NMBZ HOLDINGS LIMITED

Holding Company of **NMB BANK LIMITED**
(Registered Commercial Bank)
Dually listed on the London Stock Exchange (LSE) and Zimbabwe Stock Exchange (ZSE)

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NMBZ HOLDINGS LIMITED

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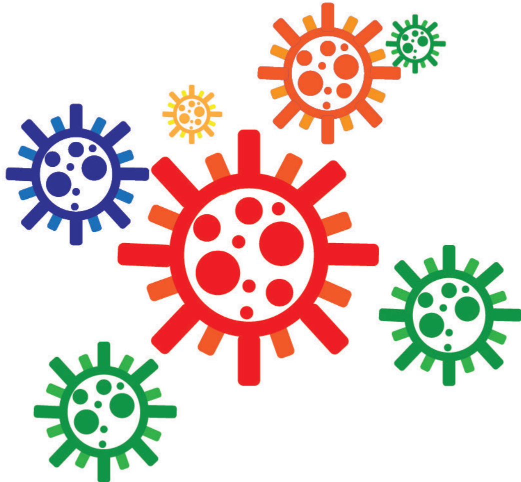

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CONDENSED AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL SUMMARY

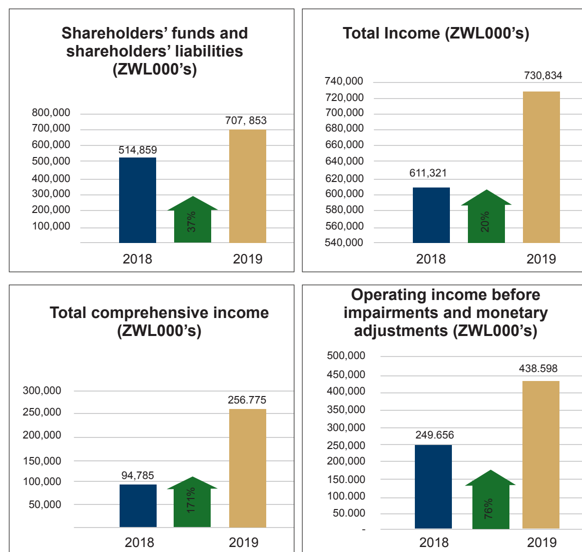
	Inflation adjusted		Historical Cost	
	31 December 2019	31 December 2018 Restated	31 December 2019	31 December 2018
Total income (ZWL)	730 833 973	611 321 454	464 285 244	74 740 671
Operating profit before impairment charge and loss on net monetary position (ZWL)	438 598 399	249 655 920	341 453 654	31 155 227
Total comprehensive income (ZWL)	256 774 708	94 784 934	473 463 396	21 267 632
Basic earnings per share (ZWL cents)	21.05	24.24	71.56	5.43
Total deposits (ZWL)	1 191 079 845	2 701 740 776	1 191 079 845	434 957 949
Total gross loans and advances (ZWL)	533 110 289	1 629 493 700	533 110 289	262 335 026
Total shareholders' funds and shareholders' liabilities (ZWL)	707 853 329	514 858 707	579 169 046	79 962 313

CHAIRMAN'S STATEMENT

INTRODUCTION

The operating environment continues to be a challenging one; the Group however, continued in the pursuit of its short and medium term goals as evidenced by the accompanying results. The financial results continue to be largely driven by the Bank's continued diversification into the broader market segments, enhanced use of the bank's digital offerings, stricter credit underwriting standards, containment of non-performing loans and fair value gains on investment properties and property and equipment. The Group's financial performance was quite remarkable in spite of the multiplicity of challenges that characterized the operating environment.

The key inflation adjusted financial highlights of the Group as at 31 December 2019 are depicted below:



GROUP RESULTS

HYPERINFLATIONARY REPORTING

Following the liberalisation of the exchange rate in February of 2019, there has been a significant deterioration in the exchange rate of the local currency unit which in turn resulted in the economy plunging into hyper-inflation. In light of this background, the Directors assessed the impact of International Accounting Standard (IAS 29) "Financial Reporting in Hyperinflationary Economies" and noted that the conditions required to apply IAS 29 had materialized in the Group's operating environment during the period under review. Furthermore, the Public Accountants and Auditors Board (PAAB) issued a pronouncement on 11 October 2019 indicating that the economy had become hyper-inflationary. The Directors have thus prepared the accompanying financial statements using the hyperinflationary accounting basis to achieve fair presentation at the reporting date of 31 December 2019. The results commentary below will be primarily on the Group's hyper-inflationary adjusted financial statements at the reporting date.

Financial performance

The profit before taxation was ZWL154 110 578 (2018 – ZWL145 890 961) during the period under review and this gave rise to total comprehensive income of ZWL256 774 708 (2018 – ZWL94 784 934) after total other comprehensive income of ZWL172 683 678 (2018 - ZWL - Nil). The Group achieved a basic earnings per share of 21.05 cents (2018 – 24.24 cents).

Operating expenses amounted to ZWL240 539 828 and these were down 17% from a prior year amount of ZWL289 533 595. The decrease in operating expenditure was due to cost containment measures as well as improved efficiencies arising out of digital innovations adopted by the Group.

Impairment losses on financial assets measured at amortised cost amounted to ZWL11 048 567 for the current period from a prior year amount of ZWL24 920 236 and the decrease was mainly due to a strict credit sanctioning regime which saw the underwriting of high creditworthy counterparties by the Banking subsidiary. The bank has continued with its drive to reduce non-performing loans (NPLs) and the ratio stood at 1.37% as at 31 December 2019. This was lower than the 31 December 2018 ratio of 7.43% and below the Bank's target of 5% by 31 December 2019. The decrease in the NPL ratio was largely due to aggressive collections and stricter credit underwriting standards.

Financial position

The Group's total assets decreased by 37% from ZWL3 294 291 270 as at 31 December 2018 to ZWL2 089 311 325 as at 31 December 2019 mainly due to an 85% decrease in investment securities, a decrease of 30% in cash and cash equivalents and a 46% decrease in loans, advances and other assets. These reductions were partly offset by a 77% increase in investment properties and a 207% increase in property and equipment.

Whilst the banking subsidiary continued with its intermediation role and support for the productive sectors as reflected, the reduction by 67% in gross loans and advances from ZWL1 629 493 700 as at 31 December 2018 to ZWL533 110 289 as at 31 December 2019 is reflective of the reduction in the value of monetary assets as a result of the hyperinflationary environment.

Financial position (continued)

Investment securities (Treasury Bills and Bonds) decreased from ZWL728 294 724 as at 31 December 2018 to ZWL107 166 155 as at 31 December 2019 mainly due to some maturities of government stock as well as the effects of loss of value for monetary assets due to hyperinflationary pressures. The bank has set maximum limits for investment securities in order to ensure that most of the funds are channelled towards the productive sectors of the economy.

Total deposits decreased by 56% from ZWL2 701 740 776 restated as at 31 December 2018 to ZWL1 191 079 845 as at 31 December 2019 as a result of the aforementioned effects of the hyperinflationary operating environment.

The Bank's liquidity ratio closed the period at 60.72% (2018 – 41.62%) and this was above the statutory requirement of a minimum of 30%.

Capital

The banking subsidiary's capital adequacy ratio stood at 44.52% (Historical – 39.49%) as at 31 December 2019 (31 December 2018 Historical - 23.25%). The ratio was above the statutory minimum of 12%. Our capitalisation level is adequate to cover all risks and supports the underwriting of new business.

The Group's shareholders' funds and shareholders' liabilities have increased by 37% from ZWL514 858 707 restated as at 31 December 2018 to ZWL707 853 329 as at 31 December 2019 largely as a result of the current year's total comprehensive income.

The Bank's regulatory capital as at 31 December 2019 was ZWL360 889 480 and is above the minimum required regulatory capital of ZWL25 million. The bank remains confident that its plan to meet the recently announced minimum capital of the ZWL equivalent of USD30 million for a Tier 1 bank by 31 December 2020 is achievable.

FUNCTIONAL CURRENCY

Further to my announcement in the Group's financial statements for the year ended 31 December 2018, we continued to closely monitor the developments in the economic and monetary landscape. On 22 February 2019, the Reserve Bank of Zimbabwe (RBZ) issued an Exchange Control Directive, RU 28 of 2019 which established an Interbank foreign exchange market to formalize the buying and selling of foreign currency through the Banks and Bureaux de Change. To operationalize this, the RBZ denominated the existing RTGS balances as RTGS dollars and initial trades between the RTGS dollar and the USD were pegged at USD/RTGS$1:2.5. On the same date, Statutory Instrument 33 (SI 33) of 2019 was also issued and it specified that all assets and liabilities that were in USD immediately before 22 February 2019 were deemed to have been valued in RTGS$ at a rate of USD/RTGS$1:1.

On 24 June 2019, through Statutory Instrument 142 (SI 142) of 2019, the Government of Zimbabwe discontinued the multicurrency regime which had been in place since February 2009 and introduced the Zimbabwe Dollar (ZWL), which was designated as the country's sole legal tender to be used for all local transactions and other purposes.

The Directors, having assessed all these developments, accounted for the change in the Group's functional currency from USD to RTGS dollars on 22 February 2019, which subsequently changed to Zimbabwe Dollars (ZWL) following the issuance of SI 142 of 2019 on 24 June 2019.

LEGACY DEBTS

The banking subsidiary owed USD13 840 412 to various providers of lines of credit at 31 December 2019. The Bank registered these foreign debts with the Reserve Bank of Zimbabwe (RBZ) as required by the regulatory directives. During the period under review, the Bank transferred to the RBZ the ZWL equivalent of the foreign debts at a rate of USD/ZWL1:1. The RBZ has indicated that they will be issuing a USD denominated instrument for these debts and consequently these debts and the RBZ deposits have been accounted for at the closing exchange rate of USD/ZWL 1:16.77 at 31 December 2019. This effectively values the original credit lines at a rate of 1:1 on a netted off basis. Subsequent to year end, the RBZ approved the line of credit balances amounting to USD13 840 412.

DIVIDEND

The Board has resolved not to declare a dividend as the Group is focusing on achieving the recently announced minimum regulatory capital requirement of the ZWL equivalent of USD30 million for a Tier 1 bank by 31 December 2020 for its banking subsidiary.

DIRECTORATE

Mr Erik Sanderson (non-executive director) resigned from both NMBZ Holdings Limited and NMB Bank Limited boards with effect from 24 January 2019. I wish to thank him for his invaluable contributions to the Group during his tenure as a Director and wish him well in his future endeavours. Mr Erik Sanderson was replaced by Ms Christine Glover, who was appointed to the NMBZ Holdings Limited and NMB Bank Limited boards on 26 June 2019 and she brings in a wealth of experience and diversity to the Group attained over an illustrious career spanning over 30 years in the South African financial services sector. I would like to welcome Ms Glover to the boards and wish her a fruitful tenure.

Mr Givemore Taputaira was appointed as an Independent Non-Executive director of NMBZ Holdings Limited and NMB Bank Limited subsequent to year end on 2 January 2020. Mr Taputaira has over 18 years' experience in ICT and business development in 7 different countries within Africa. I would like to welcome Mr Taputaira to the boards and wish him a successful tenure on the boards.

The other directors of both NMBZ Holdings Limited and NMB Bank Limited boards remained as follows: Mr Benedict A. Chikwanha (Board Chairman), Mr Benefit P. Washaya (Chief Executive Officer), Mr Benson Ndachena (Chief Finance Officer), Mr Charles Chikaura (Independent Non-Executive Director and Deputy Board Chairman), Mr James de la Fargue (Non-Executive Director), Ms Jean Maguranyanga (Independent Non-Executive Director), Mr Julius Tichelaar (Non-Executive Director) and Ms Sabinah Chitehwe (Independent Non-Executive Director).

SUSTAINABILITY REPORTING

The Board is charged with the responsibility of ensuring that management executes its mandate in a sustainable manner to ensure the Group attains its short and long-term growth objectives. The Board has been buttressing a culture of responsible business practices by paying more attention to sustainability issues. The Group is fully aware of the important role played by the financial sector in the economy as well as the impact of its initiatives and actions on the communities in which the Group operates. We take this responsibility quite seriously as part of our commitment to the environment and societies in which we operate.

CHAIRMAN'S STATEMENT (continued)

SUSTAINABILITY REPORTING (Continued)

The Group's banking subsidiary is compliant with all regulatory and statutory requirements and continues with its drive to forge partnerships and alliances with various stakeholders to ensure the attainment of Sustainable Development Goals (SDGs). To this end, the Bank has played a pivotal role in the financing of the education sector, health, property and construction sectors as well as supporting the SMEs, the youth, the disadvantaged, the vulnerable groups, the arts, sports and support environmental conservation initiatives.

Through advancing affordable loans, support was extended to both educational institutions and students in pursuit of supporting the education sector. The Bank also provided support in the construction of dams and roads across the nation. Furthermore, the Bank extended funding to local authorities in a bid to ensure the provision of potable water and sanitation to residents. In a bid to clear the national housing backlog, the Bank also continued to advance mortgage facilities for residential accommodation. In line with its initiatives to support business, the Bank advanced mortgage facilities to its Corporate clients and SMEs towards the acquisition of commercial properties.

To demonstrate the priority being given to sustainability issues, the Group has enhanced its disclosures to include a report on sustainability in line with best practices.

CORPORATE SOCIAL INVESTMENTS

During the period under review, the Group channeled its Corporate Social Investments towards education, environment conservation as well as the support of disadvantaged and vulnerable groups. The Group donated food stuffs, blankets and clothes to the Manicaland and Masvingo Provinces following the Cyclone Idai disaster which occurred in March 2019. Donations were also made to KidzCan for treatment of children living with cancer, Emerald Hill School for the Deaf fish farming project and Emerald Hill Children's home.

The Group also invested in the promotion of sports and extra curriculum activities in schools through donations in support of career fairs, Inter Schools Derby and quizzes. We also partnered with Friends of Hwange Trust and Friend of the Environment (FOTE) in raising awareness of the need for environment and wildlife conservation.

CORPORATE DEVELOPMENTS

The bank continued to pursue its strategy of diversifying into the broader market segments, particularly embracing the currently unbanked bottom of the pyramid. Our financial inclusion strategy was anchored on low cost accounts and mPOS deployment. The bank has also continued to play a pivotal role in mortgage financing and supporting corporates through working capital support and retooling through the leasing arm.

During the period under review, the bank launched the TapCard in collaboration with a technical partner. The product has been well received in the market as it has brought convenience to clients conducting low value transactions.

The bank opened the Victoria Falls service centre during the period under review for the convenience of the Bank's Victoria Falls customers and tourists.

The construction of our Head Office along Borrowdale Road was successfully completed and we anticipate to occupy the building before the end of the first half of 2020.

OUTLOOK AND STRATEGY

The operating environment continues to be challenging mainly due to the constantly weakening exchange rate, high month-on-month inflation, incessant power outages, fuel shortages, drought induced food shortages and general low investor confidence in the country. Value preservation will be the Group's key focus area in light of the likely negative impact of inflation and the deteriorating exchange rate.

The bank has embarked on a digitization trajectory marked by the introduction of paperless low-cost account opening. The bank will continue to focus on operational efficiencies and service excellence across all market segments.

APPRECIATION

I wish to express my heartfelt appreciation to all our clients, shareholders, regulatory authorities and all other valued stakeholders for their continued support in this difficult operating environment. To my fellow Board members, management and staff, I extend my sincere gratitude for their hard work, diligence, commitment and resilience which has underpinned the achievement of these commendable results.

MR. B. A. CHIKWANHA
CHAIRMAN
27 April 2020

DIRECTORS' REPORT EXTRACT
for the year ended 31 December 2019

1. **RESPONSIBILITY**

The Directors of the Group are mandated by the Companies Act (Chapter 24:03) of Zimbabwe to maintain adequate accounting records and to prepare consolidated and separate financial statements that present a true and fair view of the state of affairs of the Group and Company at the end of each financial year. The information contained in these consolidated and separate financial statements has been prepared on a going concern basis and is in accordance with the provisions of the Companies Act (Chapter 24:03) of Zimbabwe, the Banking Act (Chapter 24:20) of Zimbabwe and International Financial Reporting Standards (IFRSs).

2. **INTERNAL FINANCIAL CONTROLS**

The board is responsible for ensuring that effective internal control systems are implemented within the Group. The Group maintains internal controls and systems designed to provide reasonable assurance of the integrity and reliability of its records, safeguard the assets of the Group and prevent and detect fraud and errors. The Audit Committee in conjunction with the external and internal auditors of the Group reviews and assesses the internal control systems of the Group in key risk areas.

3. **GOING CONCERN**

The Directors have assessed the ability of the Group and its subsidiaries to continue operating as a going concern and believe that the preparation of these financial statements on a going concern is still appropriate.

4. **STATEMENT OF COMPLIANCE**

The condensed consolidated financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs) and have been prepared in the manner required by the Companies Act (Chapter 24:03) of Zimbabwe and the Banking Act (Chapter 24:20) of Zimbabwe. The financial statements show the impact of the first time adoption of IFRS 16 which was adopted by the Group effective 1 January 2019. The detailed impact of this adoption is disclosed in note 3.12 (Changes in accounting policy).

The Directors have been able to achieve full compliance with IFRSs in previous reporting periods up to 31 December 2017. However, the 31 December 2019 and the comparative period financial reporting could only achieve partial compliance to the IFRS reporting framework due to developments detailed below.

The IFRS Conceptual Framework states that to achieve fair presentation to the financial statements, companies should consider the underlying economic substance of the transaction over and above the legal form. International Accounting Standard (IAS 21) "The Effects of Changes in Foreign Exchange Rates" requires the Directors to determine the functional currency of the reporting entity in preparing the entity's financial statements. In arriving at this conclusion, the entity is required to apply certain parameters which the Directors duly applied in their judgement. Furthermore, IAS 21 also requires the reporting entity to make certain judgements in determining the appropriate exchange rates to apply for certain transactions conducted in currencies other than the functional currency of the reporting entity.

As explained in Note 2.4.6, "Determination of the functional currency", it is our opinion that following the Monetary Policy pronouncements of 1 October 2018 and 20 February 2019, as well as the issuance of Exchange Control Directive RU 28 of 2019 on 22 February 2019, the country's functional currency appeared to have changed from the United States Dollar in terms of the IAS 21 considerations. However, the Government of Zimbabwe issued Statutory Instrument (SI33) of 2019 on 22 February 2019, which prescribes the rate of USD1:RTGS$1 in accounting for all transactions and events before the effective date of the statutory instrument.

Furthermore, it is our interpretation that the SI 33 of 2019 issued in terms of the Presidential Powers Temporary Measures Act [Chapter 10:20], ranks supreme to any contrary legislation including quasi-legislations, which therefore implies that in preparing the financial statements, we sought to comply with the provisions of SI 33 of 2019 ahead of the IAS 21 requirements; consequently, the Group could not fully apply the requirements of IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*".

This, in our opinion resulted in non-compliance with IAS 21 and IAS 8 and that non-compliance had a significant impact on the true and fair presentation of the Group's financial position and would therefore urge users of the financial statements to exercise due caution.

The consolidated and separate financial statements were approved by the Board of Directors on 27 April 2020.

MR B. A. CHIKWANHA
CHAIRMAN
27 April 2020

MR B. P. WASHAYA
CHIEF EXECUTIVE OFFICER
27 April 2020

AUDITOR'S STATEMENT

These abridged financial statements have been audited by Ernst & Young Chartered Accountants (Zimbabwe) and an adverse audit opinion issued thereon due to non-compliance with International Accounting Standard 21, *"The Effects of Changes in Foreign Exchange Rates"* and non-compliance with International Accounting Standard 8, *"Accounting Polices, Changes in Accounting Estimates and Errors"*. There are no key audit matters communicated in the auditor's report. The Auditor's report is available for inspection at the Holding Company's registered office. The Audit Partner for this engagement was Mr David Marange.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Note	Inflation Adjusted		Historical Cost*	
		31 Dec 2019 ZWL Restated	31 Dec 2018 ZWL	31 Dec 2019 ZWL	31 Dec 2018 ZWL
Interest income	4	180 212 444	323 330 808	70 557 190	39 333 178
Interest expense		(51 695 746)	(72 131 939)	(16 894 088)	(8 865 016)
Net interest income		**128 516 698**	**251 198 869**	**53 663 102**	**30 468 162**
Fee and commission income	5.1	183 203 638	233 280 093	87 242 303	28 539 376
Net foreign exchange gains		254 811 445	15 660 953	99 863 112	1 899 670
Revenue		566 531 781	500 139 915	240 768 517	60 907 208
Other income	5.2	112 606 446	39 049 600	206 622 639	4 968 447
Operating income		**679 138 227**	**539 189 515**	**447 391 156**	**65 875 655**
Operating expenditure	6	(240 539 828)	(289 533 595)	(105 937 502)	(34 720 428)
Operating income before impairment charge and loss on monetary position		**438 598 399**	**249 655 920**	**341 453 654**	**31 155 227**
Impairment losses on financial assets measured at amortised cost	16.3	(11 048 567)	(24 920 236)	(11 048 567)	(4 011 952)
Loss on net monetary position		(273 439 254)	(78 844 723)	-	-
Profit before taxation		154 110 578	145 890 961	330 405 087	27 143 275
Taxation charge	7	(70 019 548)	(41 510 261)	(44 504 548)	(5 922 074)
Profit for the period		84 091 030	94 784 934	285 900 539	21 221 201
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of land and buildings, net of tax		108 586 781	-	175 943 209	46 431
Translation gain on change in functional currency, net of tax		64 096 897	-	11 619 648	-
Total comprehensive income for the year		256 774 708	94 784 934	473 463 396	21 267 632
Earnings/(losses) per share (ZWL cents)					
- Basic	9.3	21.05	24.24	71.56	5.43
- Diluted	9.3	19.86	22.85	67.52	5.11
- Headline	9.3	(18.66)	18.76	7.78	4.70

*The historical cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 *"Financial Reporting in Hyperinflationary Economies"*. The auditors have not expressed an opinion on the historical cost information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Note	Inflation Adjusted		Historical Cost*	
		31 Dec 2019 ZWL	31 Dec 2018 ZWL Restated	31 Dec 2019 ZWL	31 Dec 2018 ZWL
SHAREHOLDERS' FUNDS					
Share capital	10.2.1	796 878	769 225	84 116	80 975
Capital reserves		168 646 241	156 817 823	19 184 170	16 526 297
Functional currency translation reserve		64 096 897	-	11 619 648	-
Revaluation reserves		108 586 781	-	176 079 950	136 741
Retained earnings		323 030 939	258 875 925	329 505 569	47 377 400
Total equity		**665 157 736**	**416 462 973**	**536 473 453**	**64 121 413**
Redeemable ordinary shares	11	14 335 253	89 043 407	14 335 253	14 335 253
Subordinated term loan	12	28 360 340	9 352 327	28 360 340	1 505 647
Total shareholders' funds and shareholders' liabilities		**707 853 329**	**514 858 707**	**579 169 046**	**79 962 313**
LIABILITIES					
Deposits and other liabilities	13.1	1 268 146 016	2 779 432 563	1 268 146 016	447 105 283
Deferred tax liabilities		112 687 043	-	97 653 191	-
Current tax liabilities		624 937	-	624 937	-
Total shareholders' funds and liabilities		**2 089 311 325**	**3 294 291 270**	**1 945 593 190**	**527 067 596**
ASSETS					
Cash and cash equivalents	15	492 304 267	698 426 589	492 304 267	112 440 912
Current tax assets		-	1 775 387	-	285 822
Investment securities	14.1	107 166 155	728 294 724	107 166 155	117 249 434
Loans, advances and other assets	16	852 557 453	1 581 873 937	817 960 242	254 202 945
Non-current assets held for sale	17	-	223 614	-	36 000
Trade and other investments		1 612 131	698 799	1 612 131	112 501
Investment properties		229 867 982	130 134 664	229 867 982	20 950 606
Intangible assets	18	11 613 782	17 333 130	1 397 186	2 036 775
Property and equipment	19	394 189 555	128 300 867	295 285 227	17 844 069
Deferred tax assets		-	7 229 559	-	1 908 532
Total assets		**2 089 311 325**	**3 294 291 270**	**1 945 593 190**	**527 067 596**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Share Capital ZWL	Share Premium ZWL	Functional Currency Translation Reserve ZWL	Share Option Reserve ZWL	Revaluation Reserve ZWL	Retained Earnings ZWL	Total ZWL
Inflation Adjusted							
Balances at 1 January 2018	749 637	150 017 691	-	595 723	-	172 699 567	324 062 619
Profit for the year -	-	-	-	-		94 784 934	94 784 934
Share based payments – share options exercised	19 588	6 204 409	-	-	-	-	6 223 997
Dividends paid	-	-	-	-	-	(8 608 577)	(8 608 577)
Restated balances at 31 December 2018	**769 225**	**156 222 100**	**-**	**595 723**	**-**	**258 875 925**	**416 462 973**
Translation gain on change in functional currency, net of tax	-	-	64 096 897	-	-	-	64 096 897
Share issue – scrip dividend	27 653	11 828 418	-	-	-	-	11 856 071
Profit for the year	-	-	-	-	-	84 091 030	84 091 030
Revaluation of land and buildings, net of tax	-	-	-	-	108 586 781	-	108 586 781
Dividend paid	-	-	-	-	-	(19 936 016)	(19 936 016)
Balances at 31 December 2019	**796 878**	**168 050 518**	**64 096 897**	**595 723**	**108 586 781**	**323 030 939**	**665 157 736**
Historical Cost*							
Balances at 1 January 2018	78 751	15 759 282	62 563	-	90 310	27 542 109	43 533 015
Profit for the year	-	-	-	-	-	21 221 201	21 221 201
Revaluation of land and buildings, net of tax	-	-	-	-	46 431	-	46 431
Share based payments – share options exercised	2 224	704 452	-	-	-	-	706 676
Dividends paid	-	-	-	-	-	(1 385 910)	(1 385 910)
Balances at 31 December 2018	**80 975**	**16 463 734**	**62 563**	**-**	**136 741**	**47 377 400**	**64 121 413**
Share issue – scrip dividend	3 141	2 657 873	-	-	-	-	2 661 014
Profit for the year	-	-	-	-	-	285 900 539	285 900 539
Revaluation of land and buildings, net of tax	-	-	-	-	175 943 209	-	175 943 209
Translation gain on change in functional currency, net of tax	-	-	-	11 619 648	-	-	11 619 648
Dividend paid	-	-	-	-	-	(3 772 370)	(3 772 370)
Balances at 31 December 2019	**84 116**	**19 121 607**	**62 563**	**11 619 648**	**176 079 950**	**329 505 569**	**536 473 453**

*The historical cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 *"Financial Reporting in Hyperinflationary Economies"*. The auditors have not expressed an opinion on the historical cost information.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	Inflation Adjusted		Historical Cost*	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL Restated	31 Dec 2019 ZWL	31 Dec 2018 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	154 110 578	145 890 961	330 405 087	27 143 275
Non-cash items:				
- Depreciation(excluding right of use assets)	15 427 213	11 991 839	2 307 360	1 370 312
- Depreciation – Right of use assets	3 088 496	-	1 310 867	-
- Amortisation of intangible assets	6 356 249	7 882 765	733 909	879 376
- Impairment losses on financial assets measured at amortised costs	11 048 567	24 920 236	11 048 567	4 011 952
- Investment properties fair value gains	(93 624 006)	(19 523 429)	(194 387 322)	(2 551 436)
- Trade and other investments fair value (gains)/losses	(913 332)	316 323	(1 499 630)	(10 154)
- Profit on disposal of property and equipment	-	(139 122)	-	(22 396)
- Profit on disposal of investment properties	(584 149)	(4 395 908)	(584 149)	(567 032)
- Loss on disposal of quoted investments	-	132 802	-	15 074
- Interest capitalised on subordinated term loan	3 779 812	1 065 166	1 151 954	171 483
- Impairment reversal on land and building	-	-	(40 600)	(76 661)
- Unrealised foreign exchange (gain)/loss	(92 386 267)	128 510	(92 386 267)	20 689
Operating cash flows before changes in operating assets and liabilities	6 303 161	168 270 142	58 059 776	30 384 482
Changes in operating assets and liabilities				
(Decrease)/increase in deposits and other liabilities	(1 875 561 738)	582 831 246	545 540 200	90 105 608
Decrease/(increase) in loans, advances and other assets	939 229 952	(348 675 547)	(319 978 118)	(56 133 883)
Net cash (used)/ generated from operations	(886 621 269)	402 425 842	283 621 390	64 356 207
TAXATION				
Tax on dividends paid	(1 240 750)	(604 341)	(247 740)	(97 294)
Corporate tax paid	(14 520 794)	(27 881 907)	(9 079 118)	(4 488 757)
Net cash (outflow)/inflow from operations	(902 382 813)	373 939 541	274 294 532	59 770 156
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of intangible assets	(636 901)	(4 501 240)	(94 320)	(535 971)
Disposal/(acquisition) of investment securities	621 128 569	(155 312 347)	10 083 280	(25 004 005)
Proceeds on disposal of property and equipment	-	139 122	-	22 396
Acquisition of property and equipment	(35 323 914)	(58 952 339)	(24 308 497)	(9 490 840)
Proceeds on disposal of investment properties	5 888 719	29 826 660	5 888 719	4 801 846
Acquisition of investment properties	(1 939 045)	(37 784 075)	(351 515)	(6 082 924)
Proceeds on disposal of quoted investments	-	4 035	-	458
Net cash generated/(used) in investing activities	589 117 428	226 580 236	(8 782 333)	(36 289 040)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of interest on subordinated term loan	(803 062)	(507 728)	(180 450)	(81 740)
Repayment of lease liabilities	(4 186 976)	-	(1 276 043)	-
Cash dividend paid	(4 400 391)	(5 048 727)	(832 659)	(573 719)
Share issue costs – scrip dividend	(137 773)	(72 427)	(30 958)	(8 221)
Net cash outflow from financing activities	(9 528 202)	(5 628 882)	(2 320 110)	(663 680)
Net (decrease)/increase in cash and cash equivalents	(322 793 586)	141 730 476	263 192 089	22 817 436
Net foreign exchange and monetary adjustments on cash and cash equivalents	116 671 264	436 508	116 671 266	70 274
Cash and cash equivalents at beginning of the year	698 426 589	556 259 605	112 440 912	89 553 202
Cash and cash equivalents at the end of the year	492 304 267	698 426 589	492 304 267	112 440 912
Additional information on operational cashflows on interest				
Interest received	168 852 277	199 550 036	65 548 752	38 318 561
Interest paid (including interest on lease liability)	(48 055 909)	(63 651 654)	(15 089 895)	(7 548 415)

*The historical cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 *"Financial Reporting in Hyperinflationary Economies"*. The auditors have not expressed an opinion on the historical cost information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019

1. REPORTING ENTITY

The Holding Company is incorporated and domiciled in Zimbabwe and is an investment holding company. Its registered office address is 64 Kwame Nkrumah Avenue, Harare. Its principal operating subsidiary is engaged in commercial and retail banking. NMB Bank Limited is a registered commercial bank and was incorporated in Zimbabwe on 16 October 1992 and commenced trading on 1 June 1993. The Bank operated as an Accepting House until 6 December 1999 when the licence was converted to that of a Commercial Bank. The Bank is exposed to the following risks in its operations: liquidity risk, credit risk, market risk, operational risk, foreign currency exchange rate risk and interest rate risk.

2. ACCOUNTING CONVENTION

Statement of compliance

The condensed consolidated financial statements are prepared and presented on the basis that they reflect the information necessary to be a fair summary of the annual financial statements from which they are derived. This includes financial results that agree with or can be recalculated from the related information in the audited consolidated financial statements and that contain the information necessary so as not to be misleading in the circumstances. The information contained in these consolidated financial results does not contain all the disclosures required by International Financial Reporting Standards, the Companies Act (Chapter 24:03) of Zimbabwe and the Banking Act (Chapter 24:20) of Zimbabwe, which are disclosed in the full consolidated annual financial statements from which this set of condensed financial statements were derived. For a better understanding of the Group`s financial position, its financial performance and cash flows for the year, these condensed financial statements should be read in conjunction with the audited consolidated annual financial statements.

2.1 Basis of preparation

The condensed consolidated financial statements including comparatives, have been prepared under the inflation adjusted accounting basis to account for changes in the general purchasing power of the ZWL. The restatement is based on the Consumer Price Index at the statement of financial position date. The Public Accountants and Auditors Board (PAAB) issued a pronouncement on 11 October 2019 indicating the economy had become hyper-inflationary. The Directors have thus prepared the accompanying financial statements using the hyperinflationary statements using the hyper-inflationary accounting basis. The indices are derived from the monthly inflation rates which are issued by the Zimbabwe National Statistics Agency (ZIMSTAT). As a result of the change in the Group's functional currency on 22 February 2019, the CPI indices for the prior periods are in respect of the USD functional currency which was prevailing at the time. The indices used are shown below. These condensed consolidated financial statements are reported in Zimbabwean dollars and rounded to the nearest dollar.

Dates	Indices	Conversion factor
31 December 2017	61.13	9.0232
31 December 2018	88.81	6.2115
31 December 2019	551.63	1.0000

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

- All comparative figures as of and for the periods ended 31 December 2017, 31 December 2018 and 31 December 2019 have been restated by applying the change in the index from the date of last re-measurement to 31 December 2019;
- Income statement transactions have been restated by applying the change in the index from the approximate date of the transactions to 31 December 2019;
- Gains and losses arising from the monetary assets or liability positions have been included in the income statement;
- Non-monetary assets and liabilities have been restated by applying the change in the index from the date of the transaction to 31 December 2019;
- Property and equipment and accumulated depreciation have been restated by applying the change in the index from the earlier of February 2009 and date of their purchase or re-assessment to 31 December 2019;
- Equity has been restated by applying the change in index from the date of issue to 31 December 2019;

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

IAS 29 discourages the publication of historical results as a supplement to the inflation adjusted results. However, historical results have been published to allow comparability of the results during the transitional phase in applying the Standard.

2.2 Basis of consolidation

The Group financial results incorporate the financial results of the Company and its subsidiaries. Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until date when control ceases. The financial results of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses; profits and losses resulting from intra-group transactions that are recognised in assets and liabilities are eliminated in full. When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

2.3 Comparative financial information

The comparative information covers a period of twelve months.

2.4 Use of estimates and judgements

In preparation of the Group financial statements, Directors have made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2019 is included in the following notes:

2.4.1 Deferred tax

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

2.4.2 Valuation of properties

Significant judgements and estimates have been applied as detailed below for the valuation of Investment Properties and of

Land

and Buildings held under Property, Plant and Equipment:

Statutory Instrument 142 of 2019 introduced the Zimbabwe Dollar (ZWL) as the sole legal tender effective 24 June 2019. This appears to have been a follow up measure to the Monetary Policy Statement (MPS) of 22nd February 2019 which added the RTGS$ to the then basket of currencies. The MPS established an Inter-Bank Foreign Exchange market which continued to function up to the reporting year end date. These events have created complex valuation challenges for the short term.

Valuations rely on historical market evidence for calculation inputs. This includes transaction prices for comparable properties, rents and capitalisation rates. Such market evidence does not exist at present to calculate ZWL values. Therefore, valuers have adopted the approach for the meanwhile of converting USD valuation inputs at the Inter-Bank Foreign Exchange Auction Rate of the day to calculate ZWL property values.

This approach, however, presents a multitude of risks to the users of the valuation reports. These are detailed below:

Overstating the property values

The key inputs for the valuation of non-residential investment property are the rent income and the capitalisation rate. No trends for ZWL rents have yet been established neither is there easily verifiable market evidence of ZWL transactions to enable analysis of the yields. It is unlikely that ZWL rent movements will mirror the activity on the Inter-Bank Foreign Exchange market. In addition, the property market will price the risk associated with the ZWL which is not a fully convertible currency, and this will be reflected through the capitalisation rates.

Therefore, a direct conversion of USD valuation inputs likely results in overstated ZWL property values.

Property sub-sectors will respond differently to the new currency

To use a single conversion rate for different property sub-sectors does not recognise the fact that each will respond differently to the reintroduced ZWL. Non-residential property is likely to lag behind the economic cycle quite considerably. Whereas residential property which is more sentiment driven, is likely to respond positively quicker.

Ignoring market dynamics (supply and demand)

Applying a conversion rate to USD valuation inputs to calculate ZWL property values is not an accurate reflection of market dynamics. Risks associated with currency trading do not reflect the risks associated with property trading. The two markets perceive and price their respective risks quite differently.

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NOTES TO THE CONDENSED AUDITED FINANCIAL STATEMENTS
for the year ended 31 December 2019

2.4.2 Valuation of properties (continued)

Ignoring market dynamics (supply and demand) (continued)

It is, therefore, unlikely that property values will strictly track the movement in the Inter-Bank Foreign Exchange Rate.

2.4.3 Investment securities

The Group has Treasury Bills and Government Bonds for which there is currently no market information to facilitate the application of fair value principles in determining fair value disclosures. Directors have made a significant judgment in determining that the carrying amount approximates fair value. (refer to note 14.1).

2.4.4 Impairment losses on loans and advances

The Bank adopted IFRS 9 with effect from 1 January 2018.
The Bank recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are not measured at Fair Value through Profit or Loss (FVTPL):

- loans and advances to banks;
- loans and advances to customers;
- debt investment securities;
- lease receivables;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

With the exception of purchased or originated credit-impaired (POCI) financial assets (which are considered separately below), ECLs are measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

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

The impairment loss on loans and advances is disclosed in more detail under note 8 and note 16.3.

2.4.5 Non-current assets held for sale

Non-current assets were valued by an independent professional valuer. All non-current assets held for sale are measured at their fair values.
The determined fair value of non-current assets held for sale is most sensitive to significant unobservable inputs. In addition, the property market is currently not stable due to liquidity and other market constraints and hence comparable values are also not stable.

2.4.6 Determination of the functional currency

The Government of Zimbabwe adopted a multi-currency regime in 2009. The British Pound, Euro, United States Dollar (USD), South African Rand (ZAR) and Botswana Pula were adopted as the multi-currency basket in February 2009. In January 2014, the Reserve Bank of Zimbabwe (RBZ) issued a Monetary Policy Statement which added the Chinese Yuan, Australian Dollar, Indian Rupee, Japanese Yen into the basket of multi-currencies. At the onset, the USD and the ZAR were the commonly used currencies, with the USD eventually gaining prominence resulting in it being designated as the functional and presentation currency by the transacting public and the Monetary Authorities, including the Group.

Between 2014 and 2016, the Zimbabwean economy experienced a massive liquidity crisis which eventually prompted the Monetary Authorities to introduce the bond notes in November 2016 whilst encouraging the public to continue using the other currencies in the multi-currency basket. The bond notes were introduced at an official fixed exchange rate of 1:1 with the USD and the Monetary Authorities specifically directed financial institutions not to open separate vault and cash accounts for the USD and the bond notes. The introduction of the bond notes gave rise to a three (3) tier pricing system wherein sellers and service providers would quote three (3) separate prices (USD, bond notes and RTGS/electronic transfers) for their merchandise and services respectively. Significant discounts were being offered for USD payments whilst a premium would be added for prices quoted in bond notes or electronic settlement via the Real Time Gross Settlement System (RTGS). These developments triggered a debate around the functional currency of Zimbabwe. It should be noted that the Group never participated in the three tier pricing and none of its products had multiple prices during the same period.

In October 2018, the Monetary Authorities instructed financial institutions to separate bond notes and USD accounts and indicated that corporates and individuals could proceed to open Nostro Foreign Currency Accounts (FCA), for foreign currency holdings, which were now being exclusively distinguished from the existing RTGS based accounts. However, it should be noted that at the time of this policy pronouncement, the Monetary Authorities did not state that they had introduced a new currency for Zimbabwe, which actually meant that the USD remained as the currency of reference. By 31 December 2018, there had been no pronouncement by the Monetary Authorities to the effect that there had been a new currency introduced, which could be considered as the country's functional currency.

On 22 February 2019, the Reserve Bank of Zimbabwe (RBZ) issued an Exchange Control Directive, RU 28 of 2019 which established an interbank foreign exchange market to formalise the buying and selling of foreign currency through the Banks and Bureaux de change. In order to establish an exchange rate between the current monetary balances and foreign currency, the Monetary Authorities denominated the existing RTGS balances in circulation as RTGS Dollars. Initial trades on 22 February 2019 were at USD1: RTGS$2.5. On the same date, Statutory Instrument 33 of 2019 was also issued and it specified that for accounting and other purposes, all assets and liabilities that were in USD immediately before the 22nd of February 2019 were deemed to have been valued in RTGS Dollars at a rate of 1:1 with the USD.

On 24 June 2019, the Monetary Authorities announced that the multi-currency regime, which the country was operating in since February 2009 had been discontinued and the country had adopted a mono-currency regime meaning that the sole legal tender would be the Zimbabwe Dollar (ZWL). In light of the developments summarised above, the Directors concluded that the Group's functional currency changed from US$ to ZWL with effect from 22 February 2019.

The opening balances at 1 January 2019 are carried at USD/RTGS$1:1 in compliance with Statutory Instrument 33 (SI 33) of 2019. The Group used this fixed exchange rate at 1 January 2019 and thus did not comply with the requirements of International Accounting Standard 21 (IAS21), "The Effects of Changes in Foreign Exchange Rates", as doing so would have been in contravention of SI 33 of 2019. The financial statements were restated using the first available interbank mid-rate on 22 February 2019 of USD/RTGS$1:2.5, giving rise to the Functional Currency Translation Reserve of ZWL11 619 648. The International Financial Reporting Standards (IFRS) do not prescribe clear guidance on the treatment of the movements arising on the translation of foreign currencies on the date of change in functional currency. As such, the Directors had to apply their judgement on the treatment of these translation gains and losses in a manner that most faithfully represents the substance of the event and related transactions.

The Directors had to apply judgement in determining the rates at which the comparative information for the twelve months ended 31 December 2018 would be restated. The currency conversion challenge emanates from the existence of a 3-tier pricing structure during the comparative period depending on mode of settlement and the challenge was compounded by the fact that the official exchange rate between USD and the bond note/electronic balances was pegged at 1:1 and there was no orderly, functional market where foreign currency transactions were being conducted in order to establish credible foreign currency conversion rates. On that basis, the Directors have restated the comparative information at the official rate of USD/RTGS$(ZWL)1:1.

2.4.7 Lease arrangements

The Group adopted IFRS 16, Leases, on 1 January 2019. As permitted by the IFRS 16 transitional provisions, the Group elected not to restate comparative figures. The Directors exercised significant judgement on determining whether the various contractual relationships which the Group is party to, contain lease arrangements which fall into the scope of IFRS 16. Significant judgement was also exercised in determining whether the Group is reasonably certain that it will exercise extension options present in lease contracts as well as the determination of incremental borrowing rates applied in determining the lease liability.

2.5 Going concern

The Directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these condensed consolidated financial statements on a going concern basis is still appropriate.

3. ACCOUNTING POLICIES

The selected principal accounting policies applied in the preparation of these condensed consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

3.1 Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

NOTES TO THE CONDENSED AUDITED FINANCIAL STATEMENTS
for the year ended 31 December 2019

3.2 Investment properties

Investment properties are measured at fair value. Gains and losses arising from a change in fair value of investment properties are recognised in the statement of comprehensive income. The fair value is determined at the end of each reporting period, by a registered professional valuer.

3.3 Share based payments

The Group issues share options to certain employees in terms of the Employee Share Option Scheme. Share options are measured at fair value at the date of grant. The fair value determined at the date of grant of the options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured using the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and other behavioural considerations.

3.4 Property and equipment

The residual value and the useful life of property and equipment are reviewed at least each financial year-end. If the residual value of an asset increases by an amount equal to or greater than the asset's carrying amount, then the depreciation of the asset ceases. Depreciation will resume only when the residual value decreases to an amount below the asset's carrying amount.

3.5 Intangible assets

Intangible assets are initially recognised at cost. Subsequently, the assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

3.6 Taxation

Income tax
Income tax expenses comprise current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax
Current tax comprises expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using rates enacted or substantively enacted at the reporting date
in the country where the Bank operates and generates taxable income and any adjustment to tax payable in respect of previous years.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the distribution of dividends by the Group are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally recognised in profit or loss.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, and short term highly liquid investments with maturities of three months or less when purchased. Cash and cash equivalents are measured at amortised cost in the statement of financial position.

3.8 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

3.9 Interest income

For all financial instruments measured amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income includes income arising out of the banking activities of lending and investing.

3.10 Interest expense

Interest expense arises from deposit taking. The expense is recognised in profit or loss as it accrues, taking into account the effective interest cost of the liability.

3.11 Shareholders' funds and shareholders' liabilities

Shareholders' funds and shareholders' liabilities refer to the investment made by the shareholders in the Group and it consists of share capital, share premium, share options reserve, retained earnings, revaluation reserve, functional currency translation reserve, redeemable ordinary shares and subordinated term loans.

3.12 Changes in accounting policy

On 1 January 2019, the Group adopted IFRS 16, "Leases" as issued by the International Accounting Standards Board (IASB) in January 2016 with a date of transition of 1 January 2019, which resulted in changes in accounting policy and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 16, the Group elected not to restate comparative figures. The Group changed its accounting policy for leases where the Group is the lessee.

Prior to the change in accounting policy leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard. Upon adoption of IFRS 16, Leases, on 1 January 2019, the Group did not restate comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, Leases. On date of adoption, these liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 12.35%.

The Group has also elected not to reassess whether other contracts not previously classified as leases are, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made by applying IAS 17, Leases, and Interpretation 4, Determining whether an Arrangement contains a Lease.

Lease Accounting

Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a prospective basis. The right-of-use assets were measured at the amount equal to the lease liability at the date of initial adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

NOTES TO THE CONDENSED AUDITED FINANCIAL STATEMENTS
for the year ended 31 December 2019

3.12 Changes in accounting policy (continued)

Lease Accounting (continued)

Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:
- Right-of-Use assets – Increased by ZWL3 078 687.
- Lease liabilities – Increased by ZWL3 078 687.
- There was no impact on Retained earnings on 1 January 2019.

The impact of the first time adoption of IFRS 16 on 1 January 2019 is shown below:

	IAS 17	Change	IFRS 16
Statement of financial position (extract)	**ZWL**	**ZWL**	**ZWL**
Right-of-use assets	-	3 078 687	3 078 687
Total assets impact	-	3 078 687	3 078 687
Liabilities			
Lease liabilities	-	3 078 687	3 078 687
Total liabilities impact	-	3 078 687	3 087 687
Retained earnings	-	-	-

Reconciliation of IAS 17 Operating Lease commitments to IFRS 16 Lease liability

	ZWL
Lease commitments (up to 1 year at 31 December 2018	1 343 715
Add extension period lease costs	2 769 694
Total IAS 17 undiscounted lease commitments	4 113 409
Discounting Group's incremental borrowing rate	(1 034 722)
IFRS 16 Lease liability at 1 January 2019	3 078 687

The adoption of IFRS 16 has resulted in changes in the Group's accounting policies for recognition, classification and measurement of lease arrangements in which the Group is a party. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In circumstances where the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Group revalues its land and buildings that are presented within property and equipment and it has elected not to do so for the right-of-use buildings held by the Group.

Lessor accounting

The Group did not need to make any adjustments to the accounting for lease contracts in which the Group is the lessor under operating leases as a result of the adoption of IFRS 16.

3.13 FINANCIAL INSTRUMENTS

Measurement methods

Amortised cost and effective interest rates

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, an adjustment for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition - the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest Income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

a) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss; transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial asset or financial liability respectively, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

3.13.1 Financial Assets

(i) Classification and subsequent measurement

The Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

3.13.1 Financial Assets (continued)

Debt instruments (continued)

- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in interest and similar income using the effective interest rate method

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principle and interest and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other Income". Interest income from these financial assets is included in 'Interest Income' using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net Trading Income" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Other Income'. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

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 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.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

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

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Other Income' line in the statement of profit or loss.

(ii) Impairment

The Bank recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are not measured at Fair Value through Profit or Loss (FVTPL):

- cash and cash equivalents;
- loans and advances to customers;
- investment securities;
- lease receivables;
- facilities approved but not drawn down; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments.
With the exception of POCI financial assets (which are considered separately below), ECLs are measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

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

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3.13.1 Financial Assets (continued)

(ii) Impairment (continued)

Expected Credit Losses

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Purchased or originated credit-impaired (POCI) financial assets

For POCI the Bank only recognises the cumulative changes in lifetime expected credit losses since initial recognition. At each reporting date, the Bank recognises in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Bank recognises favourable changes in lifetime expected credit losses as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

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

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

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. The Bank keeps track of the changes in the loss allowance for financial assets separately from those for loan commitments and financial guarantee contracts. However, if a financial instrument includes both a loan (i.e. financial asset) and an undrawn commitment (i.e. loan commitment) component and the Bank does not separately identify the expected credit losses on the loan commitment component from those on the financial asset component, the expected credit losses on the loan commitment is recognised together with the loss allowance for the financial asset. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses is recognised as a provision.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Bank or;
- The borrower is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Significant increase in credit risk

The Bank monitors all financial assets, undrawn loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Bank monitors all financial assets, undrawn loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that
is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's lenders operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For the retail portfolio, forward looking information includes the same economic forecasts as the corporate portfolio with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour. The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Bank still considers separately additional qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on the Bank's 'watch list' and for the retail portfolio the Bank considers the expectation of forbearance and payment holidays, credit scores and any other changes in the borrower's circumstances which are likely to adversely affect one's ability to meet contractual obligations.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

The Bank assumes that when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

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3.13.1 Financial Assets (continued)

(iii) 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.

3.13.2 Financial Liabilities

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates the 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 derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, 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).

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either

- the Bank transfers substantially all the risks and rewards of ownership, or
- the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

3.13.3 Financial guarantee contracts and loan commitments

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks.

i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts are contracts that require 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. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

3.13.4 Critical accounting estimates and judgements

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Bank are measured as the amount of the loss allowance. The Bank has not provided any commitment to provide loans at below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

Note 2.4 (Use of estimates and judgements) provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

3.13.5 Measurement of the expected credit loss allowance

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). 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;
- 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.

The Bank evaluates ECLs for 7 portfolios of audited corporates with overdraft limits, audited corporates without overdraft limits, unaudited corporates with overdraft limits, unaudited corporates without overdraft limits, SMEs with limits, SMEs without limits and Retail loans.

The guiding principle of the Expected Credit Loss evaluation is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments and allocate commensurate loss provisions. Under the general approach, there are two measurement bases:

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3.13.5 Measurement of the expected credit loss allowance (continued)

- 12-month ECLs (Stage 1 ECLs) that is evaluated for all financial instruments with no significant deterioration in credit quality since initial recognition.
- Lifetime ECLs (Stages 2 and 3 ECLs) that is evaluated for financial instruments for which significant increase in credit risk or default has occurred on an individual or collective basis.

Probability of Default (PD)

The Bank defines Probability of Default as the likelihood that a borrower will fail to meet their contractual obligations in the future. The Bank's PD models have been built using historical credit default experience, present credit information as well as forward looking factors which affect the capacity of borrowers to meet their contractual obligations. The Bank used the logistic regression approach to construct PD models for Corporate, SME, Retail and Treasury Bills portfolios while the Merton model was adopted for Interbank Placements. The PD models are used at entity level to evaluate 12-month PDs for Day 1 losses and for financial instruments with no significant deterioration in credit risk since initial recognition, whilst lifetime PD is used for financial instruments for which significant increase in credit risk or default has occurred. 12 - month PDs are derived using borrower present risk characteristics while lifetime PDs are derived using a combination of 12-month PDs, present borrower behaviour and forward looking macroeconomic factors.

Exposure at Default (EAD)

The Bank defines Exposure at Default as an estimation of the extent to which the Bank will be exposed to a counterparty in the event of a default. The Bank's EAD models have been built using historical experience of debt instruments that defaulted. The Bank used the linear regression approach to construct EAD models for Corporate, SME and Retail portfolios. For TBs and Interbank Placements, the Bank took a conservative approach of considering the full outstanding balance as the EAD at any given point in the lifetime of an instrument. The Bank's EAD models that use Credit Conversion Factors (CCFs) are applied on fully drawn down instruments while models that use Loan Equivalents (LEQs) are applied on partly drawn instruments. The EAD models are used at entity level to evaluate the proportion of the exposure that will be outstanding at the point of default.

Loss Given Default (LGD)

The Bank defines Loss Given Default as an estimate of the ultimate credit loss in the event of a default. The Bank's LGD models were built using historical experience of defaulted debt instruments and observed recoveries. The Bank used the linear regression approach to construct LGD models for Corporate, SME and Retail portfolios. For Treasury Bills and Interbank Placements, the Bank took a conservative approach of taking a fixed 100% as the LGD at any given point in the lifetime of an instrument. The LGD models are used at portfolio level to evaluate 12-month LGDs for financial instruments with no significant increase in credit risk since initial recognition and lifetime is applied LGDs for financial instruments for which significant increase in credit risk has occurred. 12-month LGDs were derived as historical loss rates while lifetime LGDs were derived using a combination of 12-month LGDs and forward looking macroeconomic factors such as GDP and Inflation.

The Bank's ECL model combines the output of the PD, EAD and LGD and computes an Expected Credit Loss that takes into account time value of money using the Effective Interest Rates (EIR) and time to maturity of the debt instruments. The final ECL is a probability-weighted amount that is determined by evaluating three (3) possible outcomes of Best Case ECL, Baseline Case ECL, and Worst Case ECL. The Bank has modelled these three cases in such a way that the Best Case represents a scenario of lower than market average default rates, the Base Case represents scenarios of comparable market average default rates and the Worst Case represent scenarios of higher than market average default rates.

3.13.6 Regulatory guidelines and International Financial Reporting Standards requirements in respect of the Bank's activities

Renegotiated loans and advances
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been re-negotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continuously renews re-negotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans original EIR.

Collateral valuation
The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

Collateral repossessed
The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

4. INTEREST INCOME

	Inflation adjusted		Historical cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Loans and advances to banks	4 277 927	6 893 435	2 368 733	793 220
Loans and advances to customers	143 515 089	234 835 190	58 942 089	28 570 221
Investment securities	32 419 428	81 602 183	9 246 368	9 969 737
	180 212 444	323 330 808	70 557 190	39 333 178

5. NON INTEREST INCOME

5.1 FEE AND COMMISSION INCOME

	Inflation adjusted		Historical cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Retail banking customer fees	56 804 021	89 572 472	24 101 648	11 107 290
Corporate banking credit related fees	15 823 020	22 757 379	10 259 457	2 621 449
Financial guarantee fees	498 673	1 880 927	212 188	148 518
International banking commissions	6 544 147	4 037 381	3 070 999	491 279
Digital banking fees	103 533 777	115 031 934	49 598 011	14 170 840
	183 203 638	233 280 093	87 242 303	28 539 376

5.2 OTHER INCOME

	Inflation adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Trade and other investments fair value adjustments	913 332	(316 323)	1 499 630	10 154
Loss of disposal of quoted investments	-	(132 802)	-	(15 074)
Fair value gains on investment properties	93 624 006	19 523 429	194 387 322	2 551 436
Profit on disposal of investment properties	584 149	4 395 908	584 149	567 032
Profit on disposal of property and equipment	-	139 122	-	22 396
Rental income	1 280 872	3 012 142	391 885	365 269
Bad debts recovered	14 744 269	10 622 718	9 519 359	1 295 428
		--		
Other net operating income	1 459 818	1 805 406	240 294	171 806
	112 606 446	39 049 600	206 622 639	4 968 447

6. OPERATING EXPENDITURE

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
The operating profit is after recognising the following:				
Administration costs**	116 149 272	130 979 605	55 318 360	15 963 308
Audit fees:				
- Current year	1 580 232	755 184	993 686	98 991
- Prior year	318 198	849 895	200 090	111 406
Impairment reversal on land and buildings*	-	-	(40 600)	(76 661)
Depreciation – (excluding right of use assets)	15 427 213	11 991 839	2 307 360	1 370 312
Amortisation of intangible assets	6 356 249	7 882 765	733 909	879 376
Depreciation –right of use assets	3 088 496	-	1 310 867	-
Directors' remuneration	6 154 500	8 147 609	2 531 536	971 121
- Fees	1 585 033	1 838 595	644 487	219 246
- Expenses	127 149	149 410	80 767	17 364
- Services rendered	4 442 318	6 159 604	1 806 282	734 511
Staff costs - salaries, allowances and related costs	91 465 668	128 926 698	42 582 294	15 402 575
	240 539 828	289 533 595	105 937 502	34 720 428

*The impairment reversal on land and building arose due to fair value changes in the Group's land and buildings measured using the revaluation model.

**Included in administration costs are lease finance costs amounting to ZWL2 577 313 in respect of property leases which the Group uses for the purposes of carrying out its trade.

7. TAXATION

	Inflation Adjusted		Historical Cost	
	31 December	31 December	31 December	31 December
Current tax	9 989 877	27 541 426	9 989 877	4 433 942
Deferred tax	60 029 671	23 564 601	34 514 671	1 488 132
	70 019 548	51 106 027	44 504 548	5 922 074

8. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

Impairment losses are calculated by estimating the expected credit losses for all financial assets (including loan commitments and guarantees) measured at amortised cost or fair value through OCI (FVOCI). ECLs arising from financial assets measured at armotised cost and at FVOCI are recognized in profit or loss. However, the loss allowance in respect of assets measured at FVOCI shall not reduce the carrying amount of the financial asset in the Statement of Financial Position but will be accumulated in a reserve through OCI. The aggregate impairment losses which are made during the year are dealt with as per paragraph 8.3.

8.1 Lifetime expected credit losses

Lifetime ECLs are recognized where the Bank's counterparty to a financial asset has been classified as default as defined in the Bank's accounting and credit policies. Financial assets are written off against lifetime ECL provisions once the probability of recovering any significant amounts becomes remote.

8.2 Twelve month expected credit losses

The 12-Month ECL relates to the day 1 impairment provisions on financial assets as well as financial assets which are considered not to have had a significant increase in credit risk as defined in the Bank's accounting and credit policies.

8.3 Regulatory guidelines and International Financial Reporting Standards requirements

The Banking Regulations 2000 gives guidance on provisioning for doubtful debts and stipulates certain minimum percentages to be applied to the respective categories of the loan book.

IFRS 9, Financial Instruments IFRS 9, prescribes the provisioning for impairment losses based on the expected credit losses from the expected cash flows from financial assets held by the bank, including guarantees and loan commitments.

The two prescriptions are likely to give different results. The Group has taken the view that where the IFRS 9 charge is less than the amount provided for in the Banking Regulations, the difference is recognised directly in equity as a transfer from retained earnings to a regulatory reserve and where it is more, the full amount will be charged to the profit or loss.

8.4 Suspended interest

Interest on loans and advances is accrued to income until such time as reasonable doubt exists about its collectability, thereafter and until all or part of the loan is written off, interest continues to accrue on customers' accounts, but is not included in income. Such suspended interest is deducted from loans and advances in the statement of financial position. This policy meets the requirements of the Banking Regulations 2000 issued by the RBZ. Impairment losses are applied to write off loans and advances in part or in whole when they are considered partly or wholly irrecoverable. The aggregate impairment losses which are made during the year are dealt with as per paragraph 8.3.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of NMBZ Holdings Limited by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of NMBZ Holdings Limited adjusted for the after tax effect of: (a) any dividends or other items related to dilutive potential ordinary shares deducted in arriving at profit or loss attributable to ordinary equity holders of the parent entity; (b) any interest recognised in the period related to dilutive potential ordinary shares; (c) any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares; by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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9. EARNINGS PER SHARE (continued)

9.1 Earnings

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Profit for the year	84 091 030	94 784 934	285 900 539	21 221 201
Headline earnings for the period	(74 560 459)	73 333 507	31 088 574	18 382 583

9.2 Number of shares

	Inflation adjusted		Historical Cost	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
9.2.1 Basic earnings per share				
Weighted average number of ordinary shares for basic and headline earnings per share	399 498 150	390 959 988	399 498 150	390 959 988
9.2.2 Diluted earnings per share				
Number of shares at beginning of period	392 955 196	384 974 542	392 955 196	384 974 542
Effect of dilution:				
Share options exercised	-	-	-	-
Weighted average number of shares issued – scrip dividend	6 542 954	5 985 446	6 542 954	5 985 446
	404 171 689	390 959 988	404 171 689	390 959 988
Share options approved but not granted	23 942 639	23 942 639	23 942 639	23 942 639
	423 440 789	414 902 627	423 440 789	414 902 627

	Inflation Adjusted		Historical Cost	
	ZWL	ZWL Restated	ZWL	ZWL
9.2.3 Headline (Losses)/earnings				
Profit for the year	84 091 030	94 784 934	285 900 539	21 221 201
Add/(deduct) non-recurring items				
Loss on disposal of quoted investments	-	132 802	-	15 074
Trade investments fair value gains	(913 332)	316 323	(1 499 630)	(10 154)
Profit on disposal of property and equipment	-	(139 122)	-	(22 396)
Profit on disposal of investment properties	(584 149)	(4 395 908)	(584 149)	(567 032)
Unrealised foreign exchange revaluation gains	(92 386 267)	128 510	(92 386 267)	20 689
Fair value gains on investment properties	(93 624 006)	(19 523 429)	(194 387 322)	(2 551 436)
Tax effect thereon	28 856 265	2 029 397	34 045 403	276 637
Headline (Losses)/ earnings	(74 560 459)	73 333 507	31 088 574	18 382 583

This is calculated in accordance with the Statement of Investment Practice No. 1 issued by the former Institute of Investment Management and Research (now the Chartered Financial Analysts (CFA) Society of the UK).

9.3 Earnings/(losses) per share (ZWL cents)

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Basic	21.05	24.24	71.56	5.43
Diluted	19.86	22.85	67.52	5.11
Headline	(18.66)	18.76	7.78	4.70

10. SHARE CAPITAL

10.1

	31 December 2019 Shares million	31 December 2018 Shares million	31 December 2019 ZWL	31 December 2018 ZWL
Authorised				
Ordinary shares of ZWL0.00028 each	600	600	168 000	168 000

10.2 Issued and fully paid

	Inflation adjusted			
	31 December 2019 Shares million	31 December 2018 Shares million	31 December 2019 ZWL	31 December 2018 ZWL Restated
10.2.1 Ordinary shares				
Ordinary shares	404	393	796 878	769 225

	Historical Cost			
	31 December 2019 Shares million	31 December 2018 Shares million	31 December 2019 ZWL	31 December 2018 ZWL
Ordinary shares	404	393	84 116	80 975

	Inflation Adjusted			
	31 December 2019 Shares million	31 December 2018 Shares million	31 December 2019 ZWL	31 December 2018 ZWL Restated
10.2.2 Redeemable ordinary shares				
Redeemable ordinary shares	104	104	29 040	180 382

	Historical Cost			
	31 December 2019 Shares million	31 December 2018 Shares million	31 December 2019 ZWL	31 December 2018 ZWL
Redeemable ordinary shares	104	104	29 040	180 382

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10. SHARE CAPITAL (continued)

A total of 11 216 493 ordinary shares were issued to existing shareholders in June 2019 as a scrip dividend.

Of the unissued ordinary shares of 196 million shares (2018 - 207 million), options which may be granted in terms of the 2012 ESOS amount to 23 942 639 (2018 – 23 942 639). No share options were exercised from the Scheme as at 31 December 2019. The share option scheme expires in 2022.

Subject to the provisions of section 183 of the Companies Act (Chapter 24:03) of Zimbabwe, the unissued shares are under the control of the directors.

11. REDEEMABLE ORDINARY SHARES

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Nominal value (note 10.2.2)	29 040	180 382	29 040	29 040
Share premium	14 306 213	88 863 025	14 306 213	14 306 213
	14 335 253	89 043 407	14 335 253	14 335 253

On 30 June 2013, the Group received USD14 831 145 capital from Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO), Norwegian Investment Fund for Developing Countries (Norfund) and AfricInvest Financial Sector Holdings (AfricInvest) who were allocated 34 571 429 shares each (total 103 714 287) for individually investing USD4 943 715. This amount, net of share issue expenses, was used to recapitalise the Bank in order to contribute towards the minimum capital requirements previously set by the Reserve Bank of Zimbabwe of ZWL200 million by 31 December 2020. FMO and Norfund came together with Rabobank to form ARISE which is a development finance institution primarily focusing on investing in African financial institutions to support and enhance financial service delivery in Africa.

NMBZ Holdings Limited (NMBZ) entered into a share buy-back agreement with Norfund, FMO and AfricInvest, where these three strategic investors have a right at their own discretion at any time after the 5th anniversary (30 June 2018) but before the 9th anniversary (30 June 2022) of its first subscription date, to request NMBZ to buy back all or part of its NMBZ shares at a price to be determined using the agreed terms as entailed in the share buy-back agreement. It is a condition precedent that at any point when the share buy-back is being considered, the proceeds used to finance the buy-back should come from the distributable reserves which are over and above the minimum regulatory capital requirements. Further, no buy-back option can be exercised by any investor after the 9th anniversary (30 June 2022) of the effective date.

The share buy-back agreement creates a potential obligation for NMBZ Holdings Limited to purchase its own instruments. The shares issued gave rise to a potential financial liability and are classified as redeemable ordinary shares.

12. SUBORDINATED TERM LOAN

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
At 1 January	9 352 328	12 776 031	1 505 647	1 415 904
Monetary adjustment	(9 851 926)	(3 981 143)	-	-
Exchange revaluation	25 883 189	-	25 883 189	-
Interest capitalised	3 779 812	1 065 167	1 151 954	171 483
Interest paid	(803 062)	(507 728)	(180 450)	(81 740)
	28 360 340	9 352 327	28 360 340	1 505 647

In 2013, the Group received a subordinated term loan amounting to USD1.4 million from a Development Financial Institution which attracts an interest rate of LIBOR plus 10% and has a seven year maturity date (13 June 2020) from the first disbursement date.

The above liability would, in the event of the winding up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer. The Group defaulted on a principal repayments with respect to this subordinated loan during the year ended 31 December 2019 as a result of the prevailing nostro funding challenges affecting the economy. However, there were no defaults on interest payments. There were no breaches to the financial covenants between the Group and the Development Financial Institution at the reporting date of 31 December 2019.

On 22 February 2019, the Reserve Bank of Zimbabwe (RBZ) issued an Exchange Control directive, RU 28 of 2019 which established an interbank foreign exchange market to formalise the buying and selling of foreign currency through the Banks and Bureaux de change. In order to establish an exchange rate between the current monetary balances and foreign currency, the Monetary Authorities denominated the existing RTGS balances in circulation, as RTGS dollars. The RBZ pegged the initial trades at US$/RTGS$1:2.5. In order to manage the transition, the RBZ also advised on the same date that all foreign liabilities or legacy debts due to suppliers and service providers, declared dividends e.t.c would be treated separately after registering such debts with the RBZ Exchange Control Department for an orderly expunging of the these debts.

Consequently, the Group registered its legacy debts, which included the subordinated term loan and offshore lines of credit and transferred the ZWL equivalent of these debts at a rate of US$/ZWL1:1 to the RBZ in terms of the RBZ directive. As such, in terms of SI 33 of 2019 and the RBZ directive. These legacy debts and the related amounts transferred to the RBZ in terms of the RBZ directive on the legacy debts, have been translated using the interbank rate at reporting date. Subsequent to year end, the RBZ approved the legacy debt in respect of the subordinated term loan.

13. DEPOSITS AND OTHER LIABILITIES

13.1 Deposits and other liabilities

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Deposits from banks and other financial institutions**	309 012 254	460 337 446	309 012 254	74 110 527
Current and deposit accounts from customers*	882 067 591	2 241 403 330	882 067 591	360 847 422
Total deposits	1 191 079 845	2 701 740 776	1 191 079 845	434 957 949
Trade and other payables*	77 066 171	77 691 787	77 066 171	12 147 334
	1 268 146 016	2 779 432 563	1 268 146 016	447 105 283

* The carrying amounts of current and deposit accounts and trade and other payables approximate the related fair values due to their short term nature.

Included in trade and other payables are lease liabilities in respect of leased properties in which the Group is a lessee. Also included in trade and other payables are ECL provisions in respect of guarantees and facilities approved but not drawn down.

** Included in deposits from banks and other financial institutions are loan balances of ZWL145 815 913, ZWL73 709 541 and ZWL20 128 080 due to Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden (FMO), Swedfund and Afreximbank. The carrying amounts of deposits from other banks and other financial institutions approximate the related fair values. All the loan balances except for Afreximbank are part of the Group's legacy debts which were registered with the Reserve Bank of Zimbabwe (RBZ) for an orderly expunging of the debts. During the period under review, the Group transferred the ZWL equivalent of the legacy debts at a rate of US$/ZWL1:1 to the RBZ as per requirement of the Exchange Control directive RU 28 of 2019. There were no breaches to the financial covenants. However, the Group defaulted on the principal repayments repayments on the FMO and Swedfund facilities during the period under review due to the nostro-funding challenges that were prevailing in the economy and subsequent to period end, the above mentioned lines of credit balances have since been transferred to the RBZ for an orderly expunging of the debts. The Bank has been communicating with the lenders regarding these developments.

The line of credit balances have been translated at 31 December 2019 at the closing rate of USD/ZWL1:16.77. Consequently, the amount transferred to the RBZ for the settlement of these debts has been translated at the same closing rate as it represents the Bank's right to the settlement of the related lines of credit. Subsequent to year end, the RBZ approved the legacy debt in respect of the FMO and Swedfund lines of credit.

NMBZ HOLDINGS LIMITED

Holding Company of **NMB BANK LIMITED**
(Registered Commercial Bank)

Dually listed on the London Stock Exchange (LSE) and Zimbabwe Stock Exchange (ZSE)

A Member of the Deposit Protection Scheme

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13. DEPOSITS AND OTHER LIABILITIES (continued)

13.2 Maturity analysis

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Less than 1 month	1 044 719 581	2 323 856 969	1 044 719 581	374 121 777
1 to 3 months	50 530 229	160 474 300	50 530 229	25 835 037
3 to 6 months	33 694 415	46 681 277	33 694 415	7 515 300
6 months to 1 year	43 929 895	73 178 050	43 929 895	11 781 062
1 to 5 years	18 013 895	96 358 627	18 013 895	15 512 943
Over 5 years	191 830	1 191 553	191 830	191 830
	1 191 079 845	2 701 740 776	1 191 079 845	434 957 949

13.3 Sectoral analysis of deposits

	Inflation Adjusted			
	31 December 2019 ZWL	%	31 December 2018 ZWL Restated	%
Agriculture	25 380 717	2	68 358 319	2
Banks and other financial institutions	309 012 254	26	460 337 446	17
Distribution	119 294 305	10	261 075 456	10
Individuals	103 037 176	9	172 324 302	6
Manufacturing	164 249 753	14	433 554 818	16
Mining companies	20 256 979	2	56 385 095	2
Municipalities and parastatals	57 993 887	4	179 797 201	7
Other deposits	115 811 950	10	371 331 382	14
Services	216 039 339	18	608 900 962	23
Transport and telecommunications	60 003 485	5	89 675 795	3
	1 191 079 845	100	2 701 740 776	100

	Historical Cost			
	31 December 2019 ZWL	%	31 December 2018 ZWL	%
Agriculture	25 380 717	2	11 005 126	2
Banks and other financial institutions	309 012 254	26	74 110 527	17
Distribution	119 294 305	10	42 030 992	10
Individuals	103 037 176	9	27 742 789	6
Manufacturing	164 249 753	14	69 798 745	16
Mining companies	20 256 979	2	9 077 534	2
Municipalities and parastatals	57 993 887	5	28 945 864	7
Other deposits	115 811 950	10	59 781 285	14
Services	216 039 339	18	98 028 025	23
Transport and telecommunications	60 003 485	5	14 437 062	3
	1 191 079 845	100	434 957 949	100

14. FINANCIAL INSTRUMENTS

14.1 Investment securities

	Note	Inflation Adjusted		Historical Cost	
		31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019	31 December 2018
Amortised cost – Gross		107 568 657	731 055 055	107 568 657	117 693 824
Impairment allowance	16.3	(402 502)	(2 760 331)	(402 502)	(444 390)
- ECL at 1 January 2018		(2 760 331)	(3 375 428)	(444 390)	(374 082)
- Monetary adjustment		2 399 717	615 097	-	-
- ECL charged through profit and loss		(41 888)	(436 718)	41 888	(70 308)
		107 166 155	728 294 724	107 166 155	117 249 434

The Group holds treasury bills and government bonds amounting to ZWL107 568 657 with interest rates ranging from 2% to 15%. The Treasury Bills are measured at amortised cost in line with the Bank's business model to collect contractual cashflows and the contractual terms are such that the financial assets give rise to cashflows that are solely payments of principal and interest. Of the total Treasury Bills balance of ZWL107 568 657, a total of ZWL83 102 011 had been pledged as security against interbank borrowings.

14.2 Maturity analysis of investment securities – amortised cost

	Inflation adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL	31 December 2019 ZWL Restated	31 December 2018 ZWL
Less than 1 month	2 500 000	-	2 500 000	-
1 to 3 months	6 390 075	883 566	6 390 075	142 245
3 to 6 months	19 000 000	38 101 190	19 000 000	6 133 977
6 months to 1 year	54 787 417	267 119 415	54 787 417	43 004 020
1 to 5 years	13 508 934	354 250 171	13 508 934	57 031 351
Over 5 years	11 382 231	70 700 713	11 382 231	11 382 231
	107 568 657	731 055 055	107 568 657	117 693 824
Expected Credit loss allowance	(402 502)	(2 760 331)	(402 502)	(444 390)
	107 166 155	728 294 724	107 166 155	117 249 434

14.5 Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes

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14. FINANCIAL INSTRUMENTS (continued)

14.5 Fair values of financial instruments (continued)

Valuation models (continued)

inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

14.5.1 Financial instruments measured at fair value - fair value hierarchy

Inflation Adjusted

	31 Dec 2019 ZWL	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Trade investments	1 612 131	-	-	1 612 131
	1 612 131	-	-	1 612 131

	31 Dec 2018 ZWL Restated	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Trade investments	698 799	-	-	698 799
	698 799	-	-	698 799

Historical Cost

	31 Dec 2019 ZWL	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Trade investments	1 612 131	-	-	1 612 131
	1 612 131	-	-	1 612 131

	31 Dec 2018 ZWL	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL
Trade investments	112 501	-	-	112 501
	112 501	-	-	112 501

During the reporting periods ended 31 December 2019 and 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements

Level 3 fair value measurements

Reconciliation – Trade and other investments

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Balance at 1 January	698 799	1 015 122	112 501	102 347
Gain recognised in profit or loss	913 332	(316 323)	1 499 630	10 154
	1 612 131	698 799	1 612 131	112 501

14.5.2 Financial instruments not measured at fair value

Below is a list of the Group's financial investments not measured at fair value, but whose carrying amounts approximate fair value.

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Assets				
Cash and cash equivalents	492 304 267	698 426 589	492 304 267	112 440 912
Loans, advances and other accounts	852 557 453	1 581 873 937	817 960 242	254 202 945
Investment securities	107 166 155	728 294 724	107 166 155	117 249 434
Total	1 452 027 875	3 008 595 250	1 417 430 664	483 893 291
Liabilities				
Deposits and other liabilities	1 268 146 016	2 779 432 563	1 268 146 016	447 105 283
	1 268 146 016	2 779 432 563	1 268 146 016	447 105 283

15. CASH AND CASH EQUIVALENTS

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Balances with the Central Bank	267 032 753	553 329 510	267 032 753	89 081 480
Current, nostro accounts* and cash	160 209 897	83 397 817	160 209 897	13 426 360
Interbank placements (see below)	65 000 000	62 114 988	65 000 000	10 000 000
Expected Credit loss allowance (see below)	(438 383)	(415 726)	(438 383)	(66 928)
	492 304 267	698 426 589	492 304 267	112 440 912

	Note	Inflation Adjusted		Historical Cost	
		31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Interbank placements		65 500 000	62 114 988	65 500 000	10 000 000
Expected Credit Loss allowance – Stage 1	16.3	(438 383)	(415 726)	(438 383)	(66 928)
- ECL charged at 1 January 2018		(415 726)	(241 552)	(66 928)	(26 770)
- Monetary adjustment		348 796	75 267	-	-
- ECL charged through profit or loss		(371 455)	(249 441)	(371 455)	(40 158)
		65 061 617	61 669 262	65 061 617	9 933 072

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15. CASH AND CASH EQUIVALENTS (continued)

*Nostro accounts are foreign domiciled bank accounts operated by the Bank for the facilitation of offshore transactions on behalf of clients.

Balances with the Central Bank, other banks and cash are used to facilitate customer and the Bank's transactions which include payments and cash withdrawals.

16. TOTAL LOANS, ADVANCES AND OTHER ASSETS

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Fixed term loans – Corporate	264 688 911	360 494 147	264 688 911	58 036 580
Fixed term loans – Retail	94 772 446	481 889 884	94 772 446	77 580 291
Mortgages	58 587 891	381 324 576	58 587 891	61 390 107
Overdrafts	97 600 960	316 455 428	97 600 959	50 946 710
	515 650 207	1 540 164 035	515 650 207	247 953 688
Other assets	336 907 246	41 709 902	302 310 035	6 249 257
	852 557 453	1 581 873 937	817 960 242	254 202 945

16.1 Maturity analysis

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Less than 1 month	138 436 142	418 736 981	138 436 142	67 413 196
1 to 3 months	64 154 025	119 655 513	64 154 025	19 263 549
3 to 6 months	21 639 536	42 415 802	21 639 536	6 828 594
6 months to 1 year	105 500 893	154 585 667	105 500 893	24 887 015
1 to 5 years	153 679 923	585 389 675	153 679 923	94 242 902
Over 5 years	49 699 770	308 710 062	49 699 770	49 699 770
Total advances	533 110 289	1 629 493 700	533 110 289	262 335 026
Allowances for impairment losses on loans and advance	(17 115 341)	(82 617 211)	(17 115 341)	(13 300 688)
IAS 39 impairment loss allowance at 1 January	-	(49 140 224)	-	(5 445 968)
ECL recognized through retained earnings	(82 617 210)	(73 766 120)	(13 300 688)	(8 175 135)
Monetary adjustment	69 316 522	38 298 875	-	-
ECL charge through profit or loss	(4 929 615)	(24 234 082)	(4 929 615)	(3 901 487)
Bad debts written off	1 114 962	26 224 339	1 114 962	4 221 902
Suspended interest on credit impaired financial assets	(344 741)	(6 712 454)	(344 741)	(1 080 650)
	515 650 207	1 540 164 035	515 650 207	247 953 688
Other assets	336 907 246	41 709 902	302 310 035	6 249 257
	852 557 453	1 581 873 937	817 960 242	254 202 945

The Bank is continuing recovery efforts in respect of loans written off amounting to ZWL1 114 962.

16.2 Sectoral analysis of utilisations

	Inflation Adjusted				Historical Cost			
	31 December 2019 ZWL	%	31 December 2018 ZWL Restated	%	31 December 2019 ZWL	%	31 December 2018 ZWL	%
Agriculture and horticulture	96 767 992	18	232 228 415	14	96 767 992	18	37 386 857	14
Conglomerates	2 397 398	-	66 415 845	4	2 397 398	-	10 692 402	4
Distribution	87 785 991	16	179 525 412	11	87 785 991	16	28 902 108	11
Food & beverages	29 457 868	6	39 162 651	3	29 457 868	6	6 304 863	3
Individuals	126 212 109	24	624 331 973	38	126 212 109	24	100 512 291	38
Manufacturing	60 715 905	11	54 233 187	3	60 715 905	11	8 731 095	3
Mining	1 157 120	-	4 368 507	-	1 157 120	-	703 294	-
Services	128 615 906	24	429 227 710	27	128 615 906	24	69 102 116	27
	533 110 289	100	1 629 493 700	100	533 110 289	100	262 335 026	100

The material concentration of loans and advances is with individuals at 24% (2018 - 38%) and services sector at 24% (2018 - 27%).

16.3 Impairment analysis of financial assets measured at amortised cost

	Inflation Adjusted			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2019	2 312 305 213	156 020 016	120 997 202	2 589 322 431
Monetary adjustment	(1 930 043 173)	(140 902 082)	(101 517 652)	(2 172 462 907)
Transfers	(9 851 828)	11 175 756	(1 323 928)	-
- to 12 months to ECL	1 342 842	(1 232 110)	(110 732)	-
- to lifetime ECL not credit impaired	(10 333 912)	12 836 932	(2 503 020)	-
- to lifetime ECL credit impaired	(860 758)	(429 066)	1 289 824	-
Net movement in financial assets	518 917 352	14 563 834	10 873 808	493 479 711
Balance as at 31 December 2019	**891 327 564**	**11 729 856**	**7 281 814**	**910 339 235**
Loss allowance analysis				
At 1 January 2019	7 749 444	853 372	5 209 190	13 812 006
- ECL – Loans, advances and guarantees	7 238 126	853 372	5 209 190	13 300 688
- ECL – Investment securities	444 390	-	-	444 390
- ECL – Interbank placements	66 928	-	-	66 928
Transfers	(856 306)	876 277	(10 971)	-
- to 12 month ECL	35 131	(32 748)	(2 383)	-
- to lifetime ECL not credit impaired	(677 699)	1 024 067	(346 368)	-
- to lifetime ECL credit impaired	(222 738)	(115 042)	337 780	-
Net increase/(decrease) in ECL	13 174 795	(909 955)	(1 216 273)	11 048 567
Loans and advances	5 940 881	(909 955)	(101 311)	11 833 962
Guarantees and facilities approved not drawn down	6 904 347	-	-	6 904 347
Investment securities	(41 888)	-	-	(41 888)
Interbank placements	371 455	-	-	371 455
Bad debts written off	-	-	(1 114 962)	(1 114 962)
Balance as at 31 December 2019	**20 058 931**	**819 694**	**3 981 948**	**24 860 573**
Loans and advances	12 313 699	819 694	3 981 948	17 115 341
Guarantees and facilities approved not drawn down	6 904 347	-	-	6 904 347
Investment securities	402 502	-	-	402 502
Interbank placements	438 383	-	-	438 383
	20 058 931	**819 694**	**3 981 948**	**24 860 573**

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16. TOTAL LOANS, ADVANCES AND OTHER ASSETS (continued)

16.3 Impairment analysis of financial assets measured at amortised cost

	Inflation Adjusted			
	Stage 1	Restated Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2018	1 908 250 869	120 058 774	104 655 972	2 132 965 616
Transfers	**(56 348 947)**	**(17 657 164)**	**73 706 111**	**-**
- to 12 months to ECL	8 833 534	(6 811 219)	(2 022 315)	-
- to lifetime ECL not credit impaired	(59 389 538)	64 335 897	(4 946 359)	-
- to lifetime ECL credit impaired	(5 792 943)	(74 881 842)	80 674 785	-
Net movement in financial assets	460 403 291	53 318 406	(57 364 881)	456 356 816
Balance as at 31 December 2018	**2 312 305 213**	**156 020 016**	**120 997 202**	**2 589 322 432**
Loss allowance analysis				
At 1 January 2018 (IAS 39 Provisions)	-	-	-	33 827 627
Adjustment on initial application of IFRS 9	-	-	-	53 269 744
ECL on 1 January 2018	56 371 366	8 293 922	22 432 083	87 097 371
- ECL – Loans, advances and guarantees	53 881 468	8 293 922	22 432 083	84 607 473
- ECL – Investment securities	2 323 613	-	-	2 323 613
- ECL – Interbank placements	166 285	-	-	166 285
Transfers	**(9 851 828)**	**(20 208 639)**	**22 978 862**	**-**
- to 12 month ECL	186 494	(117 714)	(68 780)	-
- to lifetime ECL not credit impaired	(1 363 101)	2 212 294	(849 193)	-
- to lifetime ECL credit impaired	(1 593 616)	(22 303 219)	23 896 835	-
Net increase/(decrease) in ECL	(5 465 471)	17 215 436	13 170 271	24 920 236
Loans, advances and guarantees	(6 151 630)	17 215 436	13 170 271	24 234 077
Investment securities	436 718	-	-	436 718
Interbank placements	249 441	-	-	249 441
Bad debts written off	-	-	(26 224 339)	(26 224 339)
Balance as at 31 December 2018	**48 135 672**	**5 300 719**	**32 356 877**	**85 793 268**
Loans, advances and guarantees	44 959 615	5 300 719	32 356 877	82 617 211
Investment securities	2 760 331	-	-	2 760 331
Interbank placements	415 726	-	-	415 726
	48 135 672	**5 300 719**	**32 356 877**	**85 793 268**

16.4 Credit-impaired financial assets

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Total credit impaired financial assets	7 281 814	120 997 202	7 281 814	19 479 550
Expected credit losses on credit impaired financial assets	(3 981 948)	(32 356 877)	(3 981 948)	(5 209 190)
Retail loans insurance	(499 057)	(3 099 890)	(499 057)	(499 057)
Suspended interest on credit-impaired financial assets	(344 739)	(6 712 456)	(344 739)	(1 080 650)
Net credit impaired financial assets	2 456 070	78 827 979	2 456 070	12 690 653

The net credit impaired financial assets represents recoverable portions covered by realisable security, which includes guarantees, cessation of debtors, mortgages over properties, equities and promissory notes all fair valued at ZWL9 395 900 (2018 – ZWL57 221 103).

16.5 Loans to related parties (included under loans, advances and other assets)

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Executive directors	746 174	559 259	746 174	90 036
Officers 26 946 866	75 255 339	26 946 866	12 115 488	-
	27 693 040	75 816 277	27 693 040	12 205 524
ECL on staff loans – Stage 1	(48 750)	(997 126)	(48 750)	(160 529)
	27 644 290	74 819 151	27 644 290	12 044 995

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17. NON-CURRENT ASSETS HELD FOR SALE

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
At 1 January	223 614	324 836	36 000	36 000
Monetary adjustment	(187 614)	(101 122)		
Fair value adjustment	144 000	-	144 000	-
Reclassifications	(180 000)	-	(180 000)	-
	-	223 614	-	36 000

18. INTANGIBLE ASSETS

Inflation Adjusted

	Work in Progress ZWL	Computer Software ZWL	Total ZWL
Cost			
Balance at 1 January 2018	2 011 554	40 573 726	42 585 280
Acquisitions	-	4 501 240	4 501 240
Capitalisation	(2 011 554)	2 011 554	-
Balance at 31 December 2018	-	47 086 519	47 086 519
Acquisitions	-	636 901	636 901
Balance at 31 December 2019	-	47 723 421	47 723 421
Accumulated amortisation			
Balance at 1 January 2018	-	21 870 624	21 870 624
Amortisation for the year	-	7 882 765	7 882 765
Balance at 31 December 2018	-	29 753 389	29 753 389
Amortisation for the year	-	6 356 249	6 356 249
Balance at 31 December 2019	-	36 109 639	36 109 639
Carrying amount			
At 31 December 2019	-	11 613 782	11 613 782
Restated at 31 December 2018	-	17 333 130	17 333 130
At 1 January 2018 - Restated	2 011 554	18 703 102	18 703 102

Historical Cost

	Work in Progress ZWL	Computer Software ZWL	Total ZWL
Cost			
Balance at 1 January 2018	228 595	4 610 839	4 839 434
Acquisitions	-	535 971	535 971
Capitalisation	(228 595)	228 595	-
Balance at 1 January 2019	-	5 375 405	5 375 405
Acquisitions	-	94 320	94 320
Balance at 31 December 2019	-	5 469 725	5 496 725
Accumulated amortisation			
Balance at 1 January 2018	-	2 459 254	2 459 254
Amortisation for the year	-	879 376	879 376
Balance at 1 January 2019	-	3 338 630	3 338 630
Amortisation for the year	-	733 909	733 909
Balance at 31 December 2019	-	4 072 539	4 072 539
Carrying amount			
At 31 December 2019	-	1 397 186	1 397 186
At 1 January 2019	-	2 036 775	2 036 775
At 1 January 2018	228 595	2 151 585	2 380 180

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19. PROPERTY AND EQUIPMENT

Inflation Adjusted

Cost/Revaluation amount	Capital work in progress ZWL Restated	Computers ZWL Restated	Motor Vehicles ZWL Restated	Furniture & Equipment ZWL Restated	Right of Use Assets** ZWL Restated	Freehold Land & Buildings* ZWL Restated	Total ZWL Restated
At 1 January 2018 - restated	7 543 367	51 159 818	11 316 290	37 574 947	-	26 446 800	134 041 217
Additions	44 595 731	12 286 506	765 673	1 304 428	-	-	58 952 339
Capitalisations	(1 921 005)	-	-	1 600 244	-	-	(320 762)
Revaluation gain	-	-	-	-	-	-	-
Disposals	-	-	(679 532)	(115 636)	-	-	(795 168)
Reclassification from Investment properties	14 286 447	-	-	-	-	-	14 286 447
At 31 December 2018 - restated	64 504 540	63 446 324	11 402 431	40 363 978	-	26 446 800	206 164 073
Additions	18 335 381	11 478 659	1 160 355	4 349 518	-	-	35 323 914
Initial recognition – Right of Use Asset	-	-	-	-	14 609 335	-	14 609 335
Capitalisations	(14 413 772)	1 226 643	293 684	1 017 871	-	11 875 574	-
Translation gains on change in functional	-	-	-	-	-	86 325 787	86 325 787
Revaluation gain	-	-	-	-	-	146 244 823	146 244 823
At 31 December 2019	**68 426 150**	**76 151 627**	**12 856 470**	**45 731 367**	**14 609 335**	**270 892 984**	**488 667 932**
Accumulated depreciation							
At 1 January 2018 - restated	-	25 307 664	8 168 624	31 115 124	-	2 075 120	66 666 532
Charge for the year	-	7 479 598	1 609 623	2 504 435	-	398 182	11 991 839
Disposals	-	-	(679 532)	(115 633)	-	-	(795 165)
At 31 December 2018 - restated	-	32 787 262	9 098 715	33 503 926	-	2 473 302	77 863 206
Charge for the year – Property and equipment	-	10 608 493	1 724 758	2 489 681	-	604 282	15 427 214
Charge for period – Right of Use Asset	-	-	-	-	3 088 496	-	3 088 496
At 31 December 2019	**-**	**41 495 216**	**10 823 473**	**35 993 607**	**3 088 496**	**3 077 584**	**94 478 377**
Carrying amount							
At 31 December 2019	68 426 150	34 656 411	2 032 997	9 737 759	11 520 838	267 815 400	394 189 555
At 1 December 2018 – Restated	64 504 540	30 659 062	2 303 716	6 860 052	-	23 973 498	128 300 867
At 1 January 2018 - Restated	7 543 367	25 852 154	3 147 666	6 459 818	-	24 371 680	67 374 688

*Assets measured using the revaluation model.
** Right-of-Use Assets recognised in respect of leased properties in which the Group is a lessee. The Right-of-Use Assets are depreciated over the shorter of the lease term including extension options where the Group is certain to exercise such and the useful life of the underlying asset.

Historical Cost

Cost/Revaluation amount	Capital work in progress ZWL	Computers ZWL	Motor Vehicles ZWL	Furniture & Equipment ZWL	Right of Use Assets** ZWL	Freehold Land & Buildings* ZWL	Total ZWL
At 1 January 2018	293 716	5 435 325	1 255 902	4 029 210	-	3 713 804	14 727 957
Additions	7 179 544	1 978 026	126 267	210 003	-	-	9 490 840
Capitalisations	(309 266)	-	-	257 626	-	-	(51 640)
Revaluation gain	-	-	-	-	-	139 194	139 194
Disposals	-	-	(109 399)	(18 616)	-	-	(128 015)
Reclassification from Investment properties	2 300 000	-	-	-	-	-	2 300 000
At 31 December 2018	9 463 994	7 413 351	1 269 770	4 478 223	-	3 852 998	26 478 336
Additions	19 774 151	2 975 151	206 348	1 352 847	-	-	24 308 497
Right of Use Assets	-	-	-	-	4 096 580	-	4 096 580
Translation gain on change in functional currency	-	-	-	-	-	15 653 157	15 653 157
Capitalisations	(14 413 772)	1 226 643	293 684	1 017 871	-	11 875 574	-
Revaluation gain	-	-	-	-	-	236 960 551	236 960 551
Reversal of impairment	-	-	-	-	-	40 600	40 600
At 31 December 2019	14 824 373	11 615 145	1 769 802	6 848 941	4 096 580	268 382 880	307 537 722
Accumulated depreciation							
At 1 January 2018	-	2 764 564	938 774	3 361 092	-	327 540	7 391 970
Charge for the year	-	843 339	178 887	283 982	-	64 104	1 370 312
Disposals	-	-	(109 399)	(18 616)	-	-	(128 015)
At 31 December 2018	-	3 607 903	1 008 262	3 626 458	-	391 644	8 634 267
Charge for the year	-	1 427 692	222 449	481 383	-	175 836	2 307 360
Charge for period – Right of Use Asset	-	-	-	-	1 310 867	-	1 310 867
At 31 December 2019	-	5 035 595	1 230 711	4 107 841	1 310 867	567 480	12 252 495
Carrying amount							
At 31 December 2019	14 824 373	6 579 550	539 092	2 741 099	2 785 713	267 815 400	295 285 227
At 1 December 2018	9 463 994	3 805 448	261 508	851 764	-	3 461 354	17 844 069
At 1 January 2017	293 715	2 670 761	317 128	668 118	-	3 386 264	7 335 986

*Assets measured using the revaluation model.
** Right-of-Use Assets recognised in respect of leased properties in which the Group is a lessee. The Right-of-Use Assets are depreciated over the shorter of the lease term including extension options where the Group is certain to exercise such and the useful life of the underlying asset.

Measurement of fair value

Fair value hierarchy

Immovable properties were revalued as at 31 December 2019 on the basis of valuations carried out by independent professional valuers, PMA Real Estate (Private) Limited. The valuation which conforms to International Valuation Standards, was in terms of the policy as set out in
the accounting policies section. All movable assets are measured at their carrying amounts which are arrived at by the application of a depreciation charge on their cost values over the useful lives of the assets.

The valuation of land and buildings was arrived by applying yield rates of 10% on rental levels of between ZWL48 – ZWL112 per square metre.

Level 3

The fair value of immovable properties of ZWL267 815 400 (2018 - ZWL3 461 354) has been categorised under level 3 in the fair value hierarchy based on the inputs used for the valuation technique described below.

NMBZ HOLDINGS LIMITED

Holding Company of NMB BANK LIMITED
(Registered Commercial Bank)

Dually listed on the London Stock Exchange (LSE) and Zimbabwe Stock Exchange (ZSE)

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The following shows reconciliation between the opening and closing balances for level 3 fair values:

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
At 1 January	23 973 498	26 446 800	3 461 354	3 386 264
Translation gains on change in functional currency	86 325 787	-	15 649 358	-
Transfers from work in progress	11 875 574	-	11 875 574	-
Revaluation gain	146 244 823	-	236 960 551	62 533
Impairment reversal	-	-	40 600	76 661
Depreciation	(604 282)	(2 473 302)	(172 037)	(64 104)
Balance at 31 December	267 815 400	23 973 498	267 815 400	3 461 354

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of immovable properties, as well as the significant unobservable inputs used.

Valuation Technique	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
The Direct Comparison Method was applied on all residential properties	• Weighted average expected market rental growth (5%); and • Average market yield of 10%.	The estimated fair value would increase / (decrease) if: • Expected market rental growth were higher/ (lower); and • The risk adjusted discount rates were lower/ (higher).

Below is an indication of the sensitivity analysis at different discount rates:-

Change in rate	Change in fair value	
	December 2019	December 2018
+ 5%	2 224 000	863 329
+ 3%	1 334 400	517 997
+ 1%	444 800	172 666
- 1%	- 444 800	- 172 666
- 3%	- 1 334 400	- 517 997
- 5%	-2 224 400	- 868 329

20. CAPITAL COMMITMENTS

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Capital expenditure contracted for	5 828 388	18 208 295	5 828 388	2 931 385
Capital expenditure authorised but not yet contracted for	117 569 873	56 481 152	117 569 873	9 092 999
Balance at 31 December	123 398 261	74 689 447	123 398 261	12 024 384

The capital expenditure will be funded from the Group's own resources.

21. CONTINGENT LIABILITIES

	Inflation adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Guarantees	126 952 189	38 260 135	126 952 189	6 159 566
Facilities approved but not drawn down	20 067 960	128 398 555	20 067 960	20 671 107
Expected credit losses on facilities approved but not drawndown	(1 477 002)	(9 447 346)	(1 477 002)	(1 520 945)
Expected credit losses on guarantees	(5 427 344)	(3 438 303)	(5 427 344)	(553 538)
Balance at 31 December	140 115 803	153 773 041	140 115 803	24 756 190

22. EXCHANGE RATES

The following exchange rates have been used to translate the foreign currency balances to Zimbabwe dollars at year end:

		31 December 2019 Mid - rate ZWL	31 December 2018 Mid - rate ZWL
United States Dollar	USD	16.7734	1.0000
British Sterling	GBP	22.1677	1.2785
South African Rand	ZAR	0.8350	14.2254
European Euro	EUR	18.8164	1.1490
Botswana Pula	BWP	0.6302	10.7296

23. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Group's reporting period ended 31 December 2019, the World Health Organisation (WHO) declared COVID-19 a world pandemic and the Government of Zimbabwe declared COVID-19 a national disaster. The Directors have concluded that the COVID-19 pandemic is a non-adjusting event, as it does not reflect conditions that existed at the reporting date.

The current health emergency caused by the global spread of COVID-19 has significant implications for the Zimbabwean economy and the Group is following the advice and directives of the World Health Organization (WHO) as well as the Government of Zimbabwe in order to provide a safe environment for all of the Group's stakeholders including shareholders, customers and employees. The Government of Zimbabwe implemented a number of measures to mitigate the widespread transmission of the virus, which include the declaration of a 21-day national lockdown effective 30 March 2020 subsequently extended by a further 14 days to 3 May 2020. The national lockdown coupled with the other devastating effects of the novel virus are expected to result in a decline in transactional volumes due to the restrictions in movement, thereby negatively affecting the Bank's fee and commission income. These measures would also have an impact on the cashflows of the Bank's customers who do not fall within the essential services category, albeit to varying extents depending on the underlying business models. This might result in a deterioration of the Bank's credit risk and liquidity risk profile. The Group's foreign exchange risk is also expected to deteriorate on account of the negative economic performance outlook in view of the economic restrictions necessitated by the COVID-19 pandemic.

Credit risk

The Bank's significant credit exposures are in the following sectors: services (24%), individuals (24%), agriculture (18%) and distribution (16%), the majority of which are secured by tangible collateral. The Bank has observed that the majority of businesses within the services, agricultural and distribution sectors have been predominately classified as essential services in terms of the national lockdown pronounced by the Government of Zimbabwe in response to the COVID-19 pandemic. This would imply that

23. EVENTS AFTER THE REPORTING PERIOD (continued)

Credit risk (continued)

the deterioration of credit risk in terms of the Bank's borrowing clients falling into these categories is not expected to be severe. However, the Bank is closely monitoring the developments and the Group has strengthened its credit risk management practices in response to the operating environment. The majority of the Bank's individual customers are employed by the Government which has continued to pay full salaries to date. Furthermore, the Bank takes comfort in that the majority of its borrowing individual customers are in the mortgages category, which would not be expected to result in significant increases in Expected Credit Loss ("ECL") allowances due to their low Loss Given Default (LGD) factor. The Reserve Bank also issued a directive providing guidance on how Banks are to approach credit provisioning in respect of the COVID-19 crisis. The guidance indicated that Banks will not have to adjust ECL stages for previously performing clients whose credit risk would have increased due to COVID-19. This will also minimize the increase in Bank's ECL due to COVID-19.

Liquidity risk

The Bank manages its liquidity risk through the Asset and Liability Management Committee ("ALCO"), which monitors the Bank's liquidity gap on a daily basis. In response to the COVID-19 pandemic, the Bank strengthened its liquidity risk management practices to ensure that the increased liquidity risk is well managed and does not deteriorate below internal benchmarks, which surpass the regulatory thresholds. As at the end of Q1 of 2020, the Bank had a stable liquidity position and is well positioned to meet its foreign and long-term obligations as they fall due. Through the Reserve Bank of Zimbabwe ("RBZ"), the Government also announced a raft of measures including the relaxation of exchange control regulations to allow the use of foreign currency, classified as free funds in the economy, for improved flexibility and convenience on the part of the transacting public in response to the measures adopted to fight the novel virus. Resultantly, this has increased the flow of foreign currency into the formal channels of the economy and the Bank is set to benefit from this development.

Foreign exchange risk

The Bank's ALCO management committee also monitors the Group's exposure to foreign exchange risk on a daily basis. In response to the increase in foreign exchange rate risk, the Bank has also buttressed its risk management practices in that regard to ensure the Bank is well positioned to handle foreign exchange fluctuations arising from market volatility due to the raging global pandemic.

COVID-19 Impact assessment and mitigation

Whilst the Group is cognizant of the negative impacts of the COVID-19 pandemic on its revenues and asset quality, the severity and operational impact of the restrictions for the remainder of the year cannot be reasonably estimated at this point in time. The Group, however, continues to monitor the situation closely and will provide further updates when visibility improves and there is greater clarity over the expected financial performance on the Group in 2020; as every listed entity on the ZSE will continue to trade under cautionary for the duration of the lockdown period, including any subsequent extensions, until the lockdown has been formally dispensed with in terms of the enabling legal instrument.

In view of this unprecedented economic and business uncertainty, the Group is firmly focused on protecting its business; mitigating any potential adverse financial impact and ensuring that the Group is well positioned for a recovery trajectory post the pandemic. An extensive range of business continuity measures are in place in order to ensure business continuity. These measures include enhanced safety and sanitation protocols at all our operating Units, as well as making significant adjustments to work practices to ensure social distancing. The measures are summarised below:

- Encouraging customers to make use of the Bank's digital channels for transacting purposes.
- Enabling offsite working for all critical staff.
- Reviewing all discretionary and non-essential expenditures
- Suspension of all capital expenditure and limiting it to expenditures that promote the new operating order.
- Buttressing the credit, market and liquidity risk management practices.
- Continue to broaden the Bank's market segments.

The above mentioned measures have been quite effective in managing the Group's key performance indicators and benchmarks in response to the adverse effects of the COVID-19 virus. Prior to the advent of COVID-19, the Bank had embarked on a digitalisation drive to improve the customer experience, enhancement of service delivery and broadening the customer digital touch points. This strategy has proven to be quite pivotal in the current operating environment and will continue underpin the Bank's business model in order to neutralize the reduced transactional activities due to the closure of most businesses except those which were classified as essential.

Having considered all the factors and the mitigation in place, the Directors have made a going concern assessment and believe the Group will continue operating in the foreseeable future.

NMB

NMB BANK LIMITED

Registered Commercial Bank. A Member of The Deposit Protection Scheme

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Note	Inflation Adjusted 31 December 2019 ZWL	Inflation Adjusted 31 December 2018 ZWL Restated	Historical Cost* 31 December 2019 ZWL	Historical Cost* 31 December 2018 ZWL
Interest income		180 212 444	323 330 808	70 557 190	39 333 178
Interest expense		(51 695 746)	(72 131 939)	(16 894 088)	(8 865 016)
Net interest income		**128 516 698**	**251 198 869**	**53 663 102**	**30 468 162**
Fee and commissions income		183 203 638	233 280 093	87 242 303	28 539 376
Net foreign exchange gains		254 811 445	15 660 953	99 863 112	1 899 670
Revenue		**566 531 781**	**500 139 915**	**240 768 517**	**60 907 208**
Other income	a	112 606 446	39 129 126	206 622 639	4 983 521
Operating income		**679 138 227**	**539 269 041**	**447 391 156**	**65 890 729**
Operating expenditure	b	(240 474 168)	(289 465 631)	(105 925 077)	(34 712 711)
Operating income before impairment charge and loss on net monetary position		**438 664 059**	**249 803 410**	**341 466 079**	**31 178 018**
Impairment losses on loans and advances financial assets measured at amortised cost		(11 048 567)	(24 920 236)	(11 048 567)	(4 011 952)
Loss on net monetary position		(341 311 482)	114 114 337	-	-
Profit before taxation		**86 304 010**	**110 768 837**	**330 417 512**	**27 166 066**
Taxation		(70 006 030)	(51 105 622)	(44 513 700)	(5 923 385)
Profit for the period		**16 297 980**	**59 663 215**	**285 903 812**	**21 242 681**
Other comprehensive income					
Revaluation of land and buildings, net of tax	c	108 586 781	-	175 943 209	46 431
Translation gain on change in functional currency, net of tax		64 096 897	-	11 619 648	-
		188 981 658	59 663 215	473 466 669	21 289 112
Earnings/(losses) per share (ZWL cents)					
- Basic and diluted	d.4	98.74	361.46	1 732.12	128.70
- Headline	d.4	(862.43)	230.70	188.37	111.41

*The historical cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 *"Financial Reporting in Hyperinflationary Economies"*. The auditors have not expressed an opinion on the historical cost information.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Note	Inflation Adjusted 31 December 2019 ZWL	Inflation Adjusted 31 December 2018 ZWL Restated	Historical Cost 31 December 2019 ZWL	Historical Cost 31 December 2018 ZWL
SHAREHOLDER'S FUNDS					
Share capital	e	161 906	161 906	16 506	16 506
Share premium		287 040 745	287 040 745	31 474 502	31 474 502
Functional currency translation reserve		64 096 897	-	11 619 648	-
Revaluation reserve		108 586 781	-	176 079 950	136 741
Retained earnings		217 387 032	221 025 066	329 398 472	47 267 030
Total shareholder's funds		**677 273 361**	**508 227 718**	**548 589 078**	**78 894 779**
LIABILITIES					
Deposits and other liabilities		1 265 602 395	2 776 169 240	1 265 602 396	447 138 216
Current tax liabilities		700 457	-	700 457	-
Deferred tax liabilities		112 700 544	-	97 666 693	-
Subordinated term loan		28 360 340	9 352 327	28 360 340	1 505 647
Amount owing to Holding company		2 143 122	-	2 143 122	-
Total liabilities		**1 409 506 858**	**2 785 521 567**	**1 394 473 007**	**448 643 863**
Total shareholder's funds and liabilities		**2 086 780 219**	**3 293 749 284**	**1 943 062 085**	**527 538 642**
ASSETS					
Cash and cash equivalents	f	492 304 267	698 426 589	492 304 267	112 440 912
Current tax assets		-	1 306 292	-	210 302
Investment securities		107 166 155	728 294 727	107 166 155	117 249 434
Loans, advances and other assets		850 026 347	1 578 360 157	815 429 137	254 195 558
Amount owing from Holding Company		-	3 467 901	-	558 303
Non - current assets held for sale		-	223 614	-	36 000
Unquoted investments		1 612 131	698 799	1 612 131	112 501
Investment properties	g	229 867 982	130 134 664	229 867 982	20 950 606
Intangible assets		11 613 782	17 333 130	1 397 186	2 036 775
Property and equipment		394 189 555	128 300 867	295 285 227	17 844 069
Deferred tax assets		-	7 202 541	-	1 904 182
Total assets		**2 089 780 219**	**3 293 749 284**	**1 943 062 085**	**527 538 642**

*The historical cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 *"Financial Reporting in Hyperinflationary Economies"*. The auditors have not expressed an opinion on the historical cost information.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

Inflation adjusted

	Share Capital ZWL	Share Premium ZWL	Functional Currency Translation Reserve ZWL	Revaluation Reserve ZWL	Retained Earnings ZWL	Total ZWL
Balances at 1 January 2018	161 906	287 040 745	-	-	166 006 337	453 208 988
Profit for the year	-	-	-	-	59 663 215	59 663 215
Revaluation of land and buildings, net of tax	-	-	-	-	-	-
Dividends paid	-	-	-	-	(4 644 485)	(4 644 485)
Balances at 31 December 2018	161 906	287 040 745	-	-	221 025 066	508 227 717
Translation gain on change in functional currency, net of tax	-	-	64 096 897	-	-	64 096 897
Profit for the year	-	-	-	-	16 297 980	16 297 980
Revaluation of land and buildings, net of tax	-	-	-	108 586 781	-	108 586 781
Dividend: paid	-	-	-	-	(19 936 014)	(19 936 014)
Balances at 31 December 2019	**161 906**	**287 040 745**	**64 096 897**	**108 586 781**	**217 387 032**	**677 273 361**

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STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

Historical Cost*

	Share Capital ZWL	Share Premium ZWL	Functional Currency Translation Reserve ZWL	Revaluation Reserve ZWL	Retained Earnings ZWL	Total ZWL
Balances at 1 January 2018	16 506	31 474 502	-	90 310	26 772 073	58 353 391
Profit for the year	-	-	-	-	21 242 681	21 242 681
Revaluation of land and buildings, net of tax	-	-	-	46 431	-	46 131
Dividend paid	-	-	-	-	(747 724)	(747 724)
Balances at 31 December 2018	**16 506**	**31 474 502**	**-**	**136 741**	**47 267 030**	**78 894 779**
Profit for the year	-	-	-	-	285 903 812	285 903 812
Revaluation of land and buildings, net of tax	-	-	-	175 943 209	-	175 943 209
Dividend paid	-	-	-	-	(3 772 370)	(3 772 370)
Translation gain on change in functional currency, net of tax	-	-	11 619 648	-	-	11 619 648
Balances at 31 December 2019	**16 506**	**31 474 502**	**11 619 648**	**176 079 950**	**329 398 472**	**548 589 078**

*The historical cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS) 29 *"Financial Reporting in Hyperinflationary Economies"*. The auditors have not expressed an opinion on the historical cost information.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	Inflation Adjusted 31 December 2019 ZWL	Inflation Adjusted 31 December 2018 ZWL Restated	Historical Cost* 31 December 2019 ZWL	Historical Cost* 31 December 2018 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	86 304 010	110 768 837	330 417 512	27 166 066
Non-cash items				
- Impairment losses on financial assets measured at amortised cost	11 048 567	24 920 236	11 048 567	4 011 952
- Investment properties fair value gains	(93 624 006)	(19 523 429)	(194 387 322)	(2 551 436)
- Profit on disposal of property and equipment	-	139 122	-	(22 396)
- Profit on disposal of investment properties	(584 149)	(4 395 908)	(584 149)	(567 032)
- Unquoted investments fair value gains	(913 332)	316 323	(1 499 630)	(10 154)
- Impairment reversal on land and buildings	-	-	(40 600)	(76 661)
- Depreciation (excluding Right of use assets)	15 427 213	11 991 839	2 307 360	1 370 312
- Depreciation – Right of use assets	3 088 496	-	1 310 867	-
- Interest capitalised on subordinated term loan	3 779 812	1 065 166	1 151 954	171 483
- Amortisation of intangible assets	6 356 249	7 882 765	733 909	879 376
- Unrealised foreign exchange (gains)/losses	(92 386 267)	128 510	(92 386 267)	20 689
Operating cash flows before changes in operating assets and liabilities	(61 503 405)	123 706 240	58 072 202	30 392 199
Changes in operating assets and liabilities				
(Decrease)/increase in deposits and other liabilities	(1 809 709 298)	617 889 994	523 624 534	90 073 581
Decrease/(increase) in loans, advances and other assets	984 547 294	(348 675 517)	(298 115 759)	(56 133 878)
Net cash (used)/generated from operations	(886 665 408)	402 507 937	283 580 977	64 331 902
Taxation				
Corporate tax paid	(14 520 794)	(27 881 907)	(9 079 118)	(4 488 757)
Net cash (outflow)/ inflow from operating activities	(901 186 202)	374 626 030	274 501 860	59 843 145
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on disposal of property and equipment	-	139 122	-	22 396
Acquisition of intangible assets	(636 901)	(4 501 240)	(94 320)	(535 971)
Acquisition of property and equipment	(35 323 914)	(58 952 339)	(24 308 497)	(9 490 840)
Acquisition of investment properties	(1 939 045)	(37 784 075)	(351 515)	(6 082 924)
(Disposal)/Acquisition of investment securities	621 128 566	(155 312 399)	10 083 280	(25 004 013)
Decrease in amount owing from Holding Company	3 467 895	579 288	558 303	93 261
Increase in amount owing to Holding Company	10 733 345	-	2 143 122	-
Proceeds on disposal of investment properties	5 888 719	29 826 660	5 888 719	4 801 846
Net cash inflow /(outflow) from investing activities	603 318 667	(226 004 982)	(6 080 908)	(36 196 245)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(19 936 014)	(6 382 843)	(3 772 370)	(747 724)
Payment of interest on subordinated term loan	(803 062)	(507 728)	(180 450)	(81 740)
Repayment of lease liabilities	(4 186 976)	-	(1 276 043)	-
Net cash outflow from financing activities	(24 926 052)	(6 890 571)	(5 228 863)	(829 464)
Net (decrease)/ increase in cash and cash equivalents	(322 793 587)	141 730 477	263 192 089	22 817 436
Net foreign exchange differences and net monetary adjustments on cash and cash equivalents	116 671 266	436 504	116 671 266	70 274
Cash and cash equivalents at beginning of the year	698 426 589	556 259 608	112 440 912	89 553 202
Cash and cash equivalents at the end of the year (note f)	492 304 267	698 426 589	492 304 267	112 440 912
Additional information on operational cashflows on interest				
Interest received	168 852 277	199 550 036	65 548 752	38 318 561
Interest paid (including interest on lease liability)	(48 055 909)	(63 651 654)	(15 089 895)	(7 548 415)

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NOTES TO THE CONDENSED AUDITED FINANCIAL STATEMENTS

for the year ended 31 December 2019

There are no material differences between the Bank and the Holding company as the Bank is the principal operating subsidiary of the Group. The notes to the financial statements under NMBZ Holdings Limited are therefore the same as those of the Bank in every material respect where applicable.

a. OTHER INCOME

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Unquoted investments fair value gains	913 332	(316 323)	1 499 630	10 154
Profit on disposal of investment properties	584 149	4 395 908	584 149	567 032
Profit on disposal of property and equipment	-	139 122	-	22 396
Fair value gains on investment properties	93 624 006	19 523 429	194 387 322	2 551 436
Rental income	1 280 872	3 012 142	391 885	365 269
Bad debts recovered	14 744 289	10 622 718	9 519 359	1 295 428
Other operating income	1 459 818	1 752 130	240 294	171 806
	112 606 446	39 129 126	206 622 639	4 983 521

b. OPERATING EXPENDITURE

The operating profit is after recognising the following:

	Inflation Adjusted		Historical Cost	
Administration costs	116 124 211	130 911 642	55 305 935	15 955 591
Audit fees:				
- Current year	1 580 232	755 184	993 686	98 991
- Prior year	318 198	849 895	200 090	111 406
Impairment reversal on land and buildings*	-	-	(40 600)	(76 661)
Depreciation – (excluding Right of use assets)	15 427 213	11 991 839	2 307 360	1 370 312
Amortisation of intangible assets	6 356 249	7 882 765	733 909	879 376
Depreciation – Right of use assets	3 088 496	-	1 310 867	-
Directors' remuneration	6 154 500	8 147 609	2 531 536	971 121
- Fees for services as directors	1 585 033	1 838 595	644 487	219 246
- Expenses	127 149	149 410	80 767	17 364
- Services rendered	4 442 318	6 159 603	1 806 282	734 511
Staff costs - salaries, allowances and related costs	91 465 669	128 926 698	42 582 294	15 402 575
	240 474 168	289 465 631	105 925 077	34 712 711

*The impairment reversal on land and buildings arose due to fair value changes in the Bank's land and buildings measured using the revaluation model.

c. OTHER COMPREHENSIVE INCOME

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
Translation gain on change in functional currency	86 325 787	-	15 649 358	-
Tax effect	(22 228 890)	-	(4 029 710)	-
	64 096 897	-	11 619 648	-
Revaluations of land and buildings	146 244 823	-	236 960 551	62 533
Tax effect	(37 658 042)	-	(61 017 342)	(16 102)
	108 586 781	-	175 943 209	46 431
	172 683 678	-	187 562 857	46 431

d. EARNINGS PER SHARE

The calculation of earnings per share is based on the following figures:

		Inflation Adjusted		Historical Cost	
		31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 Dec 2018 ZWL
d.1	**Earnings/(losses)**				
	Profit for the year	16 297 980	59 663 215	285 903 812	21 242 681
	Headline earnings	(142 353 508)	38 078 986	31 091 848	18 388 988
d.2	**Number of shares**				
	Weighted average shares in issue	16 506 050	16 506 050	16 506 050	16 506 050
d.3	**Headline (losses)/ earnings**				
	Profit for the period	16 297 980	59 663 215	285 903 812	21 242 681
	Add/(deduct) non-recurring items				
	Trade investments fair value gains	(913 332)	316 323	(1 499 630)	(10 154)
	Profit on disposal of property and equipment	-	(139 122)	-	(22 396)
	Profit on disposal of investment properties	(584 149)	(4 395 908)	(584 149)	(567 032)
	Unrealised foreign exchange revaluation gains	(92 386 267)	128 510	(92 386 267)	20 689
	Fair value gains on investment properties	(93 624 006)	(19 523 429)	(194 387 322)	(2 551 436)
	Tax thereon	28 856 265	2 029 397	34 045 403	272 755
	Headline earnings	(142 353 508)	38 078 986	31 091 848	18 388 988
d.4	**Earnings/(losses) per share (ZWL cents)**				
	Basic and diluted	98.74	361.46	1 732.12	128.70
	Headline	(862.43)	230.70	188.37	111.41

e. SHARE CAPITAL

e.1 Authorised

The authorised ordinary share capital at 31 December 2019 is at the historical cost figure of ZWL25 000 (2018 - ZWL25 000) comprising 25 million ordinary shares of ZWL0.001 each.

e.2 Issued and fully paid

The issued share capital at 31 December 2019 is at the inflation adjusted figure of ZWL161 906 (2018 restated – ZWL161 906) and historical cost of ZWL16 506 (2018 ZWL16 506) comprising 16 506 050 (2018 – 16 506 050) ordinary shares of ZWL0.001 each in historical cost terms.

NOTES TO THE CONDENSED AUDITED FINANCIAL STATEMENTS

for the year ended 31 December 2019

f. CASH AND CASH EQUIVALENTS

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 Dec 2018 ZWL
Balances with the Central Bank*	267 032 753	553 329 510	267 032 753	89 081 480
Current, nostro accounts and cash	160 209 897	83 397 817	160 209 897	13 426 360
Interbank placements (see below)	65 500 000	62 114 988	65 500 000	10 000 000
Expected Credit loss allowance (see below)	(438 383)	(415 726)	(438 383)	(66 928)
	492 304 267	698 426 589	492 304 267	112 440 912
Interbank placements				
Interbank placements	65 500 000	62 114 988	65 500 000	10 000 000
Expected Credit Loss allowance – Stage 1	(438 383)	(415 726)	(438 383)	(66 928)
- ECL charged at 1 January 2018	(415 726)	(241 552)	(66 928)	(26 770)
- Monetary adjustment	348 796	75 267	-	-
- ECL charged through profit or loss	(371 455)	(249 441)	(371 455)	(40 158)
	65 061 617	61 669 262	65 061 617	9 933 072

g. INVESTMENT PROPERTIES

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 Dec 2018 ZWL
At 1 January	130 134 664	112 544 359	20 950 606	18 977 000
Additions	1 939 045	37 784 075	351 515	6 082 924
Disposals	(5 304 570)	(25 430 752)	(5 304 570)	(4 360 754)
Fair value gains	93 624 006	19 523 429	194 387 322	2 551 436
Reclassification from non-current assets held for sale	180 000	-	180 000	-
Reclassification to property and equipment	-	(14 286 447)	-	(2 300 000)
Translation gain on change in functional currency	9 294 837	-	19 303 109	-
At 31 December 2019	229 867 982	130 134 664	229 867 982	20 950 606

Investment properties comprise commercial properties and residential properties that are leased out to third parties and land held for future development. No properties were encumbered.

Rental income amounting to ZWL1 280 872 (2018 – ZWL3 012 142) was received and no operating expenses were incurred on the leased investment properties in the current year due to the net leasing arrangement on the properties.

Included in investment properties are properties which were acquired as part of the foreclosure process with marketability restrictions measured at ZWL4 668 863 as at 31 December 2019. The Bank has no restrictions on the realisability of all the remaining investment properties and no contractual obligations to purchase, construct or develop the investment properties or for repairs, maintenance and enhancements.

Measurement of fair value

Fair value hierarchy

The fair value of the Bank's investment properties as at 31 December 2019 has been arrived at on the basis of valuations carried out by independent professional valuers, PMA Real Estate (Private) Limited. The valuation which conforms to International Valuation Standards, was in terms of the policy as set out in the accounting policies section and was derived with reference to market information close to the date of the valuation.

Level 3

The fair value for investment properties of ZWL229 887 982 (2018 - restated ZWL130 134 664) has been categorised under Level 3 in the fair value hierarchy based on the inputs used for the valuation technique described below.

The following shows reconciliation between the opening and closing balances for level 3 fair values

	Inflation Adjusted		Historical Cost	
	31 December 2019 ZWL	31 December 2018 ZWL Restated	31 December 2019 ZWL	31 December 2018 ZWL
At 1 January	130 134 664	112 544 359	20 950 606	18 977 000
Additions	1 939 045	37 784 075	351 515	6 082 924
Disposals	(5 304 570)	(25 430 752)	(5 304 570)	(4 360 754)
Fair value gains	93 624 006	19 523 429	194 387 322	2 551 436
Reclassification from non-current assets held for sale	180 000	-	180 000	-
Reclassification to property and equipment	-	(14 286 447)	-	(2 300 000)
Translation gain on change in functional currency	9 294 837	-	19 303 109	-
At 31 December 2019	229 867 982	130 134 664	229 867 982	20 950 606

The values were arrived at by applying yield rates of 5% on rental values of between ZWL64 – ZWL112 per square metre. The properties are leased out under operating lease to various tenants.

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Measurement of fair value (continued)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	inter-relationship between key unobservable inputs and fair value measurement
The investment method Discounted cash flows was used to value all income producing properties. The direct comparison method was applied on all residential properties.	• Weighted average expected market rental growth (5%); • Void period (average 3 months after the end of each lease); • Occupancy rate (55%); and • Average market yield of 10%. • Marketability restrictions for level 3 items due to underlying contractual agreements with third parties.	The estimated fair value would increase /(decrease) if: • expected market rental growth were higher/ (lower); • void periods were shorter/(longer); • the occupancy rates were higher / (lower); and • the risk adjusted discount rates were lower/ (higher).

Below is an indication of the sensitivity analysis at different discount rates:-

Change in rate	December 2019 ZWL	December 2018 ZWL
	← Change in fair value →	
+5%	18 654 576	7 241 473
+3%	11 192 736	4 344 880
+1%	3 730 912	1 448 293
-1%	-3 730 912	- 1 448 293
-3%	-11 192 736	- 4 344 880
-5%	-18 654 576	- 7 241 473

h. CORPORATE GOVERNANCE AND RISK MANAGEMENT

1. RESPONSIBILITY

These financial statements are the responsibility of the directors. This responsibility includes the setting up of internal controls and risk management processes, which are monitored independently. The information contained in these financial statements has been prepared on the going concern basis and is in accordance with the provisions of the Companies Act (Chapter 24:03) of Zimbabwe, the Banking Act (Chapter 24:20) of Zimbabwe and International Financial Reporting Standards.

2. CORPORATE GOVERNANCE

The Bank adheres to principles of corporate governance derived from the National Code on Corporate Governance Zimbabwe, King IV Report, the United Kingdom Combined Code and Reserve Bank of Zimbabwe corporate governance guidelines. The Bank is cognisant of its duty to conduct business with due care and in good faith in order to safeguard all stakeholders' interests. Board and Director evaluations are carried out an annual basis, wherein the effectiveness of the Board is reviewed, including its gender and skills mix. Furthermore, the independence of Independent Non-Executive Directors is reviewed on an annual basis. The Bank has in place an Ethics Charter ("Code of Ethics") that all Board and staff members are required to adhere to. Also the Bank adheres to its Environmental and Social Risk Management Framework, wherein its main objectives are to:

- Identify and assess environmental and social risks and opportunities associated with a Client's activities and its sphere of influence;
- Promote improved social and environmental performance of a Client's companies; and
- Avoid, or where avoidance is not possible, minimize, mitigate, or compensate for adverse impacts on workers, affected communities, and the environment.

3. BOARD OF DIRECTORS

Board appointments are made to ensure a variety of skills and expertise on the Board. Non-executive directors are of such calibre as to provide independence to the Board. The Chairman of the Board is an independent non-executive director. The Board is supported by mandatory committees in executing its responsibilities. The Board meets at least quarterly to assess risk, review performance and provide guidance to management on both operational and policy issues.

The Board conducts an annual peer based evaluation on the effectiveness of its activities. The process involves the members evaluating each other collectively as a board and individually as members. The evaluation, as prescribed by the RBZ, takes into account the structure of the board, effectiveness of committees, strategic leadership, corporate social responsibility, attendance and participation of members and weaknesses noted. Remedial plans are invoked to address identified weaknesses with a view to continually improve the performance and effectiveness of the Board and its members.

3.1 Directors' attendance (NMB Bank Limited Board is the same as the NMBZ Holdings Limited Board)

	Board of Directors		Audit Committee		Risk Management		Asset and Liability Management Committee (ALCO) & Finance Committee		Loans Review Committee		Human Resources, Remuneration and Nominations Committee		Credit Committee		Head Office Project Sub-Committee	
Mr. B. A. Chikwanha	4	4			4	4					4	4	5	5		
Mr. B. Ndachena (E)	4	4					4	4							5	5
Mr. B. P. Washaya (E)	4	4					4	4			4	4	5	5		
Ms. S. Chitehwe	4	4	5	4			4	3	4	4					5	4
Mr. J. Tichelaar	4	3			4	3	4	3	4	3	4	3				
Mr. J. de la Fargue	4	4			4	4	4	4			4	4	5	5	5	5
Ms. J. Maguranyanga	4	4	5	5					4	4	4	4				
Mr. C. Chikaura	4	4	5	5	4	4	4	4			4	4	5	5	5	5
Ms. C. Glover	4	3			4	3	4	3	4	3						

KEY

Meetings planned	Meetings attended

(E) Executive

4. RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Board Asset and Liability Management Committee (ALCO) and the Board Risk and Compliance Committee, which are responsible for defining the Group's risk universe, developing policies and monitoring implementation. The Board also has the Board Credit Committee (BCC) which is responsible for sanctioning credits and the Board Loans Review Committee (LRC), which is responsible for monitoring asset quality and adherence to the credit risk management policy.

Risk management is linked logically from the level of individual transactions to the Group level. Risk management activities broadly take place simultaneously at the following different hierarchy levels:

a) Strategic Level: This involves risk management functions performed by senior management and the board of directors. It includes the definition of risk, ascertaining the Group's risk appetite, formulating strategy and policy for managing risk and establishes adequate systems and controls to ensure overall risk remains within acceptable levels and is adequately compensated.

b) Macro Level: It encompasses risk management within a business area or across business lines. These risk management functions are performed by middle management.

c) Micro Level: This involves "On-the-line" risk management where risks are actually created. These are the risk management activities performed by individuals who assume risk on behalf of the organisation such as Treasury Front Office, Corporate Banking, Retail banking etc. The risk management in these areas is confined to operational procedures set by management.

4. RISK MANAGEMENT (continued)

Risk management is premised on four (4) mutually reinforcing pillars, namely:

a) adequate board and senior management oversight;
b) adequate strategy, policies, procedures and limits;
c) adequate risk identification, measurement, monitoring and information systems; and
d) comprehensive internal controls and independent reviews.

4.1 Credit risk

Credit risk is the risk that a financial contract will not be honoured according to the original set of terms. The risk arises when borrowers or counterparties to a financial instrument fail to meet their contractual obligations. The Group's general credit strategies centre on sound credit granting process, diligent credit monitoring and strong loan collection and recovery. There is a separation between loan collection and recovery. There is a separation between loan granting and credit monitoring to ensure independency and effective management of the loan portfolio. The Board has put in place sanctioning committees with specific credit approval limits. The Credit Management department does the initial review of all applications before recommending them to the Executive Credit Committee and finally the Board Credit Committee depending on the loan amount. The Group has in place a Board Loans Review Committee responsible for reviewing the quality of the loan book and adequacy of loan loss provisions.

The Group has an automated credit processes from loan origination, appraisal, monitoring and collections. The system has a robust loan monitoring and reporting module which is critical in managing credit risk. In view of the group's move into the mass market, retail credit has become a key area of focus. The group has put in place robust personal loan monitoring systems and structures to mitigate retail loan delinquencies. This includes a rigorous scheme assessment and a dedicated pre-delinquency team and a separate recoveries team.

Credit Management

- Responsible for evaluating & approving credit proposals from the business units.
- Together with business units, has primary responsibility on the quality of the loan book.
- Reviewing credit policy for approval by the Board Credit Committee.
- Reviewing business unit level credit portfolios to ascertain changes in the credit quality of individual customers or other counterparties as well as the overall portfolio and detect unusual developments.
- Approve initial customer internal credit grades or recommend to the Credit Committees for approval.
- Setting the credit risk appetite parameters.
- Ensure the Group adheres to limits, mandates and its credit policy.
- Ensure adherence to facility covenants and conditions of sanction e.g. annual audits, gearing levels, management accounts.
- Manage trends in asset and portfolio composition, quality and growth and non-performing loans.
- Manage concentration risk both in terms of single borrowers or group as well as sector concentrations and the review of such limits.

Credit Monitoring and Financial Modelling

- Independent credit risk management.
- Independent on-going monitoring of individual credit and portfolios.
- Triggers remedial actions to protect the interests of the Group, if appropriate (e.g. in relation to deteriorated credits).
- Monitors the on-going development and enhancement of credit risk management across the Group.
- Reviews the Internal Credit Rating System.
- On-going championing of the Basel II methodologies across the Group.
- Ensures consistency in the rating processes and performs independent review of credit grades to ensure they conform to the rating standards.
- Confirm the appropriateness of the credit risk strategy and policy or recommends necessary revisions in response to changes/trends identified.

Credit Administration

- Prepares and keeps custody of all facility letters.
- Security registration.
- Safe custody of security documents.
- Ensures all conditions of sanction are fulfilled before allowing drawdown or limit marking.
- Review of credit files for documentation compliance e.g. call reports, management accounts.

Recoveries

The recoveries unit is responsible for all collections and ensures that the Group maximises recoveries from Non-Performing Loans (NPLs) and loans and advances written off.

4.2 Market risk

This is the exposure of the Group's on and off balance sheet positions to adverse movement in market prices resulting in a loss in earnings and capital. The market prices will range from money market (interest rate risk), foreign exchange and equity markets in which the bank operates. The Group has in place a Management Asset and Liability Committee (ALCO) which monitors market risk and recommends the appropriate levels to which the Group should be exposed at any time. Net Interest Margin is the primary measure of interest rate risk, supported by periodic stress tests to assess the Group's ability to withstand stressed market conditions. On foreign exchange risk, the bank monitors currency mismatches and make adjustments depending on exchange rate movement forecast. The mismatches per currency are contained within 5% of the Group's capital position.

Management ALCO meets on a monthly basis and operates within the prudential guidelines and policies established by the Board ALCO. The Board ALCO is responsible for setting exposure thresholds and limits, and meets on a quarterly basis.

4.3 Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability of the Group to fund asset increases or meet obligations as they fall due without incurring unacceptable costs or losses. The Group identifies this risk through maturity profiling of assets and liabilities and assessment of expected cash flows and the availability of collateral which could be used if additional funding is required.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Board ALCO.

The key measure used by the bank for managing liquidity risk is the ratio of net liquid assets to deposits to customers. The Group also actively monitors its loans to deposit ratio against a set threshold in a bid to monitor and limit funding risk. The group monitors funding concentration risk by reviewing the ratio of top 20 depositors to the total funding. Funding mix is also monitored by monitoring the contribution of wholesale and demand deposits to the total funding for the bank. Liquidity risk is monitored through a daily liquidity reports produced by the Risk Management department. This is augmented by a monthly management ALCO and a quarterly board ALCO meetings.

4.4 Operational risk

This risk is inherent in all business activities and is the risk of loss arising from inadequate or failed internal processes, people, systems or from external events. The Group utilises monthly Key Risk Indicators to monitor operational risk in all units. Further to this, the Group has an elaborate Operational Loss reporting system in which all incidents with a material impact on the well-being of the Group are reported to risk management. The risk department conducts periodic risk assessments on all the units within the Group aimed at identifying the top risks and ways to minimise their impact. There is a Board Risk and Compliance Committee whose function is to ensure that this risk is minimised. The Risk Committee with the assistance of the internal audit function and the Risk Management department assesses the adequacy of the internal controls and makes the necessary recommendations to the Board.

4.5 Legal and compliance risk

Legal risk is the risk from uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts, laws or regulations. Legal risk may entail such issues as contract formation, capacity and contract frustration. Compliance risk is the risk arising from non – compliance with laws and regulations. To manage this risk, permanent relationships are maintained with firms of legal practitioners and access to legal advice is readily available to all departments. The Group has an independent compliance function which is responsible for identifying and monitoring all compliance issues and ensures the Group complies with all regulatory and statutory requirements.

4.6 Reputational risk

Reputation risk is the risk of loss of business as a result of negative publicity or negative perceptions by the market with regards to the way the Group conducts its business. To manage this risk, the Group strictly monitors customers' complaints, continuously train staff at all levels, conducts market surveysand periodic reviews of business practices through its Internal Audit department. The directors are satisfied with the risk management processes in the Group as these have contributed to the minimisation of losses arising from risky exposures.

NMB BANK LIMITED

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4. RISK MANAGEMENT (continued)

4.7 Strategic risk

This refers to current and prospective impact on a Group's earnings and capital arising from adverse business decisions or implementing strategies that are not consistent with the internal and external environment. To manage this risk, the Group always has a strategic plan that is adopted by the Board of Directors. Further, attainment of strategic objectives by the various departments is monitored periodically at management level.

4.8 Environmental, Social & Governance (ESG) Risk

Environment, Social and Governance (ESG) or sustainability risk is the consideration of non-financial risks arising from the environment (flora and fauna) as well as societal issues. The Group is not only concerned about making profits, but is also keen on assessing the impact it has on the planet and the people it interacts with. There is a growing number of frameworks and standards aimed at addressing global concerns on sustainability. Global risk reports show that environmental and societal risks have overtaken economic and geopolitical risks in terms of both likelihood and impact.

To manage this risk, during the reporting period, the Bank appointed an ESG risk manager within the Risk Department. This function
is responsible for ESG policy implementation, coordination, reviews and reporting. The Group commits to responsible financing through abiding to its Exclusion List and continues to enhance its ESG policies, processes and procedures as well as to train staff on sustainability issues. The Group conducts risk reviews to identify and measure sustainability risks and in the process implement relevant and adequate controls around these risks.

4.9 Risk Ratings

4.9.1 Reserve Bank of Zimbabwe Ratings

The Reserve Bank of Zimbabwe conducted an onsite inspection on the Group's banking subsidiary on 24 November 2016. Below are the final ratings from the onsite examination.

4.9.1.1 CAMELS* Ratings

CAMELS Component	Latest RBS** Ratings 24/11/2016	Previous RBS Ratings 30/06/2013	Previous RBS Ratings 31/01/2008
Capital Adequacy	2	2	4
Asset Quality	3	4	2
Management	3	3	3
Earnings	2	2	3
Liquidity	3	2	3
Sensitivity to Market Risk	2	2	3
Composite Rating	3	3	3

*CAMELS is an acronym for Capital Adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to Market Risk. CAMELS rating system uses a rating scale of 1-5, where '1' is Strong, '2' is Satisfactory, '3' is Fair, '4' is Weak and '5' is Critical.

**RBS stands for Risk-Based Supervision.

4.9.1.2 Summary RAS ratings

RAS Component	Latest RAS*** Ratings 24/11/2016	Previous RAS Ratings 30/06/2013	Previous RAS Ratings 31/01/2008
Overall Inherent Risk	High	Moderate	Moderate
Overall Risk Management Systems	Acceptable	Acceptable	Acceptable
Overall Composite Risk	Moderate	Moderate	Moderate
Direction of Overall Composite Risk	Stable	Stable	Stable

*** RAS stands for Risk Assessment System.

4.9.1.3 Summary risk matrix – 24 November 2016 on - site examination

Type of Risk	Level of Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit	High	Acceptable	High	Stable
Liquidity	High	Acceptable	High	Stable
Interest Rate	Moderate	Acceptable	Moderate	Stable
Foreign Exchange	Low	Acceptable	Low	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	Moderate	Acceptable	Moderate	Stable
Legal & Compliance	Moderate	Acceptable	Moderate	Stable
Reputation	High	Acceptable	Moderate	Stable
Overall	Moderate	Acceptable	Moderate	Stable

KEY

High	Moderate	Low

Level of Inherent Risk

Level of Inherent Risk

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

Moderate – could reasonably be expected to result in a loss which could be absorbed by a banking institution in the normal course of business.

High – reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the 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 control exceptions or by the failure to adhere to written policies and procedures.

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

Adequacy of Risk Management Systems (continued)

Strong – (continued)

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 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 the current information, risk is expected to be stable in the next 12 months.

4.9.2 External Credit Ratings

The external credit ratings were given by Global Credit Rating (GCR), a credit rating agency accredited with the Reserve Bank of Zimbabwe.

Security class	2019	2018
Long term	BB-	BBB-

The current rating expires in August 2020.

4.10 Regulatory Compliance

There was no regulatory breach resulting in penalties during the period under review. The Bank is committed to comply with and adhere to all regulatory requirements.

5. CAPITAL MANAGEMENT

The primary objective of the Bank's capital management is to ensure that the Bank complies with the RBZ requirements. In implementing the current capital requirements, the RBZ requires the Banking subsidiary to maintain a prescribed ratio of total capital to total risk weighted assets.

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings (including current year profit), statutory reserve and other equity reserves. The other component of regulatory capital is Tier 2 capital, which includes subordinated term debt, revaluation reserves and portfolio provisions.

Tier 3 capital relates to an allocation of capital to market and operational risk.

Various limits are applied to elements of the capital base. The core capital (Tier 1) shall comprise not less than 50% of the capital base and the regulatory reserves and portfolio provisions are limited to 1.25% of total risk weighted assets.

The Bank's regulatory capital position at 31 December was as follows:

	Inflation Adjusted		Historical Cost	
	2019 ZWL	2018 ZWL Restated	2019 ZWL	2018 ZWL
Share capital	161 906	161 906	16 506	16 506
Share premium	287 040 745	287 040 745	31 474 502	31 474 502
Retained earnings	217 387 032	221 025 066	329 398 472	47 267 030
Fair value gains on investment properties	-	(20 234 771)	-	(3 257 631)
	504 589 683	487 992 947	360 889 480	75 500 407
Less: capital allocated for market and operational risk	(13 706 269)	(24 142 847)	(13 706 269)	(3 886 799)
Tier 1 capital	490 883 414	463 850 099	347 183 211	71 613 608
Tier 2 capital (subject to limit as per Banking Regulations)	193 856 644	50 068 140	205 935 382	8 197 298
Fair value gains on investment properties	-	20 234 771	-	3 257 631
Functional currency translation reserve	64 096 897	-	11 619 648	-
Fair valuation gains on land and buildings	108 586 781	-	176 079 950	136 741
Subordinated debt	294 339	1 876 817	294 339	302 152
Stage 1 & 2 ECL provisions – (limited to 1,25% of risk weighted assets)	20 878 627	27 956 552	17 941 445	4 500 774
Tier 1 & 2 capital	684 740 058	513 918 239	553 118 593	9 810 906
Tier 3 capital (sum of market and operational risk capital)	13 706 269	24 142 847	13 706 269	3 886 799
Total capital base	698 446 328	538 061 087	566 824 862	83 697 705
Total risk weighted assets	1 568 817 144	2 236 524 251	1 435 315 609	360 061 931
Tier 1 ratio	31.29%	20.74%	24.19%	19.89%
Tier 2 ratio	12.36%	2.24%	14.35%	2.28%
Tier 3 ratio	0.87%	1.08%	0.95%	1.08%
Total capital adequacy ratio	44.52%	24.06%	39.49%	23.25%
RBZ minimum required	12%	12%	12%	12%

6. SEGMENT INFORMATION

For management purposes, the Bank is organised into five operating segments based on products and services as follows:

Retail Banking	Individual customer's deposits and consumer overdrafts, credit card facilities and funds transfer facilities.
Corporate Banking	Loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Treasury	Money market investment, securities trading, accepting and discounting of instruments and foreign currency trading.
International Banking	Handles the Bank's foreign currency denominated banking business and manages relationships with correspondent.
Digital Banking	Handles the Bank's Digital Banking products including Card and POS Services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. Income taxes are managed on a bank wide basis and are not allocated to operating segments.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2019 and 2018.

NOTES TO THE CONDENSED AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The following table presents income and profit and certain asset and liability information regarding the bank's operating segments and service units:

	Inflation Adjusted						
	Retail Banking ZWL	Corporate Banking ZWL	Treasury Banking ZWL	International Banking ZWL	Digital Banking ZWL	Other ZWL	Total ZWL
For the year ended 31 December 2019							
Income							
Third party income	80 752 147	88 765 652	35 363 708	7 984 485	84 355 453	433 612 528	730 833 973
Interest and similar expense	(4 141 148)	(19 832 183)	(27 722 415)	-	-	-	(51 695 746)
Net operating income	**76 610 999**	**68 933 468**	**7 641 293**	**7 984 485**	**84 355 453**	**433 612 528**	**679 138 227**
Other material non-cash items							
Impairment losses on financial assets measured at amortised cost	2 505 772	8 129 454	413 341	-	-	-	11 048 567
Depreciation of property and equipment	7 432 905	335 771	103 329	57 662	6 792 659	698 150	15 427 213
Depreciation of right of use assets	-	-	-	-	-	3 088 496	3 088 496
Amortisation of intangible assets	-	-	-	-	-	6 356 249	6 356 249
Segment profit/(loss)	**31 020 284**	**18 939 582**	**20 861 597**	**(766 697)**	**28 236 805**	**(11 987 559)**	**86 304 010**
Income tax charge	-	-	-	-	-	(70 006 030)	(70 006 030)
Revaluation of land and buildings, net of tax	-	-	-	-	-	108 586 781	108 586 781
Translation gain on change in functional currency	-	-	-	-	-	64 096 897	64 096 897
Profit/(loss) for the year	**31 020 284**	**18 939 582**	**20 861 597**	**(766 697)**	**28 236 805**	**98 985 867**	**188 981 658**
As at 31 December 2019							
Assets and liabilities							
Capital expenditure (property and equipment and intangible assets)	6 592 267	-	124 352	19 881	1 064 734	28 159 581	35 960 815
Total assets	**360 259 251**	**569 190 851**	**327 314 026**	**110 907 699**	**12 041 259**	**707 061 131**	**2 089 780 219**
Total liabilities	**575 250 093**	**407 188 006**	**261 424 308**	**38 506 936**	**-**	**113 325 724**	**1 409 506 856**

	Inflation Adjusted						
	Retail Banking ZWL	Corporate Banking ZWL	Treasury Banking ZWL	International Banking ZWL	Digital Banking ZWL	Other ZWL	Total ZWL
For the year ended 31 December 2018							
Income							
Third party income	107 042 023	79 066 196	50 020 957	3 509 546	49 960 329	321 801 928	611 400 980
Interest and similar expense	(6 694 647)	(6 855 508)	(37 225 265)	(22 356 520)	-	-	(72 131 939)
Net operating income	**100 347 377**	**73 210 688**	**12 795 692**	**(18 846 975)**	**49 960 329**	**321 801 928**	**539 269 041**
Other material non-cash items:							
Impairment losses on financial assets measured at amortised cost	5 651 813	18 336 125	932 298	-	-	-	24 920 236
Depreciation of property and equipment	2 961 021	292 320	94 689	26 157	5 416 693	3 200 958	11 991 839
Amortisation of intangible assets	-	-	-	-	-	7 882 765	7 882 765
Segment profit/(loss)	**6 450 806**	**9 783 584**	**4 176 244**	**(1 875 083)**	**5 652 381**	**76 993 683**	**101 181 617**
Income tax charge	-	-	-	-	-	(41 518 402)	(41 518 402)
Other comprehensive income	-	-	-	-	-	-	-
Profit/(loss) for the year at 31 December 2018	**6 450 806**	**9 783 584**	**4 176 244**	**(1 875 083)**	**5 652 381**	**35 483 421**	**59 663 215**
Assets and Liabilities							
Capital expenditure (property and equipment and intangible assets)	10 501 839	25 637	-	74 729	1 120 059	47 766 046	59 488 310
Total assets	**561 604 751**	**809 433 458**	**919 179 760**	**19 837 695**	**33 384 462**	**950 329 158**	**3 293 749 284**
Total liabilities	**919 829 080**	**824 719 196**	**797 512 901**	**69 367 300**	**-**	**174 093 090**	**2 785 521 567**

NOTES TO THE CONDENSED AUDITED FINANCIAL STATEMENTS
for the year ended 31 December 2019

6.1 GEOGRAPHICAL INFORMATION

The Bank operates in one geographical market, Zimbabwe.

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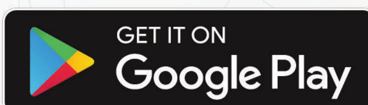
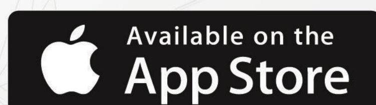
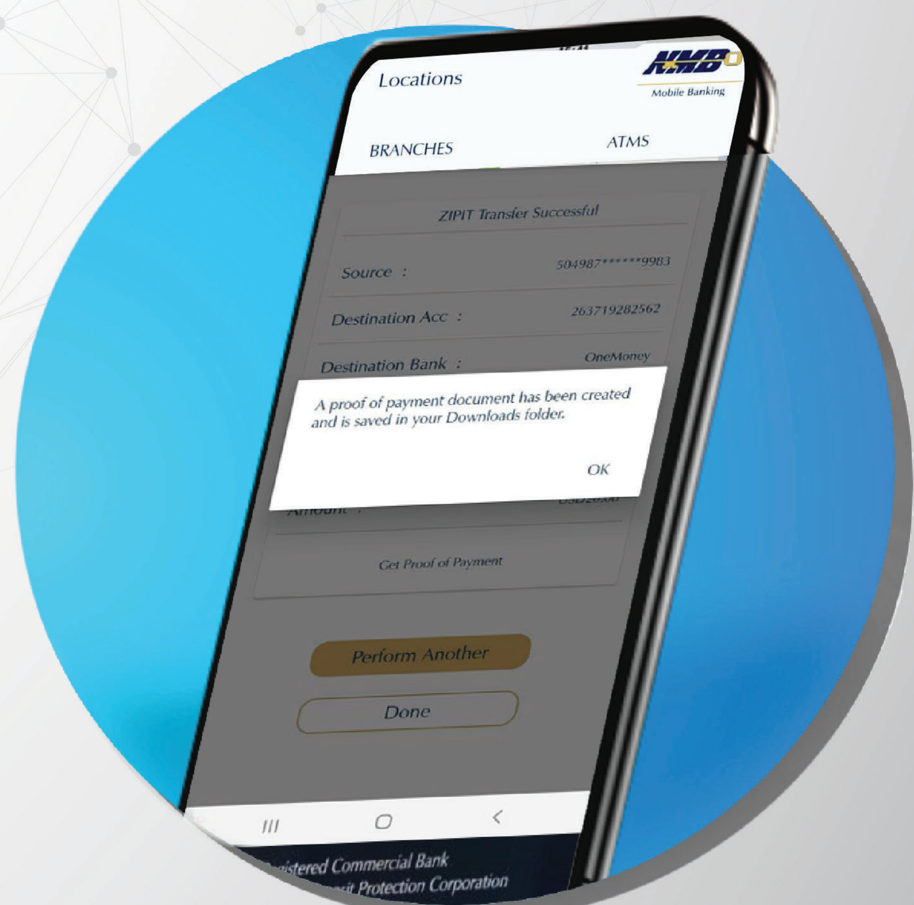
The New NMBMobile App allows you to save a proof of payment.

It's your choice, Screenshot or Save it.







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Independent Auditor's Report

To the Shareholders of NMBZ Holdings Limited

Report on the Audit of the consolidated and separate inflation adjusted financial statements

Adverse Opinion

We have audited the consolidated and separate inflation adjusted financial statements of NMBZ Holdings Limited and its subsidiaries (the Group), as set out on pages 27 to 159, which comprise the consolidated and separate inflation adjusted consolidated and separate statement of financial position as at 31 December 2019, and the consolidated and separate inflation adjusted statement of comprehensive income, consolidated and separate inflation adjusted statement of changes in equity and consolidated and separate inflation adjusted statement of cash flows for the year then ended, and notes to the consolidated and separate inflation adjusted financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated and separate inflation adjusted financial statements do not present fairly the financial position of the Group and company as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates in Prior Period and Inappropriate Application of IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors

Non compliance with IAS 8

As explained in note 2.4.6 to the consolidated and separate inflation adjusted financial statements, the Group applied the United States Dollar (US$) as its functional currency for the period 1 January 2018 to 22 February 2019 and the Zimbabwe Dollars (ZWL) for the period 23 February 2019 to 31 December 2019. In order to comply with Statutory Instrument 33 of 2019, issued on 22 February 2019, the Group changed its functional currency with effect from this date. We however believe that the change in currency occurred prior to that date. The consolidated and separate inflation adjusted financial statements are presented in ZWL.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out FCA RTGS Accounts from the FCA Nostro US$ Accounts during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US$ amounts. In February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTG$) and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, the Zimbabwe Dollar (which comprises RTGS$, Bond notes and Bond Coins) was the sole legal tender effective 24 June 2019.

These events triggered the need for the Group to assess whether there was a change in functional currency (from US$ to RTGS/ZWL) and to determine an appropriate spot rate as required by IAS 21.

We believe that events in the market and subsequent promulgation of the ZWL as a formal currency supports that there was a change in functional currency from US$ to ZWL and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 ZWL: US$ exchange rate and this occurred effective 1 October 2018.

Accordingly, the consolidated and separate inflation adjusted financial statements of the Group included balances and transactions denominated in US$ that were not converted to ZWL at a ZWL: US$ exchange rate that reflects the economic substance of its value as required by IFRS. The directors have provided more information on their approach in Note 2.4.6 to the consolidated and separate inflation adjusted financial statements.

In respect of the above matter we issued an adverse opinion in the prior year as the effects of the departure from IFRS were pervasive to the financial statements but could not be quantified owing to the nature of the matter.

Management's approach in the current year, for reasons explained on Note 2.4.6, was to prospectively apply the change in functional currency from USD to ZWL from 23 February which is incorrect. The correct approach would have been a retrospective restatement as a prior period error in terms of *International Financial Reporting Standards – IAS 8 – Accounting Polices, Changes in Accounting Estimates and Errors.*

Therefore, management has not restated the opening balances to resolve the matters which resulted in the adverse audit report in the prior period and therefore the matter is continuing. As a consequential impact, the application of IAS 29 is inappropriate.

Furthermore, notwithstanding that IAS 29 - Financial Reporting in Hyperinflationary Economies has been applied from 1 January 2019 to 31 December 2019, it is noted that its application was based on prior and current periods' financial information which was not in compliance with IAS 21 / IAS 8 as described above. Had the correct base numbers and start date been used, most elements of the consolidated and separate inflation adjusted financial statements would have been materially different.

As a result of the incorrect application of IAS 8, on the 23rd of February 2019, management translated foreign denominated balances to ZWL/RTGS$ at the interbank exchange rate of 1:2.5 and local balances at an exchange rate of USD1: ZWL1 which resulted in an imbalance which was recognised as a translation adjustment of ZWL$ 11 619 648 directly to equity which is contrary to the requirements of IAS 21.

As a result of these matters:

- All corresponding numbers remain misstated on the consolidated and separate inflation adjusted Statements of Financial Position, Cash Flows Profit or Loss and Changes in Equity.

- As opening balances enter into the determination of cash flows and performance, our current year opinion is modified in respect of the impact of this matter on the consolidated and separate inflation adjusted Statement of Cash Flows, Statement of Profit or Loss and Statement of Changes in Equity.

Our opinion on the current period's consolidated and separate inflation adjusted financial statements is also modified because of the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures.

In addition to the impacts on the corresponding numbers, current year performance and cash-flows the matter continues to impact the balances on the consolidated and separate inflation adjusted Statement of Financial Position as many of these still comprise of amounts from opening balances. Whilst this matter might not affect all accounts in the statement of financial position the specific accounts and the portions affected by this matter have not been identified / quantified here. This is due to the further matters requiring modification (which have been discussed below) and which result in virtually all amounts being incorrectly stated.

Non-compliance with IAS 21

Exchange rates used in the current year

As outlined in Note 34 to the consolidated and separate inflation adjusted financial statements, for the year ended 31 December 2019, the Group translated foreign denominated transactions and balances using interbank rates. Furthermore, at 31 December 2019 the Group's properties were valued in the United States Dollar currency and converted to local currency using the interbank rate per Note 24 and Note 26 to the consolidated and separate inflation adjusted financial statements. The exchange rates used for the translation do not meet the definition of a spot exchange rate as per IAS 21. We therefore believe that the exchange rates for transactions and balances between the US$ and the ZWL used by the Group did not meet the criteria for appropriate exchange rates in terms of IFRS. Had the correct rate been used a number of significant accounts would have been affected in a material manner.

Accounting for blocked funds

Included in Other receivables of ZWL253 717 875 on Note 20.5 to the consolidated and separate inflation adjusted financial statements for the year ended 31 December 2019 are local balances denominated in the Group's functional currency. Of this, local balances amounting to ZWL13 840 412 which are held with the central bank have been treated as foreign currency and translated at the interbank exchange rate of 31 December 2019 in contravention of IAS 21 which defines 'foreign currency' as a currency other than the functional currency of the entity resulting in an overstatement of the balance by ZWL$218 263 495. Had these funds been treated correctly as local funds, Net foreign exchange gains would have been ZWL36 547 950, Other receivables would have been ZWL35 454 380, Retained Earnings and Loss for the period would have been ZWL111 242 074 and ZWL134 172 465 respectively.

The effects of the above departures from IFRS are material and pervasive to the consolidated and separate inflation adjusted financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further descried in the *Auditor's Responsibilities for the Audit of the Consolidated and separate Inflation Adjusted Financial Statements* section of our report. We are independent of the Group 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 financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Except for the matters described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, The Chief Executive Officer's Business Report, the Directors' Report and the Statement of Corporate Governance and Responsibility but does not include the consolidated and separate and Company inflation adjusted financial statements and our auditor's report thereon. Our opinion on the consolidated and separate and Company financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. The Chairman's Statement, The Chief Executive Officer's Business Report, the Directors' Report and the Statement of Corporate Governance and Responsibility is expected to be made available to us after the date of this auditor's report.

In connection with our audit of the consolidated and separate 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 consolidated and separate inflation adjusted financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates and we could not obtain sufficient appropriate evidence regarding the valuation of properties. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to comply with the referred standard.

Responsibilities of the Directors for the Consolidated and separate Inflation Adjusted Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated and separate inflation adjusted Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's 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 consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate inflation adjusted financial statements, including the disclosures, and whether the consolidated and separate inflation adjusted financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate inflation adjusted financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

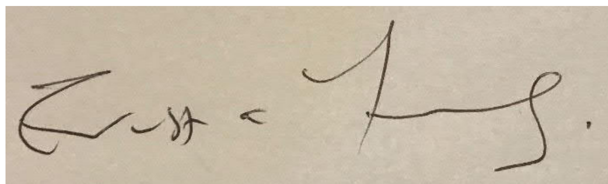
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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.

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated and separate inflation adjusted financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is David Marange (PAAB Number 0436).



Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

Date: 28 April 2020