205 613
Unquoted equity instruments	-	-	26 187	26 187
Balance at 31 December 2018	**-**	**-**	**231 800**	**231 800**
Non - financial assets				
Investment property	-	-	71 307	71 307
Investment in joint venture - underlying asset	-	-	504 570	504 570
RBZ NOP support receivable			207 819	207 819
Balance at 31 December 2019	**-**	**-**	**783 696**	**783 696**

Inflation adjusted 2018	Level 1 ZWL000	Level 2 ZWL000	Level 3 ZWL000	Total ZWL000
Recurring fair value measurements				
Financial assets				
Treasury bills	-	-	1 755 784	1 755 784
Unquoted equity instruments	-	-	39 348	39 348
Balance at 31 December 2018	**-**	**-**	**1 795 132**	**1 795 132**
Financial liabilities				
Derivative liabilities	-	5	-	5
Balance at 31 December 2018	**-**	**5**	**-**	**5**
Non - financial assets				
Investment property	-	-	31 958	31 958
Non - current asset held for sale	-	-	92 111	92 111
Balance at 31 December 2018	**-**	**-**	**124 069**	**124 069**

Historical 2018	Level 1 ZWL000	Level 2 ZWL000	Level 3 ZWL000	Total ZWL000
Recurring fair value measurements				
Financial assets				
Treasury bills	-	-	282 666	282 666
Unquoted equity instruments	-	-	6 335	6 335
Balance at 31 December 2018	**-**	**-**	**289 001**	**289 001**
Financial Liabilities				
Derivative liabilities	-	1	-	1
Balance at 31 December 2018	**-**	**1**	**-**	**1**
Non - financial assets				
Investment property	-	-	5 145	5 145
Non - current asset held for sale	-	-	14 829	14 829
Balance at 31 December 2018	**-**	**-**	**19 974**	**19 974**

40.2 Valuation techniques for the level 2 fair value measurement of assets and liabilities held at fair value

The table below sets out information about the valuation techniques applied at the end of the reporting period in measuring assets and liabilities whose fair value is categorised as Level 2 in the fair value hierarchy. A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations is set out in the table below:

Category of asset/liability	Valuation technique applied	Significant observable inputs
Foreign Exchange Contracts	Discounted cash flow	Interest and foreign currency exchange rates

40.3 Valuation techniques for the level 3 fair value measurement of assets and liabilities held at fair value

The table below sets out information about the significant unobservable inputs used at the end of the reporting period in measuring assets and liabilities whose fair value is categorised as Level 3 in the fair value hierarchy.

Category of asset/liability	Valuation technique applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs
Unquoted equity financial instrument	Dividend Growth model/ discounted cash flow	Dividend pay-outs	77%
Investment properties	Market/income approach	Long term market discount rate	9% to 13%
Treasury bills	Discounted cash flow	Market Yield – not actively traded	7.33%
RBZ NOP Support receivable	Discounted cash flow	Cash flows/Market Yield	9.75%

Reconciliation of recurring level 3 fair value measurements

Historical and inflation adjusted 2019	Investment securities ZWL000	Investment properties ZWL000	RBZ net open position Receivable ZWL000	Total ZWL000
Balance at 1 January 2019	1 795 132	31 958	-	1 827 090
Additions	384 724		207 819	592 543
Transfer from property		7 089		7 089
Accrued interest	4 674	-	-	4 674
Maturities	(1 939 225)	-	-	(1 939 225)
Total gains and losses recognised in profit or loss	-	32 260	-	32 260
Total gains and losses recognised in other comprehensive income	(13 505)	-	-	(13 505)
Balance at 31 December 2018	231 800	71 307	207 819	510 926

Inflation adjusted 2018	Investment securities ZWL000	Investment properties ZWL000	Non current asset held for sale ZWL000	Total ZWL000
Balance at 1 January 2018	32 517	31 958	92 111	64 475
Additions	1 677 338	-	-	1 677 338
Accrued interest	72 879	-	-	72 879
Disposals	(2 880)	-	-	(2 880)
Total gains and losses recognised in profit or loss	-	-	-	-
Total gains and losses recognised in other comprehensive income	15 278	-	-	15 276
Balance at 31 December 2018	1 795 132	31 958	92 111	1 827 088

Historical 2018	Investment securities ZWL000	Investment properties ZWL000	Non current asset held for sale ZWL000	Total ZWL000
Balance at 1 January 2018	5 235	5 145	14 829	25 209
Additions	270 038	-	-	270 038
Accrued interest	11 733	-	-	11 733
Disposals	(464)	-	-	(464)
Total gains and losses recognised in other comprehensive income	2 459	-	-	2 459
Balance at 31 December 2018	289 001	5 145	14 829	308 975

41 Segment reporting

Management has determined the operating segments based on the reports reviewed by the Country Management Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Bank meet the definition of a reportable segment under IFRS 8 Operating Segments. The Country Management Committee assesses the performance of the operating segments monthly based on a measure of profit or loss. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs and legal expenses. The measure also excludes the effects of equity-settled share-based payments and unrealised gains or losses on financial instruments.

The Bank has four broad business segments:

1. Retail banking - focuses on individual customers with product offering that incorporates direct debit facilities, current and savings accounts, investment savings products, safe custody, debit cards, consumer loans and mortgages.

2. Business banking – focuses on small to medium enterprises with product offering similar to retail banking.

3. Corporate banking - focuses on large corporates, multi-nationals and non-governmental organisations. Product offering includes current accounts, overdrafts, loans and foreign currency products.

4. Treasury - focuses on management of the overall Bank operating asset balances and balance sheet structure. Main products include financial instruments and foreign currency trading

Segment results of operations

Inflation adjusted 2019	Retail Banking ZWL000	Corporate Banking ZWL000	Business Banking ZWL000	Treasury ZWL000	Total ZWL000
Net interest income	31 151	90 104	10 387	32 235	163 837
Net fee and commission income	131 147	73 079	8 931	11 720	224 877
Net trading and foreign exchange income	-	-	-	119 860	119 860
Net investment and other income	-	-	-	9 723	9 723
Fair value gain on investment property	-	-	-	32 260	32 260
Total Income	162 298	163 183	19 278	205 798	550 557
Credit impairment charges and other provisions	(6 914)	(41 991)	(1 680)	(26 581)	(77 166)
Net operating income	155 384	121 192	17 598	179 217	473 391
Staff costs	(104 515)	(11 009)	(3 234)	(34 581)	(153 339)
Infrastructure costs (excluding depreciation)	(47 639)	(32 254)	(22 915)	(17 747)	(120 555)
Administrative expenses	(99 820)	(46 336)	(25 210)	(31 654)	(203 020)
Depreciation and amortisation	(31 712)	(10 160)	(1 180)	(1 411)	(44 463)
Operating expenses	(283 686)	(99 759)	(52 539)	(85 393)	(521 377)
Net monetary loss	-	-	-	(230 952)	(230 952)
Share of profits of joint ventures	-	-	-	150 376	150 376
(Loss)/ profit before tax	(128 302)	21 433	(34 941)	13 248	(128 562)
Taxation	(15 598)	2 606	(4 248)	(17 486)	(34 726)
(Loss)/ profit for the year	(143 900)	24 039	(39 189)	(4 238)	163 287
Total assets	101 856	554 165	81 925	2 322 463	3 060 409
Total liabilities	472 580	1 360 773	211 627	362 023	2 407 003

Inflation adjusted 2018	Retail Banking ZWL000	Corporate Banking ZWL000	Business Banking ZWL000	Treasury ZWL000	Total ZWL000
Net interest income	103 513	120 603	47 930	-	272 046
Net Fee and commission income	126 842	19 872	39 876	-	186 589
Net trading and foreign exchange income	3 474	(168)	17 216	59 877	80 400
Net investment and other income	2 487	4 885	2 155	-	9 527
Fair value gain on investment property	1 667	3 273	1 444	-	6 384
Total Income	237 984	148 465	108 620	59 877	554 946
Impairment losses	5 236	(11 460)	(10 491)	-	(16 716)
Net operating income	243 220	98 129	137 004	59 877	538 230
Staff costs	(95 111)	(35 058)	(36 196)	(6 237)	(172 602)
Infrastructure costs	(35 022)	(9 820)	(14 304)	(1 756)	(60 902)
Depreciation	(59 919)	(25 844)	(26 770)	(4 290)	(116 822)
General and administrative expenses	(9 460)	(3 485)	(3 545)	(598)	(17 088)
Operating expenses	(199 511)	(74 207)	(80 816)	(12 881)	(367 414)
Net monetary loss	-	-	-	(82 529)	(82 529)
Profit before tax	43 709	62 798	17 313	35 533	88 287
Taxation	(1 601)	(2 105)	(634)	(1 575)	(5 916)
Profit for the year	42 108	60 693	16 679	(37 108)	82 371
Total assets	67 731	102 477	48 345	480 190	698 744
Total liabilities	101 444	260 823	185 440	34 534	582 241

Historical 2019	Retail Banking ZWL000	Corporate Banking ZWL000	Business Banking ZWL000	Treasury ZWL000	Total ZWL000
Net interest income	13 431	38 848	4 461	13 898	70 637
Net fee and commission income	58 739	32 731	4 000	5 249	100 720
Net trading and foreign exchange income	-	-	-	61 896	61 896
Net investment and other income	-	-	-	5 519	5 519
Fair value gain on investment property	-	-	-	59 073	59 073
Total Income	72 170	71 579	8 461	145 635	297 845
Credit impairment charges and other provisions	(4 436)	(13 987)	(362)	(11 263)	(30 048)
Net operating income	67 734	57 592	8 100	134 371	267 797
Staff costs	(38 642)	(4 070)	(1 195)	(14 229)	(58 136)
Infrastructure costs	(24 420)	(16 533)	(11 746)	(9 096)	(61 795)
Depreciation and amortisation	(718)	(230)	(27)	(32)	(1 007)
Administrative expenses	(46 840)	(21 495)	(11 694)	(25 068)	(105 097)
Operating expenses	(110 620)	(42 328)	(24 662)	(48 425)	(226 035)
Share of profits (losses) of joint ventures	-	-	-	228 242	228 242
Profit (loss) before tax	(42 885)	15 264	(16 563)	314 188	270 004
Taxation	5 253	(4 104)	2 254	(9 213)	(5 814)
Profit (loss) for the year	(37 633)	11 160	(14 311)	304 974	264 190
Total assets	96 296	535 913	79 014	2 234 383	2 945 605
Total liabilities	249 519	1 362 391	407 840	360 203	2 379 953

Historical 2018	Retail Banking ZWL000	Corporate Banking ZWL000	Business Banking ZWL000	Treasury ZWL000	Total ZWL000
Net interest income	15 238	17 754	7 056	-	40 047
Net fee and commission income	18 672	2 925	5 870	-	27 468
Net trading income	511	(25)	2 534	8 814	11 835
Net investment income	366	719	317	-	1 402
Other income	245	482	213	-	940
Total non-interest income	19 795	4 101	8 934	8 814	41 465
Total Income	35 033	21 855	15 990	8 814	81 692
Impairment losses	771	(1 687)	(1 544)	-	(2 461)
Total operating income	35 804	20 168	14 445	8 814	79 231
Staff costs	(14 001)	(5 161)	(5 328)	(918)	(25 408)
Infrastructure costs	(5 155)	(1 446)	(2 106)	(259)	(8 965)
Depreciation	(8 820)	(3 804)	(3 941)	(631)	(2 516)
General and administrative expenses	(1 393)	(513)	(522)	(88)	(17 197)
Operating expenses	(29 369)	(10 924)	(11 897)	(1 896)	(54 086)
Profit before tax	6 434	9 244	2 549	6 918	25 145
Taxation	(223)	(293)	(88)	(219)	(823)
Profit for the year	6 211	8 951	2 460	6 699	24 322
Total assets	67 731	102 477	48 345	480 190	698 744
Total liabilities	101 444	260 823	185 440	34 534	582 241

42 Share-based payments

42.1 Local managerial share option scheme

This scheme benefits managerial employees. Managerial employees are granted shares in First Capital Bank. Share options granted before 1 September 2008 were exercisable on the grant date. Share options issued thereafter have a vesting period of three years. The Bank has no legal or constructive obligation to repurchase or settle the options in cash.

The following assumptions were input into the valuation model, same as prior year:
Volatility of 81.83%
Dividend yield 0%
Nominal risk free rate of return of 8.60%
Expected option exercise date is 2 years after vesting period.

In the valuation, volatility was calculated as the standard deviation of lognormal weekly returns for a full year. Volatility is a measure of the amount by which the price is expected to fluctuate between the grant date and the exercise date.

Movements during the period

The following reconciles the share options outstanding at the beginning and end of the year:

	2019		2018	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of the year	2 070 000	0.05	-	0.05
Granted during the year	5 490 000	0.07	3 340 000	0.06
Forfeited during the year	(1 010 000)	0.03	(180 000)	0.06
Exercised during the year	-	-	1 090 000)	0.04
Outstanding at 31 December	6 550 000	0 .10	2 070 000	0.05
Exercisable at 31 December	1 740 000	-	2 070 000	0.05
Weighted average contractual life of options outstanding at end of period	3.2	-	3.6	-

43 Related parties

The Bank is controlled by Afcarme Zimbabwe Holdings (Private) Limited incorporated and domiciled in Zimbabwe which owns 53% (2018: 53%) of the ordinary shares. 15% is held by an Employee Share Ownership Trust (ESOT) and the remaining 32% of the shares are widely held. The ultimate parent of the Bank is FMBcapital Holdings PLC incorporated in Mauritius. There are other companies which are related to First Capital Bank through common shareholdings or common directorship. he Bank is encouraging its customers through various communication channels to transact using electronic channels and cards, this will minimise the decline in transactions volumes. The Bank has also put in some measures to manage credit risk at sector and name specific level to minimise the credit risk impact.

43.1 Directors and key management compensation

	Inflation adjusted		Historical	
	2019 ZWL000	2018 ZWL000	2019 ZWL000	2018 ZWL000
Salaries and other short term benefits	4 567	14 718	1 392	2 075
Post-employment contribution plan	227	1 352	69	191
Share based payments	8	353	2	50
Total	**4 802**	**16 423**	**1 463**	**2 316**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank directly or indirectly. These include the Managing Director, Chief Finance Officer, Chief Risk Officer, Commercial Divisional Director, Head of Operations, Chief Technology Officer, Head of Retail Banking, Chief Internal Auditor, Head of Compliance, Company Secretary and Head of Human Resources.

43.2 Loans to directors and key management

	Inflation adjusted		Historical	
	2019 ZWL000	2018 ZWL000	2019 ZWL000	2018 ZWL000
Loans outstanding at 1 January	7 385	10 527	1 189	1 695
Loans issued during the year	1 453	949	1 453	153
Loans repayments during the year	(6 519)	(4 091)	(323)	(659)
Loans outstanding at 31 December	2 319	7 385	2 319	1 189

Of the loans advanced to directors and other key management personnel $817 401 is secured and repayable over 7-18 years. The balance of $371 507 is unsecured and repayable monthly over 4 years at average interest rates of 6.3% (2018:6.3%). Loans and advances to non-executive directors during the year ended 31 December 2019 were nil (2018: $9 454). The average interest rate on loans to non-executive directors was 13% (2018: 13%).

No impairment losses have been recognised in respect of loans advanced to related parties (2018: nil)

43.3 Deposits from directors and key management

	Inflation adjusted		Historical	
	2019 ZWL000	2018 ZWL000	2019 ZWL000	2018 ZWL000
Deposits at 1 January	128	596	128	96
Deposits received during the year	31 214	21 357	31 214	3 438
Deposits repaid during the year	(31 010)	(21 156)	(31 010)	(3 406)
Deposits at 31 December	322	797	332	128

43.4 Balances with related parties - related through common directorship and shareholding

	Inflation adjusted				Historical			
	Deposits 31.12.2019 ZWL000	Loans and advances 31.12.2019 ZWL000	Deposits 31.12.2018 ZWL000	Loans and advances 31.12.2018 ZWL000	Deposits 31.12.2019 ZWL000	Loans and advances 31.12.2019 ZWL000	Deposits 31.12.2018 ZWL000	Loans and advances 31.12.2018 ZWL000
Barclays Bank Pension Fund	5 556	-	1 145	-	5 556	-	184	
Beitbridge Bulawayo Railway	993	-	-	-	993	-	10 107	
Hippo Valley Estates	-	-	19 590	49 002	-	-	3 154	7 889
NCP Distillers Zimbabwe	-	-	295	-	-	-	48	
Tobacco Sales Limited	54	30 000	-	-	54	30 000	-	
Triangle Limited	-	-	99 346	74 538	-	-	15 994	12 000
United Refineries	-	-	402	12 970	-	-	65	2 088
Zimbabwe Sugar Sales	-	-	55 089		-	-	8 869	-
Cimas Holdings	-	-	2 518	-	-	-	405	
St Johns	-	-	1 009	-	-	-	162	-
Boost Fellowship	-	-	248	-	-	-	40	
African Women entrepreneurship	-	-	2	-	-	-		
Canelands Trust	-	-	20 499	-	-	-	3 300	
St Georges College	458	-	-	-	458	-		
Makasa Sun Private Limited	1 346	-	-	-	1 346	-		
Nicoz diamond insurance	2 569	-	-	-	2 569	-	-	-
Total	**10 976**	**30 000**	**200 144**	**136 510**	**10 976**	**30 000**	**42 328**	**21 977**
Current	10 976	30 000	200 144	123 540	10 976	-	42 328	21 977
Non - current	-	-	-	12 970	-	30 000	-	-
Total	**10 976**	**30 000**	**200 144**	**136 510**	**10 976**	**30 000**	**42 328**	**21 977**

Repayments on the loans to the related parties were made on due dates and new loans were also granted. The balances were assessed and no impairment losses have been recognised for balances with related parties through common directorship/trusteeship.

43.5 Balances with group companies

	Inflation adjusted		Historical	
	2019 ZWL000	2018 ZWL000	2019 ZWL000	2018 ZWL000
Bank balances due from group companies	(934)	(11)	(934)	(2)
Bank balances due to group companies	150	-	150	-
Total	**(784)**	**(11)**	**(784)**	**(2)**
Other balances due from group companies	(3 666)	-	(3 666)	
Other balances due to group companies	77 633	11 216	77 633	1 806
Total	**73 967**	**11 205**	**73 967**	**1 808**

43.6 Related Parties - related through common shareholding

	Inflation adjusted		Historical	
	2019 ZWL000	2018 ZWL000	2019 ZWL000	2018 ZWL000
Balance due to Barclays Bank PLC	24 895	-	24 895	-
Total	24 895	-	24 895	-

44 Capital commitments and contingencies

44.1 Capital commitments

	Inflation adjusted		Historical	
	2019 ZWL000	2018 ZWL000	2019 ZWL000	2018 ZWL000
Authorised and contracted for	24 511	9 317	24 511	1 500
Authorised but not yet contracted for	65 990	37 977	65 990	6 114
Total capital commitment	90 501	47 294	90 501	7 614

44.2 Contingent assets and liabilities

Loan commitments	261 690	214 187	261 690	34 482
Guarantees and letters of credit	294 352	61 942	294 352	9 972
Total	556 042	276 129	556 042	44 455

45 Assets under administration

The Bank has assets for exporters and parastatals under its administration. These amounts were as a result of the transfer of exporter and parastatals' funds to the Reserve Bank of Zimbabwe "RBZ" in the previous years, after issuance of Exchange Control Directives by the RBZ. Final settlement of the principal amount to the exporters and parastatals was done through the Bank's name on the RBZ Central Securities Depository. The Bank's role is solely of an administrative nature, involving crediting interest and principal amounts into customers' accounts after payment by the Government of Zimbabwe and when a customer wants to move the treasury bills to another financial institution the Bank will notify the RBZ.

The treasury bills and the accrued interest are not on the Bank's statement of financial position.

46 Events after the reporting date

There were no events noted after reporting date that required to be adjusted for in the financial results of First Capital Bank Limited. The effects of COVID-19 pandemic both direct and indirect will impact the 2020 financial year. The Bank is however unable to quantify the impact of the measures that it will put in place to respond to the COVID-19 pandemic. However, the outbreak is likely to cause a decline in the country's GDP as companies shut down. Consequently the Bank's income may decline due to lower customer activity and own scale down initiatives to manage the impact to staff.

The Bank's customers are concentrated in various industry sectors which have been disclosed in note 37.6. One of the significant impact of the COVID-19 pandemic on the Zimbabwe economy has been on the tourism sector due to the travel restrictions in various countries. Loans to clients within this sector constitute 4% of the Bank's loan book. The Bank has performed stress tests on the impact that the pandemic may have on the performance of this section of its loan book. These tests indicate that the Bank will be able to continue as a going concern.

The Bank is encouraging its customers through various communication channels to transact using electronic channels and cards, this will minimise the decline in transactions volumes. The Bank has also put in some measures to manage credit risk at sector and customer level to minimise the credit risk impact.

The Bank is conducting periodic stress tests on its loan assets to assess requisite levels of preparedness, magnitude and potential negative impact. As the pandemic evolves, there is an expectation of repayment delays and/or requests to extend loan repayments due to adverse impacts on borrower cash-flows.

47 New accounting pronouncements

47.1 Standards, amendments and interpretations that are not yet effective and have not been early adopted.

The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2018 and are expected to be relevant to the Bank. The Bank is in the process of assessing the potential impact that the adoption of these Standards and interpretations may have on its future financial performance or disclosures in the annual financial statements. The Bank will not early adopt the standards.

Standard/ Interpretation	Content	Applicable for financial years beginning on/after
Amendments to IAS 1 and IAS 8 Definition of material	The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.	1 January 2020

Analysis of Shareholding

Top 20 Shareholders

Names	Shares	Percentage
Afcarme Zimbabwe Holdings (Pvt) Ltd	1 134 268 206	52.59
1912 Employee Share Ownership Trust	322 998 026	14.98
Old Mutual Life Ass Co Zim Ltd	141 182 741	6.55
Stanbic Nominees Pvt Ltd	89 062 478	4.13
SCB Nominees 033667800001	77 555 434	3.60
Barclays Zimbabwe Nominees P/L	53 923 670	2.50
Amaval Investments (Pvt) Ltd	37 929 816	1.76
NSSA Staff Pension Fund - ABC	18 141 090	0.84
Guramatunhu Family Trust	17 327 436	0.80
Hitesh Anadkat	16 062 222	0.74
Danchen Investments	10 932 348	0.51
Avenell Investments (Pvt) Ltd	9 803 832	0.45
Omzil Stra Shrehlder Trap Fund	9 590 773	0.44
Mundell Family Trust	7 937 816	0.37
Anglo American Ass Co PF- Imara	7 837 057	0.36
National Foods PF-Imara	6 160 560	0.29
Amzim Pension Fund - Imara	5 316 848	0.25
Local Authorities Pension Fund	4 572 434	0.21
Fredex Financial Services	3 785 285	0.18
Hit Pension Fund - Imara	3 645 560	0.17
Selected Shares	**1 978 033 632**	**91.72**
Non - Selected Shares	**178 686 544**	**8.28**
Issued Shares	**2 156 720 176**	**100.00**

Analysis of shareholding
For the year ended 31 December 2019

Analysis by volume	Shares	%	Share holders	Share holders %
Volume				
1-5000	8 340 308	0.39	5 184	60.97
5001-10000	6 337 415	0.29	930	10.94
10001-25000	21 092 503	0.98	1 264	14.87
25001-50000	21 566 938	1.00	657	7.73
50001-100000	11 399 347	0.53	167	1.96
100001-200000	14 346 621	0.67	100	1.18
200001-500000	23 809 070	1.10	74	0.87
500001-1000000	26 023 969	1.21	39	0.46
1000001 and Above	2 023 804 005	93.84	88	1.03
Totals	**2 156 720 176**	**100.00**	**8 503**	**100.00**

Analysis by industry	Shares	%	Share holders	Share holders %
Industry				
Financial service - Majority shareholder	1 134 268 206	52.59	01	0.01
Employee Share Ownership Trust	322 998 026	14.98	01	0.01
Pension Funds	220 060 617	10.20	158	1.86
Insurance companies	141 927 423	6.58	15	0.18
Individuals	97 087 229	4.50	7 064	83.08
Nominee companies	111 701 294	5.18	116	1.36
Financial organisations	49 499	0.00	08	0.09
Other	128 627 882	5.96	1 140	13.41
Total	**2 156 720 176**	**100.00**	**8 503**	**100.00**

Notice of Annual General Meeting

Notice is hereby given that the Thirty Ninth Annual General Meeting of Shareholders of First Capital Bank Limited will be held at a date and venue to be advised for the purpose of transacting the following business:-

Agenda
Ordinary business
Shareholders will be requested to consider and if deemed fit to pass the following ordinary resolutions, with or without amendment:-

1. To receive, consider and adopt the Financial Statements and Report of the Directors and Auditors for the financial year ended 31 December 2019.
2. a. To approve the re-election of a director. Mrs S. Moyo retires as a director of the Company, in terms of Article 102 of the Articles of Association. Being eligible in terms of Article 104 of the Articles of Association, Mrs. S. Moyo offers herself for re-election.
   b. To approve the re-election of a director. Mr. D. Dikshit retires as a director of the Company, in terms of Article102 of the Articles of Association. Being eligible in terms of Article 104 of the Articles of Association, Mr. D. Dikshit offers himself for re-election.
   c. To approve the re-election of a director. Mr. H. Anadkat retires as a director of the Company, in terms of Article102 of the Articles of Association. Being eligible in terms of Article 104 of the Articles of Association, Mr. H. Anadkat offers himself for re-election.
   d. Mr. Kevin Terry was appointed as a director of the Company with effect from16 October 2019. In terms of Article 109 of the Articles of Association, he retires as a Director of the Company and being eligible, offers himself for re-election.
   e. Mr. Kiritkumar Naik was appointed as a director of the Company with effect from 3 February 2020. In terms of Article 109 of the Articles of Association, he retires as a Director of the Company and being eligible, offers himself for re-election.
   f. To note the resignation of the following Directors; Mr S. Mtsambiwa, Mr. B. Moyo and Mr. S. Matsekete.

3. To approve directors' fees and remuneration for the past year.

4. To re-appoint auditors Deloitte as Auditors of the Company. Deloitte was appointed as the Company's auditors with effect from 10 May 2019.

5. To fix the remuneration of the auditors, for the past year's audit.

Special business

6. To consider and adopt that the authorised share capital of US$ 500 000 (five hundred thousand United States Dollars) consisting of 5 000 000 000 (five billion) ordinary shares of USc 0.01 each is hereby redenominated to ZWL 500 000 (five hundred thousand Zimbabwe Dollars) divided into 5 000 000 000 (five billion) ordinary shares of ZWLc 0.01 each.

7. To approve that the issued share capital of US$ 215 672.02 consisting of 2 156 720 176 ordinary shares of USc 0.01 is hereby redenominated to ZWL 215 672.02 (two hundred and fifteen thousand six hundred and seventy two Zimbabwean Dollars and two cents) consisting of 2 156 720 176 (two billion one hundred and fifty six million seven hundred and twenty thousand one hundred and seventy six)ordinary shares of ZWLc 0.01.

8. To approve that the directors of the company be and are hereby authorised to do everything else necessary and lawful emanating from, pursuant to and required to effect the redenomination and capitalisation of ZWL 215 672.02 (two hundred and fifteen thousand six hundred and seventy two Zimbabwean Dollars and two cents) into share capital and premium.

9. To amend the Memorandum and Articles of Association of the company to the extent necessary pursuant to the above.

In terms of the Companies and Other Business Act (Chapter 24.31), a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead. A proxy need not be a member of the Company.

By Order of the Board

Barclay House
Cnr. First Street / Jason Moyo Avenue
Harare
Violet Mutandwa
Company Secretary

23 March 2020

Profiles of Retiring Directors
Sara Nyaradzo Moyo Independent Non – Executive Director
Mrs. Moyo is a registered legal practitioner, an IP Attorney and the Senior Partner of Honey & Blanckenberg Practitioners. Mrs Moyo holds BL (Hons) and LLB degrees from the University of Zimbabwe. She is Vice Chairperson of the Agriculture Law Committee of the International Bar Association, a member of the Alternative Dispute Resolution and Legal Sub-Committee of the Zimbabwe National Chamber of Commerce and a contributor to the Zimbabwe Chapter of the Kluwer Manual on Intellectual Property. She is also a member of the Zimbabwe Energy Council and the Professional Women Executives and Business Women's Forum.

Dheeraj Dikshit Non – Executive Director
Mr. Dikshit is the Group Managing Director of FMBcapital Holdings Limited. He holds an MBA and a Bachelor of Commerce Degree. Prior to joining First Merchant Bank PLC, he worked for HSBC in different senior capacities. He has more than 24 years' working experience in Corporate and Commercial Banking as well as Retail Banking and Consumer Assets. He also holds Directorships in four commercial banks (part of FMB Group) within the Southern African Region.

Hitesh Anadkat Non - Executive Director
Mr. Anadkat is a Non - Executive Director of FMBcapital Holdings Limited. He holds an MBA from Cornell University and a BSc Economics (Hons) from the University of London. Before returning to Malawi to establish FMB, he worked in Corporate Finance in the USA specializing in mergers, acquisitions and valuations. He holds directorships in four commercial banks (part of FMB Group) within the Southern African Region as well as Telecoms Networks (Malawi) Private Limited.

Kevin Terry Independent Non - Executive Director
Mr Terry currently chairs the Boards of St George's College, Childline Society and EFT Services (Private) Limited. Kevin is also an Arbitrator with the Commercial Arbitration Centre of Zimbabwe. He holds a Bachelor of Laws Degree from the University of Zimbabwe and brings to the board a wealth of knowledge and experience in banking gained from his extensive career in the financial services sector. Mr Terry started his career as a public prosecutor in the Attorney General's office and moved to private legal practice with Stumbles and Rowe, and thereafter joined the Old Mutual Zimbabwe Pensions department. He rose through the ranks, gaining experience in operations, business management and strategy. During his tenure at Old Mutual, he held various posts including Deputy CEO Old Mutual Kenya, COO UAP-Old Mutual East Africa and Managing Director of Central Africa Building Society.

Kiritkumar Naik Independent Non - Executive Director
Mr Naik is the managing director of Rank Zimbabwe, a conglomerate in the stationery and plastics industry which also has an extensive real estate and equity portfolio. He holds an advanced diploma in Mechanical Engineering from City & Guilds Institute, London. He is a renowned entrepreneur with vast business leadership experience garnered from the various directorships he held for institutes such as TSL Limited, ART Corporation and Nicoz Diamond.

Annual General Meeting Form of Proxy

I, We……

Of……

Being a member/members of First Capital Bank Limited and entitled to…… vote(s)……

hereby appoint……

of……

or failing him/her……

of……

or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at a date and venue to be advised and at any adjournment thereof.

Signed this……day of ……2020

Signature of member……

Note:

1. Unless otherwise instructed the proxy will vote as he / she sees fit.
2. In terms of Section 171 of the Companies and Other Business Entities Act [Chapter 24:31] a member of the company is entitled to appoint one or more persons to act in the alternative as his / her proxy, to attend, vote and speak in his stead. A proxy needs not be a member of the Company.
3. Article 81 of the Company's Articles of Association provides that instruments of proxy must be deposited at the Registered Office of the Company not less than forty-eight hours before the time of holding the meeting.

Notes

Notes